

BILL ANALYSIS

Senate Research Center

H.B. 1755
By: Burnam (Moncrief)
Economic Development
5-16-97
Committee Report (Amended)

DIGEST

Private mortgage insurance is usually required by mortgage lenders on any home loan in which the borrower is unable to make a 20 percent down payment. The purpose of the insurance is to protect the lender against any deficiency should there be a foreclosure. Once the borrower's equity in the home reaches 20 percent or more, most borrowers are able to cancel the insurance. Because lenders are not required to notify a homeowner when the insurance becomes unnecessary, many homeowners continue to pay for the coverage for the life of the mortgage. This insurance can cost homeowners between \$20 and \$100 a month. This bill will provide regulations regarding a mortgage guaranty insurance policy.

PURPOSE

As proposed, H.B. 1755 provides regulations regarding a mortgage guaranty insurance policy.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 21.50, Insurance Code, by adding Section 1B, as follows:

Sec. 1B. NOTICE TO BORROWER. Requires a lender that requires a borrower to purchase mortgage guaranty insurance to provide annually to the borrower a copy of a written notice printed in at least 10-point bold-faced type containing certain information. Requires the lender, if a lender receives a refund of an unearned mortgage guaranty insurance premium paid by a borrower, to remit the refund to the borrower within a certain time period. Provides that, if a federal law requires a lender to provide a borrower with a written notice containing substantially the same information required by Subsection (a) of this section, a lender who provides the notice required by federal law within the period prescribed by federal law satisfies the notice requirement of Subsection (a) of this section. Defines "lender."

SECTION 2. Effective date: January 1, 1998.

SECTION 3. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

Amendment 1.

(1) On page 2, line 2, between "c" and "In", inset the following:

"If federal law requires a lender to provide a borrower with a written notice containing substantially the same information required by Subsection (a) of this section, a lender who provides the notice required by federal law within the period prescribed by federal law

satisfies the notice requirement of Subsection (a) of this section.

(d)"