

HOUSE BILL 37

Unofficial Copy
N1
HB 750/97 - ECM

1998 Regular Session
8lr0042

(PRE-FILED)

By: **Delegates Baldwin, Beck, Bobo, Greenip, Perry, Rzepkowski, and Workman**

Requested: July 14, 1997

Introduced and read first time: January 14, 1998

Assigned to: Economic Matters

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

13 BY repealing and reenacting, without amendments,
14 Article - Commercial Law
15 Section 12-106(d)
16 Annotated Code of Maryland
17 (1990 Replacement Volume and 1997 Supplement)

18 BY adding to
19 Article - Commercial Law
20 Section 12-106(e) and 12-1007.2
21 Annotated Code of Maryland
22 (1990 Replacement Volume and 1997 Supplement)

23 BY repealing and reenacting, without amendments,
24 Article - Financial Institutions
25 Section 5-508
26 Annotated Code of Maryland
27 (1992 Replacement Volume and 1997 Supplement)

1 BY adding to
2 Article - Financial Institutions
3 Section 6-609 and 11-513.1
4 Annotated Code of Maryland
5 (1992 Replacement Volume and 1997 Supplement)

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

8 **Article - Commercial Law**

9 12-106.

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

17 (E) (1) IF PRIVATE MORTGAGE INSURANCE IS REQUIRED FOR A
18 RESIDENTIAL MORTGAGE TRANSACTION AND THE INSURANCE MAY BE CANCELED
19 BY THE BORROWER WHILE THE MORTGAGE IS OUTSTANDING, THE LENDER SHALL
20 DISCLOSE TO THE BORROWER AT LEAST ANNUALLY WHILE THE INSURANCE IS IN
21 EFFECT:

22 (I) ANY INFORMATION THAT IS NECESSARY TO PERMIT THE
23 BORROWER TO IDENTIFY AND COMMUNICATE WITH THE LENDER, OR THE SERVICER
24 OF THE MORTGAGE IF OTHER THAN THE LENDER, CONCERNING THE INSURANCE;

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

27 1. ANY MINIMUM RATIO BETWEEN THE PRINCIPAL ON THE
28 LOAN THAT REMAINS OUTSTANDING AND EITHER THE VALUE OF THE PROPERTY ON
29 THE DATE THAT THE LOAN PROCEEDS ARE DISBURSED TO THE BORROWER OR THE
30 CURRENT VALUE OF THE PROPERTY SECURING THE LOAN;

31 2. ANY APPRAISAL REQUIREMENT; OR

32 3. ANY TIME REQUIREMENT FOR CANCELING THE
33 INSURANCE; AND

34 (III) THE PROCEDURES THAT THE BORROWER IS REQUIRED TO
35 FOLLOW IN CANCELING THE INSURANCE.

36 (2) THE DISCLOSURE SHALL BE A CLEAR AND CONSPICUOUS WRITTEN
37 STATEMENT, IN PRINT NO SMALLER THAN 10 POINT TYPE.

1 (3) THE LENDER OR SERVICER OF THE MORTGAGE MAY NOT CHARGE
2 THE BORROWER FOR PROVIDING ANY NOTICE OR INFORMATION CONCERNING THE
3 CANCELLATION OF THE PRIVATE MORTGAGE INSURANCE.

4 12-1007.2.

5 (A) IF PRIVATE MORTGAGE INSURANCE IS REQUIRED FOR A RESIDENTIAL
6 MORTGAGE TRANSACTION AND THE INSURANCE MAY BE CANCELED BY THE
7 BORROWER WHILE THE MORTGAGE IS OUTSTANDING, THE LENDER SHALL DISCLOSE
8 TO THE BORROWER AT LEAST ANNUALLY WHILE THE INSURANCE IS IN EFFECT:

9 (1) ANY INFORMATION THAT IS NECESSARY TO PERMIT THE BORROWER
10 TO IDENTIFY AND COMMUNICATE WITH THE LENDER, OR THE SERVICER OF THE
11 MORTGAGE IF OTHER THAN THE LENDER, CONCERNING THE INSURANCE;

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

14 (I) ANY MINIMUM RATIO BETWEEN THE PRINCIPAL ON THE LOAN
15 THAT REMAINS OUTSTANDING AND EITHER THE VALUE OF THE PROPERTY ON THE
16 DATE THAT THE LOAN PROCEEDS ARE DISBURSED TO THE BORROWER OR THE
17 CURRENT VALUE OF THE PROPERTY SECURING THE LOAN;

18 (II) ANY APPRAISAL REQUIREMENT; OR

19 (III) ANY TIME REQUIREMENT FOR CANCELING THE INSURANCE;
20 AND

21 (3) THE PROCEDURES THAT THE BORROWER IS REQUIRED TO FOLLOW
22 IN CANCELING THE INSURANCE.

23 (B) THE DISCLOSURE SHALL BE A CLEAR AND CONSPICUOUS WRITTEN
24 STATEMENT, IN PRINT NO SMALLER THAN 10 POINT TYPE.

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

28 **Article - Financial Institutions**

29 5-508.

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

1 6-609.

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

8 11-513.1.

9 IF A MORTGAGE LENDER HOLDS A FIRST MORTGAGE ON RESIDENTIAL
10 PROPERTY AND A PRIVATE MORTGAGE INSURANCE CORPORATION PARTIALLY
11 INSURES THE MORTGAGE, THE MORTGAGE LENDER SHALL ELIMINATE ALL CHARGES
12 TO THE MORTGAGOR FOR MORTGAGE INSURANCE PREMIUMS WHEN THE MORTGAGE
13 IS REDUCED TO THE LEVEL AT WHICH THE INSURANCE CORPORATION HAS NO
14 OUTSTANDING LIABILITY.

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
16 October 1, 1998.