

SUBSTITUTE FOR
HOUSE BILL NO. 5691

A bill to require the providing of certain information to a mortgagor when the mortgagee has required private mortgage insurance as a condition of making a mortgage loan.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "mortgage guaranty insurance limitation and notification act".

3 Sec. 2. As used in this act:

4 (a) "Holder" means a person that is the owner of a
5 mortgage.

6 (b) "Mortgage" means an extension of credit secured by a
7 first lien on a single family residence in this state which is,
8 at the time of the extension of credit, intended to be owner
9 occupied.

10 (c) "Mortgage guaranty insurance" means insurance to protect
11 a mortgagee against the nonpayment of or default on a mortgage,

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1 the premiums of which are paid by the mortgagor and on which the
2 mortgagee is the named insured.

3 (d) "Mortgagee" means a person that makes a mortgage.

4 (e) "Mortgagor" means an individual who has given a mortgage
5 for which the mortgagee has required private mortgage insurance.

6 (f) "Person" means an individual, corporation, partnership,
7 association, governmental entity, or any other legal entity.

8 (g) "Private mortgage insurance" or "PMI" means mortgage
9 guaranty insurance other than mortgage insurance made available
10 under the national housing act, chapter 847, 48 Stat. 1246, title
11 38 of the United States code, 38 U.S.C. 101 to 8528, or title V
12 of chapter 338, 63 Stat. 432, 42 U.S.C. 1471 to 1474, 1475 to
13 1481, 1483 to 1487, 1489 to 1490f, 1490h, 1490j to 1490o, and
14 1490p-1 to 1490r.

15 Sec. 3. If a mortgagee requires private mortgage insurance
16 as a condition of making a mortgage loan, the mortgagee shall
17 provide the mortgagor at the time of the mortgage closing all of
18 the following information:

19 (a) The reason that private mortgage insurance is required
20 as a condition of receiving the mortgage loan.

21 (b) The target percentage of equity necessary before the
22 mortgagor may request cancellation of the private mortgage
23 insurance.

24 (c) Any other terms and conditions necessary before the
25 mortgagor may request cancellation of the private mortgage
26 insurance.

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1 Sec. 4. (1) On all mortgage loans for which private
2 mortgage insurance is required, the holder shall annually notify
3 the mortgagor of the terms and conditions under which the mortga-
4 gor may request the holder to cancel the insurance and provide an
5 address and telephone number that may be used to contact the
6 holder to determine whether the insurance may be canceled.

7 (2) The annual notification required by this section may be
8 included with any other annual statements required by federal or
9 state law to be made to the mortgagor by the holder.

10 Sec. 5. Compliance by a holder with a federal law or regu-
11 lation governing a mortgagor's right to cancel private mortgage
12 insurance is considered compliance with this act.

13 Sec. 6. This act shall apply to all mortgages closed on or
14 after January 1, 1999.

15 Enacting section 1. This act takes effect January 1, 1999.