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**By: Delegates Baldwin, Perry, and Greenip**

Introduced and read first time: January 31, 1997

Assigned to: Economic Matters

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A BILL ENTITLED

1 AN ACT concerning

**2 Residential Real Property - Cancellation of Private Mortgage Insurance**

3 FOR the purpose of requiring a residential mortgage lender to make certain disclosures  
4 to a borrower under certain mortgage lender laws concerning the cancellation of  
5 private mortgage insurance under certain circumstances; requiring a  
6 State-chartered credit union to eliminate all charges to a mortgagor of a first  
7 mortgage on residential real property for mortgage insurance premiums under  
8 certain circumstances; requiring a certain mortgage lender to eliminate all charges  
9 to a mortgagor of a first mortgage on residential real property for mortgage  
10 insurance premiums under certain circumstances; and generally relating to the  
11 cancellation of private mortgage insurance in residential real property.

12 BY repealing and reenacting, without amendments,  
13 Article - Commercial Law  
14 Section 12-106(d)  
15 Annotated Code of Maryland  
16 (1990 Replacement Volume and 1996 Supplement)

17 BY adding to  
18 Article - Commercial Law  
19 Section 12-106(e) and 12-1007.2  
20 Annotated Code of Maryland  
21 (1990 Replacement Volume and 1996 Supplement)

22 BY repealing and reenacting, without amendments,  
23 Article - Financial Institutions  
24 Section 5-508  
25 Annotated Code of Maryland  
26 (1992 Replacement Volume and 1996 Supplement)

27 BY adding to  
28 Article - Financial Institutions  
29 Section 6-608 and 11-513.1  
30 Annotated Code of Maryland

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1 (1992 Replacement Volume and 1996 Supplement)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
3 MARYLAND, That the Laws of Maryland read as follows:

4 **Article - Commercial Law**

5 12-106.

6 (d) At the time of application for a loan under this title secured by residential real  
7 property, the lender shall furnish to the borrower a clear and conspicuous written  
8 statement, in print not smaller than 10 point type, specifying that if private mortgage  
9 insurance is required to be purchased as a condition for making the loan, the borrower  
10 may be eligible to request that under appropriate circumstances the private mortgage  
11 insurance be canceled. The statement shall be signed by the borrower and a copy shall be  
12 furnished to the borrower.

13 (E) (1) IF PRIVATE MORTGAGE INSURANCE IS REQUIRED FOR A  
14 RESIDENTIAL MORTGAGE TRANSACTION AND THE INSURANCE MAY BE CANCELED  
15 BY THE BORROWER WHILE THE MORTGAGE IS OUTSTANDING, THE LENDER SHALL  
16 DISCLOSE TO THE BORROWER NOT LESS THAN ANNUALLY WHILE THE INSURANCE  
17 IS IN EFFECT:

18 (I) IDENTIFYING INFORMATION AS MAY BE NECESSARY TO  
19 PERMIT THE BORROWER TO COMMUNICATE WITH THE LENDER, THE SERVICER OF  
20 THE MORTGAGE IF OTHER THAN THE LENDER, AND THE ISSUER OF THE PRIVATE  
21 MORTGAGE INSURANCE CONCERNING THE INSURANCE;

22 (II) ANY CONDITIONS THAT MUST BE MET BEFORE THE PRIVATE  
23 MORTGAGE INSURANCE MAY BE CANCELED BY THE BORROWER, INCLUDING:

24 1. ANY MINIMUM RATIO BETWEEN THE PRINCIPAL ON THE  
25 LOAN REMAINING OUTSTANDING AND EITHER THE ORIGINAL OR THE CURRENT  
26 VALUE OF THE PROPERTY SECURING THE LOAN;

27 2. ANY APPRAISAL REQUIREMENT; OR

28 3. ANY TIME REQUIREMENT FOR CANCELING THE  
29 INSURANCE; AND

30 (III) THE PROCEDURES REQUIRED TO BE FOLLOWED BY THE  
31 BORROWER IN CANCELING THE INSURANCE.

32 (2) THE DISCLOSURE SHALL BE A CLEAR AND CONSPICUOUS WRITTEN  
33 STATEMENT, IN PRINT NOT SMALLER THAN 10 POINT TYPE.

