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## PRIVATE MORTGAGE INSURANCE

**House Bill 5691 (Substitute H-1)**

**House Bill 5692 (Substitute H-1)**

**Sponsor: Rep. Samuel Buzz Thomas**

**Committee: Commerce**

**Complete to 3-17-98**

### **A SUMMARY OF HOUSE BILLS 5691 AND 5692 (SUBSTITUTES H-1)**

House Bills 5691 and 5692 are two of seven bills that would amend various acts (or in the case of House Bill 5691, create a new act), in order to require financial institutions and insurance companies to ensure notification of a mortgagor when his or her loan balance dropped below a financial institution's equity requirement. (The other bills in the package are House Bills 5379 - 5383.

House Bill 5691 would create a new act that would be called the "mortgage insurance limitation and notification act." The bill would require that any mortgagee (lender) who requires private mortgage insurance as a condition of receiving a loan for a single-family owner occupied residence to provide the following information at the time of the closing: (1) the reason that private mortgage insurance is required; (2) the period during which insurance will be required; and (3) the conditions under which a mortgagor (borrower) may terminate the insurance. The bill also would require the mortgagee to annually notify the mortgagor of the conditions by which the insurance may be terminated, and to provide an address and telephone number that can be used to make that determination. Under the bill, that notice could be included with any other annual statements required by law. Finally, the bill specifies that if federal law to regulate private mortgage insurance was enacted, compliance with the federal law would be considered compliance with the bill. The bill would take effect January 1, 1999.

House Bill 5692 would amend the Insurance Code (MCL 500.3020) to require a new provision for written casualty insurance policies. The bill would require that each mortgage guaranty insurance policy issued for a single family owner occupied residence contain a provision that requires the insured to provide the mortgagor with information as required under the "mortgage insurance limitation and notification act" (proposed in House Bill 5691). The bill also would require a policy to clearly state that upon cancellation, the excess premium, if not tendered, would be refunded on demand.

Analyst: J. Hunault

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.