BILL ANALYSIS

Senate Research Center

H.B. 1755
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Economic Development
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Engrossed

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. Defines "lender."

SECTION 2. Effective date: January 1, 1998.

SECTION 3. Emergency clause.