34 (3) THE LENDER, SERVICER OF THE MORTGAGE, OR ISSUER OF THE  
35 PRIVATE MORTGAGE INSURANCE MAY NOT CHARGE THE BORROWER FOR  
36 PROVIDING ANY NOTICE OR INFORMATION CONCERNING THE CANCELLATION OF  
37 THE PRIVATE MORTGAGE INSURANCE.

3

1 12-1007.2.

2 (A) IF PRIVATE MORTGAGE INSURANCE IS REQUIRED FOR A RESIDENTIAL  
3 MORTGAGE TRANSACTION AND THE INSURANCE MAY BE CANCELED BY THE  
4 BORROWER WHILE THE MORTGAGE IS OUTSTANDING, THE LENDER SHALL  
5 DISCLOSE TO THE BORROWER NOT LESS THAN ANNUALLY WHILE THE INSURANCE  
6 IS IN EFFECT:

7 (1) IDENTIFYING INFORMATION AS MAY BE NECESSARY TO PERMIT  
8 THE BORROWER TO COMMUNICATE WITH THE LENDER, THE SERVICER OF THE  
9 MORTGAGE IF OTHER THAN THE LENDER, AND THE ISSUER OF THE PRIVATE  
10 MORTGAGE INSURANCE CONCERNING THE INSURANCE;

11 (2) ANY CONDITIONS THAT MUST BE MET BEFORE THE PRIVATE  
12 MORTGAGE INSURANCE MAY BE CANCELED BY THE BORROWER, INCLUDING:

13 (I) ANY MINIMUM RATIO BETWEEN THE PRINCIPAL ON THE LOAN  
14 REMAINING OUTSTANDING AND EITHER THE ORIGINAL OR THE CURRENT VALUE  
15 OF THE PROPERTY SECURING THE LOAN;

16 (II) ANY APPRAISAL REQUIREMENT; OR

17 (III) ANY TIME REQUIREMENT FOR CANCELING THE INSURANCE;  
18 AND

19 (3) THE PROCEDURES REQUIRED TO BE FOLLOWED BY THE  
20 BORROWER IN CANCELING THE INSURANCE.

21 (B) THE DISCLOSURE SHALL BE A CLEAR AND CONSPICUOUS WRITTEN  
22 STATEMENT, IN PRINT NOT SMALLER THAN 10 POINT TYPE.

23 (C) THE LENDER, SERVICER OF THE MORTGAGE, OR ISSUER OF THE PRIVATE  
24 MORTGAGE INSURANCE MAY NOT CHARGE THE BORROWER FOR PROVIDING ANY  
25 NOTICE OR INFORMATION CONCERNING THE CANCELLATION OF THE PRIVATE  
26 MORTGAGE INSURANCE.

27 **Article - Financial Institutions**

28 5-508.

29 If a banking institution holds a first mortgage on residential property and a private  
30 mortgage insurance corporation partially insures the mortgage, the banking institution  
31 shall eliminate all charges to the mortgagor for mortgage insurance premiums when the  
32 mortgage is reduced to the level at which the insurance corporation has no outstanding  
33 liability.

34 6-608.

35 IF A CREDIT UNION HOLDS A FIRST MORTGAGE ON RESIDENTIAL PROPERTY  
36 AND A PRIVATE MORTGAGE INSURANCE CORPORATION PARTIALLY INSURES THE  
37 MORTGAGE, THE CREDIT UNION SHALL ELIMINATE ALL CHARGES TO THE  
38 MORTGAGOR FOR MORTGAGE INSURANCE PREMIUMS WHEN THE MORTGAGE IS  
39 REDUCED TO THE LEVEL AT WHICH THE INSURANCE CORPORATION HAS NO  
40 OUTSTANDING LIABILITY.

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1 11-513.1.

2 IF A MORTGAGE LENDER HOLDS A FIRST MORTGAGE ON RESIDENTIAL  
3 PROPERTY AND A PRIVATE MORTGAGE INSURANCE CORPORATION PARTIALLY  
4 INSURES THE MORTGAGE, THE MORTGAGE LENDER SHALL ELIMINATE ALL  
5 CHARGES TO THE MORTGAGOR FOR MORTGAGE INSURANCE PREMIUMS WHEN THE  
6 MORTGAGE IS REDUCED TO THE LEVEL AT WHICH THE INSURANCE CORPORATION  
7 HAS NO OUTSTANDING LIABILITY.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
9 October 1, 1997.