

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 927 (Delegate Krysiak, *et al.*)
Economic Matters

Real Property - Payment of Property Insurance and Taxes by Lender

This bill requires a lender to establish an escrow account for prorated monthly payments of real property tax and homeowners insurance if: (1) the loan is secured by a mortgage or deed of trust on the borrower's principal residence; and (2) the borrower is required to maintain mortgage insurance.

Fiscal Summary

State Effect: Enforcement could be handled by the Division of Financial Regulation with existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: None applicable.

Background: Most lenders require borrowers to purchase and maintain private mortgage insurance (PMI) on a mortgage or deed of trust if the borrower's equity in the property is less than 20% of the property's value at the time of purchase. PMI protects the lender's interest if the borrower defaults on the loan. Many lenders allow a borrower to cancel PMI once the borrower's equity reaches the 20% threshold. Under federal law, cancellation is mandatory once the borrower reaches 22% equity for certain mortgages.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Assessments and Taxation; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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