

BY: Economic Matters Committee

AMENDMENTS TO HOUSE BILL NO. 1447

(First Reading File Bill)

AMENDMENT NO. 1

In line 2, strike “Real Property -”; strike beginning with “requiring” in line 3 down through “transactions” in line 7 and substitute “providing that a lender may not require a borrower to provide or purchase flood insurance in an amount exceeding the value of improvements on real property under certain circumstances; defining a certain term; making stylistic changes; and generally relating to flood insurance, mortgages, and deeds of trust”; and strike in their entirety lines 8 through 12, inclusive, and substitute:

“BY repealing and reenacting, with amendments,

Article - Commercial Law

Section 12-124

Annotated Code of Maryland

(2000 Replacement Volume and 2003 Supplement)”.

AMENDMENT NO. 2

Strike in their entirety lines 15 through 22, inclusive, and substitute:

“Article - Commercial Law

12-124.

(a) (1) (I) In this [section,] SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(II) “[property] PROPERTY insurance coverage” means property insurance against losses caused by perils that commonly are covered in insurance policies described with terms similar to “standard fire” or “standard fire with extended coverage”.

(Over)

(III) “FLOOD INSURANCE COVERAGE” MEANS FLOOD INSURANCE AGAINST LOSSES CAUSED BY FLOODING THAT ARE COVERED UNDER A POLICY ISSUED UNDER THE NATIONAL FLOOD INSURANCE ACT BY:

1. THE FEDERAL GOVERNMENT; OR

2. AN INSURER.

(2) A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first mortgage or first deed of trust, to provide or purchase property insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement value of the improvements on the real property.

(3) A LENDER MAY NOT REQUIRE A BORROWER, AS A CONDITION TO RECEIVING OR MAINTAINING A LOAN SECURED BY A FIRST MORTGAGE OR FIRST DEED OF TRUST, TO PROVIDE OR PURCHASE FLOOD INSURANCE COVERAGE IN AN AMOUNT EXCEEDING THE REPLACEMENT VALUE OF THE IMPROVEMENTS ON THE REAL PROPERTY.

[(3)] (4) In determining the replacement value of the improvements on any real property, the lender may:

(i) Accept the value placed on the improvements by the insurer; or

(ii) Use the value placed on the improvements that is determined by the lender’s appraisal of the real property.

[(4)] (5) A lender may not require that the insurance be purchased through a particular insurance producer or insurance company.

(b) (1) A violation of this section shall entitle the borrower to:

(i) Seek an injunction to prohibit the lender who has engaged or is engaging in the violation from continuing or engaging in the violation;

(ii) Reasonable attorney’s fees; and

(iii) Damages directly resulting from the violation.

(2) A violation of this section does not affect the validity of the first mortgage or first deed of trust securing the loan.”.