

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7040
BILL NUMBER: SB 239

DATE PREPARED: Dec 23, 1998
BILL AMENDED:

SUBJECT: Homeowner's Private Mortgage Insurance Protection.

FISCAL ANALYST: Alan Gossard
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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: No Fiscal Impact

Summary of Legislation: This bill requires private mortgage insurance to terminate once the principal balance on the residential mortgages on a property is less than 75% of the lesser of: (1) the sale price of the property if the loan was made for purchase of the property; or (2) the appraised value of the property, as determined by the appraisal conducted in connection with the making of the loan. It also allows the borrower to cancel private mortgage insurance if the conditions and procedures established by the lender for termination are met.

This bill also requires a lender to disclose in writing at or before settlement: (1) that the private mortgage insurance may be canceled while the mortgage is outstanding; (2) an address and phone number to contact for information regarding canceling the private mortgage insurance; and (3) that the private mortgage insurance will be terminated by operation of law. It also requires the mortgage loan servicer to provide the borrower with annual disclosure statements similar to an initial disclosure statement. The bill also prohibits the mortgage loan servicer from charging the borrower for the costs of the statements.

This bill also requires the servicer to notify the borrower within 45 days after the automatic termination of the private mortgage insurance. It excludes a borrower who is not current in the payment of a mortgage loan from the cancellation of the private mortgage insurance. It also requires that a condition determined by the servicer for the cancellation of the loan must be reasonably related to the purposes for which the requirement for private mortgage insurance was imposed at the time the loan was made. This bill also provides that a servicer is not liable for the failure of the mortgage holder to comply with the statute. It also requires the mortgage holder to provide necessary information to the servicer. These requirements apply to mortgages entered after June 30, 1998.

Effective Date: July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources: