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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

A N A C T

RELATING TO PROPERTY -- MORTGAGES OF REAL PROPERTY

Introduced By: Representatives McEntee, Spears, Caldwell, and O'Brien

Date Introduced: February 27, 2026

Referred To: House Judiciary

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 34-23-5 of the General Laws in Chapter 34-23 entitled "Mortgages
2 of Real Property" is hereby amended to read as follows:

3 **34-23-5. Prepayment of mortgage loans.**

4 (a) Every bank, trust company, loan company, building-loan association, credit union,
5 finance company and other person(s) making a loan or loans secured by a mortgage or mortgages
6 on real estate located in Rhode Island containing thereon dwelling houses of not more than four (4)
7 dwelling units shall provide in the mortgage note, and in any event the loan or loans shall be upon
8 the condition that the full payment of mortgage may be made at any time after one year from the
9 making of the loan without penalty, provided further, that during the first year, penalty or other
10 charges for prepayment shall not exceed two percent (2%) of the balance due at date of the pay-
11 off. If interest or other charges in connection with the loan or loans shall have been prepaid or
12 included in the face of the mortgage, the holder thereof shall rebate the interest or other charges
13 under regulations promulgated by the director of the department of business regulation.

14 (b) Alternatively a bank, trust company, loan company, building-loan association, credit
15 union, finance company and other person(s) making a nonpurchase money loan or loans secured
16 by a mortgage or mortgages on real estate located in Rhode Island containing on it dwelling houses
17 of not more than four (4) dwelling units, may impose a prepayment penalty or other similar charges
18 for the prepayment of a mortgage loan notwithstanding the prepayment penalty limitation imposed
19 in subsection (a), but only if:

1 (1) The terms, conditions and amount of the prepayment penalty or other similar charges
2 are prominently and conspicuously disclosed in writing to the borrower;

3 (2) The borrower agrees and consents to be bound by these terms and conditions; and

4 (3) Provided no prepayment penalty shall be imposed for any prepayment occurring more
5 than sixty (60) months after the date of such loan.

6 (c) Any bank, trust company, loan company, building-loan association, credit union,
7 finance company or other lender that chooses to offer a mortgage product pursuant to subsection
8 (b) shall have available a similar mortgage product that complies with the limitations set forth in
9 subsection (a) and all applicable federal regulations.

10 (d) Any prepayment penalty imposed under this section shall not be construed as interest
11 under the provisions of § 6-26-2.

12 (e) The limitations under this section shall only apply to mortgage loans made for real
13 estate containing owner-occupied dwelling houses of not more than four (4) dwelling units only if:

14 (1) The terms, conditions and amount of the prepayment penalty or other similar charges
15 are prominently and conspicuously disclosed in writing to the borrower;

16 (2) The borrower agrees and consents to be bound by these terms and conditions; and

17 (3) Provided no prepayment penalty shall be imposed for any prepayment occurring more
18 than sixty (60) months after the date of such loan.

19 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO PROPERTY -- MORTGAGES OF REAL PROPERTY

- 1 This act would limit mortgage prepayment rules to mortgages on owner-occupied
- 2 properties with one to four (4) dwelling units.
- 3 This act would take effect upon passage.

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