

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1447
Economic Matters

(Delegate Minnick)

Finance and Judicial Proceedings

Mortgages and Deeds of Trust - Flood Insurance

This bill prohibits a lender from requiring 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 under the National Flood Insurance Program in an amount that exceeds the replacement value of the improvements on the real property.

Fiscal Summary

State Effect: Enforcement could be handled with the existing resources of the Commissioner of Financial Regulation.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A mortgage lender may not require a borrower, as a condition of 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 real property in an amount that exceeds the replacement value of the improvements. Violation of this provision entitles the borrower to: (1) seek an injunction to prohibit a violating lender from continuing or engaging in the violation; (2) reasonable attorney's fees; and (3) damages directly resulting from the violation. Violation does not affect the validity of the first mortgage or deed of trust securing the loan.

Background: Typically, a lender will require homeowner's insurance and, if the property is in a flood plane, flood insurance under the National Flood Insurance Program as a condition of the loan.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 12, 2004
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