

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

House Bill 37 (Delegate Baldwin. *et al.*)

Economic Matters

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

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This bill requires residential mortgage lenders to disclose to borrowers specific information about the cancellation of private mortgage insurance and prohibits the lenders from charging the borrower for the information. State-chartered credit unions and mortgage lenders must eliminate all charges to the mortgagor for mortgage insurance premiums for first mortgages on residential property when the mortgage is reduced to the level at which the insurance corporation has no outstanding liability.

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**Fiscal Summary**

**State Effect:** None. The bill does not directly affect governmental operations or finances.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful effect on small businesses.

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**Fiscal Analysis**

**Small Business Effect:** The bill requirements will affect mortgage lenders and State-chartered credit unions. The majority of State-chartered credit unions are small businesses and the majority of mortgage lenders are employed by small businesses.

The Maryland Credit Union League advises that few of the small State-chartered credit unions provide first mortgages on residential property and notes that the residential loans provided are almost exclusively deeds of trust not mortgages. Although substantially similar, deeds of trust are not specified in the bill as a loan on which the State-chartered credit unions must eliminate charges to the borrower for private mortgage insurance when the mortgage is reduced to a level at which the insurance corporation has no outstanding liability. Thus,

State-chartered credit unions would be largely unaffected by the bill's requirements. If these institutions provided first residential mortgages and began to sell their loans to other entities, State-chartered credit unions would experience increases in expenditures as discussed below in regard to mortgage lenders.

The majority of residential mortgage loans made by mortgage bankers and lenders are not owned or serviced by the lender who closes the loan. The owner of the loan may establish distinct criteria in regard to under what conditions and after completing what procedures the borrower may request the cancellation of private mortgage insurance. Thus, the bill's requirements that residential mortgage lenders provide disclosure to the borrower prior to the closure of the loan and throughout the life of the loan prior to the cancellation of private mortgage insurance would increase the administrative requirements of such businesses significantly.

The level of the expenditures would vary for each business depending upon the number of first residential loans made by small mortgage bankers and lenders that are insured by private mortgage insurance.

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**Information Source(s):** Credit Union League; Department of Labor, Licensing and Regulation (Division of Financial Regulation); Maryland Mortgage Bankers Association; Mortgage Insurance Companies of America; Department of Legislative Services

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Analysis by: Jo Ellan Jordan

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710