

FORM 601(j)

“RED FLAG” WARNING

This notice concerns your application for a loan to be secured by your home. **Your mortgage broker or lender should provide this notice to you within 3 days after you submitted your loan application.**

You should fully understand the information in this form before you close on your loan or sign any loan documents or agreements. This form will assist you in determining whether your mortgage broker or lender may be engaging in predatory lending practices in violation of District of Columbia law.

REMEMBER A MORTGAGE GIVES A LENDER THE RIGHT TO FORECLOSE ON YOUR HOME!

IF YOU CANNOT OR DO NOT PAY THE MONTHLY PAYMENTS ON TIME, YOUR HOME CAN BE SOLD AND YOU COULD LOSE YOUR EQUITY IN YOUR HOME AND BE EVICTED!

If you answer yes to one or more of the following questions, your lender may be engaging in predatory lending practices in violation of the District of Columbia Protections from Predatory Lending and Mortgage Foreclosure Improvements Act of 2000, effective April 3, 2001 (D.C. Law 13-263; 48 DCR 991).

Please note that this list is not exclusive and does not contain all the possible lending abuses and violations that may occur. The District of Columbia Department of Banking and Financial Institutions highly recommends that you seek assistance or advice from the list of Housing Counseling Agencies available from the Department of Banking and Financial Institutions (1400 L Street, N.W., Washington, D.C. 20005, Suite 400), your Attorney, Accountant or Financial Advisor **before** you sign any loan agreement.

1. **Red Flag Warning 1: Unaffordable Loan.** Are you are spending 50% or more of your gross monthly income for the new monthly mortgage payment? For example, you may be retired, disabled, handicapped or you may be consolidating (paying off) credit cards, auto, personal or other loans with this refinance and not reducing your overall monthly payments substantially. ***If your answer is yes, your lender may be making a home loan to you that you are unable to afford.***

2. **Red Flag Warning 2: Financed Credit Insurance.** Have you purchased single-premium credit insurance with your new loan and is the single-premium credit insurance being financed through your loan? ***If your answer is yes, your lender may be engaging in a predatory lending activity.***

3. Red Flag Warning 3: Repeated Refinancings. Have you refinanced your home more than once in the last 18 months and is your lender financing more than \$400 of your previous points and fees in your new loan? ***If your answer is yes, your lender may be engaging in repeated refinancings or “flipping” of your home in violation of the law.***

4. Red Flag Warning 4: Encouraging Nonpayment. Have you been informed by your lender that, because you are refinancing, you should not continue to pay on your existing loan? ***If your answer is yes, your lender may be encouraging you to default on your existing loan in anticipation of refinancing in violation of the law.***

5. Red Flag Warning 5: Unreasonably High Interest Rate. Do you have a new loan with an annual percentage rate substantially greater than the rate you think you would otherwise have qualified for? For example, your interest rate is more than 3% above the rates for 30-year fixed rate mortgages published in the Washington Post each Saturday in the Real Estate Section or the Washington Times each Friday in the Home Section. ***If your answer is yes, your lender may be using your credit scores inaccurately or improperly in violation of the law.***

6. Red Flag Warning 6: Failure To Report Good Payment History. Was your favorable payment history and information **not** reported to a nationally recognized credit reporting agency for a period of more than 6 months? ***If your answer is yes, your lender could be failing to report your favorable credit history and may be in violation of the law.***

7. Red Flag Warning 7: High Fees And Charges. Are you are paying an amount in loan origination and discount points and other finance charges for your new loan (such as an amount equal to 5 loan origination or discount points)? ***If your answer is yes, your lender may be charging you a fee which, when considering your total home loan transaction, appears unconscionable.***

8. Red Flag Warning 8: Increased Interest Rate On Default. Do you have a home loan that includes a provision that increases the home loan’s interest rate upon default? ***If your answer is yes, your lender may be engaging in a predatory lending activity.***

9. Red Flag Warning 9: Improper Fees. Have you been charged fees for services that are not actually performed or charged loan discount points that do not reduce or materially result in a reduction of your interest rate? ***If your answer is yes, your lender may be acting in violation of the law.***

10. Red Flag Warning 10: Failure To Provide Notice. Did you fail to receive a copy of this “Red Flag-” Warning (Form 601(j)) from your lender within 3 days of submitting your home loan application? ***If your answer is yes, your lender may have failed to send you a required disclosure notice.***

11. Red Flag Warning 11: Prepayment Penalty. Have you been charged a prepayment premium, fee or charge? ***If your answer is yes, your lender may be engaging in predatory lending activity.***

12. Red Flag Warning 12: Balloon Payment. Do you have a home loan with a scheduled balloon payment in less than 7 years? *If your answer is yes, your lender may be engaging in predatory lending activity.*

13. Red Flag Warning 13: Advance Waiver. Have you waived a violation of any provision of your new loan in advance of finalizing your loan? *If your answer is yes, your lender may be imposing an advance waiver provision on you in violation of the law.*

14. Red Flag Warning 14: Mandatory Arbitration. Does your new home loan contain any mandatory arbitration clauses? *If your answer is yes, your lender may be engaging in a predatory lending practice.*

15. Red Flag Warning 15: Limit on Court Relief. Does your new home loan contain any mandatory limitations on your right to seek relief through the judicial process? *If your answer is yes, your lender may be engaging in a predatory lending practice.*

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I hereby certify that this form was delivered to me on the

_____ day of [month, year]

Signature

Name (Please Print)

Date