

Regular Session, 2008

HOUSE BILL NO. 541

BY REPRESENTATIVE HINES

MORTGAGES: Prohibits the use of negative amortization by financial institutions

1 AN ACT

2 To enact R.S. 6:1096(J), relative to the financing of a residential mortgage loan; to prohibit
3 the financing of a residential mortgage loan where the periodic payments would
4 increase the principal balance; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 6:1096(J) is hereby enacted to read as follows:

7 §1096. Residential mortgage loans

8 * * *

9 J. No mortgage lender shall finance with a borrower a residential mortgage
10 loan for a payment schedule with regular periodic payments that cause the principal
11 balance of the loan to increase. This practice is commonly referred to as "negative
12 amortization". However, the provisions of this Subsection shall not apply as a
13 consequence of a temporary forbearance or restructure sought by the borrower.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Hines

HB No. 541

Abstract: Prohibits a mortgage lender from financing with a borrower for periodic payments that would lead to an increase in the principal balance (negative amortization).

Proposed law prohibits a mortgage lender from financing a residential mortgage loan for a payment schedule with regular periodic payments that cause the principal balance of the loan to increase, also commonly referred to as "negative amortization". However, the provisions of proposed law shall not apply as a consequence of a temporary forbearance or restructure sought by the borrower.

(Adds R.S. 6:1096(J))