

April 14, 2026

Sen. Robert Britto, Chairman
Senate Committee on Commerce
Rhode Island Senate
82 Smith Street
Providence, RI 02903

Re: LETTER OF SUPPORT S3073, An Act Relating to Property – Mortgages of Real Estate

Dear Chairman Britto and members of the Committee:

Rocket Mortgage appreciates the opportunity to submit this letter of support for S3073, which would amend Rhode Island’s prepayment penalty statute to state that existing restrictions apply only to mortgage loans made on real estate containing owner-occupied dwelling houses of not more than four dwelling units. This targeted change will preserve critical consumer protections while modernizing Rhode Island law to align with the approach taken by most states.

Under current Rhode Island law, lenders are prohibited from charging a prepayment penalty after one year of closing a purchase money loan secured by a mortgage on real estate and are limited to charging 2% of the outstanding balance if prepaid within the first year. Rocket Mortgage agrees that prepayment penalties charged to consumers obtaining credit for personal, family, or household purposes can cause an undue financial burden. However, a prepayment penalty can be a beneficial option for borrowers seeking more favorable upfront pricing on business purpose mortgage loans.

Lenders providing mortgage financing for true investment properties traditionally offer different pricing structures depending on whether a prepayment penalty is included in the loan contract. Specifically, loans with a prepayment penalty typically receive lower upfront pricing — a lower interest rate and/or reduced origination fees — whereas loans without a prepayment penalty are priced higher to offset the risk of a loan being repaid earlier than anticipated. The table below illustrates the potential savings available to a real estate investor on a \$300,000 loan:

| | No Prepayment Penalty | 5-Year Prepayment Penalty |
|-----------------|------------------------------|----------------------------------|
| Interest Rate | 7.875% | 6.875% |
| Monthly Payment | \$2,175 | \$1,971 (savings of \$204/month) |

S3073 would retain all existing protections for consumers by limiting the scope of Rhode Island’s prepayment penalty statute to owner-occupied residential properties of four units or fewer. Real estate investors obtaining business purpose loans on non-owner-occupied investment properties would gain the ability to negotiate a prepayment penalty with their lender in exchange for reduced upfront costs, a tradeoff that is widely available in neighboring states and across the country. Connecticut, for instance, restricts prepayment penalties only on high-cost home loans for consumer purposes, while Massachusetts limits such restrictions to owner-occupied homes. Both states freely permit prepayment penalties on business purpose loans.

The benefits of S3073 extend beyond individual real estate investors. When investors can obtain more favorable financing terms on rental properties, those savings can be passed along to tenants in the form of lower rents, contributing to greater housing affordability across Rhode Island. This bill does not expand credit risk, does not weaken consumer protections, and does not impose any cost on the state. It simply ensures that Rhode Island's law treats business purpose loans consistently with the approach taken by most other states.

Rocket Mortgage strongly supports S3073 and urges the Committee to advance this legislation. We appreciate the Committee's leadership on this important issue and welcome the opportunity to discuss it further. Should you have any questions, please contact David Fifer at (305) 606-9146 or at DavidFifer@Rocket.com.

Respectfully submitted,

David Fifer

David Fifer
Vice President, Government Affairs
Rocket Mortgage