§ 590-a. Junior mortgage loans. 1. A licensee may make a loan to a natural person upon the security of a mortgage on residential real property which is not a first lien at the rate or rates agreed to by the licensee and the borrower, subject to such regulations as the superintendent of financial services may prescribe. Such regulations by the superintendent of financial services may include such restrictions as the superintendent of financial services finds necessary or proper. For purposes of this section, the term mortgage shall include a lien on an existing ownership interest in certificates of stock or other evidence of an ownership interest in, and a proprietary lease from, a corporation or partnership formed for the purpose of the cooperative ownership of residential real estate.

2. A contract, note or instrument evidencing or securing a junior mortgage loan shall not contain any acceleration clause which would provide that the junior mortgage loan may be declared due and payable upon the condition that the licensee deems itself insecure with respect to the unpaid balance of such junior mortgage loan; shall not contain clauses which authorize confession of judgment; shall allow the borrower to prepay the loan in whole or in part without penalty, and shall contain the following notice in bold face type, at least ten point size:

"DEFAULT IN THE PAYMENT OF THIS LOAN AGREEMENT MAY RESULT IN THE LOSS OF THE PROPERTY SECURING THE LOAN. UNDER FEDERAL LAW, YOU MAY HAVE THE RIGHT TO CANCEL THIS AGREEMENT. IF YOU HAVE THIS RIGHT, THE CREDITOR IS REQUIRED TO PROVIDE YOU WITH A SEPARATE WRITTEN NOTICE SPECIFYING THE CIRCUMSTANCES AND TIMES UNDER WHICH YOU CAN EXERCISE THIS RIGHT."

3. Where the contract, note or instrument evidencing or securing a junior mortgage loan provides for a variable rate of interest, said rate shall be based on a published index that is (a) readily available, (b) independently verifiable, (c) beyond the control of the licensee, and (d) approved by the superintendent. The interest rate of the junior mortgage loan shall be reduced in proportion to any decrease in the index rate. Increases in the interest rate may be made at the option of the licensee.

4. The superintendent of financial services shall adopt regulations,

including but not limited to: (a) providing for disclosure to the borrower by the licensee of the circumstances under which the rate may increase, any limitations on the increase, the effect of an increase and an example of the payment terms that would result from an increase, (b) providing for disclosure to the borrower by the licensee of a history of the fluctuations of the index over a reasonable period of time, and (c) providing for notice to the borrower from the licensee of any rate increase or change in the terms of payment.

5. A line of credit secured by a junior mortgage shall be established in an amount of no less than twenty-five hundred dollars; and shall be repayable in monthly installments.