

HOUSE BILL No. 5691

March 17, 1998, Introduced by Reps. Thomas, Bogardus, Callahan, Brown, Schermesser, Brater, Griffin and Gernaat and referred to the Committee on Commerce.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
(MCL 500.100 to 500.8302) by adding section 3020a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 3020A. (1) A POLICY OF PRIVATE MORTGAGE INSURANCE
2 SHALL NOT BE ISSUED OR DELIVERED IN THIS STATE UNLESS THE POLICY
3 CONTAINS A PROVISION THAT THE MORTGAGEE SHALL PROVIDE TO THE
4 MORTGAGOR AT THE TIME OF THE MORTGAGE CLOSING ALL OF THE FOLLOW-
5 ING INFORMATION:

6 (A) BASED ON THE ORIGINAL LOAN AMOUNT AND THE SCHEDULED LOAN
7 PAYMENTS, THE CALCULATED DATE THAT THE OUTSTANDING LOAN BALANCE
8 WILL DROP BELOW THE ORIGINAL REQUIRED LOAN TO VALUE RATIO NECES-
9 SARY FOR EXEMPTION FROM PMI.

10 (B) THAT THE MORTGAGE LOAN SHALL BE REVIEWED ON THE
11 CALCULATED DATE TO DETERMINE THE LOAN BALANCE.

1 (C) EXCEPT AS PROVIDED IN SUBSECTION (2), THAT IF THE
2 MORTGAGE OUTSTANDING BALANCE HAS DROPPED BELOW THE ORIGINAL LOAN
3 TO VALUE RATIO NECESSARY FOR PMI EXEMPTION, THE PMI POLICY SHALL
4 BE TERMINATED AND THE MORTGAGOR'S SCHEDULED LOAN PAYMENT ADJUSTED
5 TO REFLECT THE DISCONTINUANCE OF THE PMI PREMIUM.

6 (D) THAT IF THE MORTGAGE OUTSTANDING BALANCE HAS NOT DROPPED
7 BELOW THE ORIGINAL REQUIRED LOAN TO VALUE RATIO NECESSARY FOR PMI
8 EXEMPTION, THE PMI SHALL CONTINUE AND THE MORTGAGEE SHALL NOTIFY
9 THE MORTGAGOR OF THE TERMS AND CONDITIONS NECESSARY FOR TERMINA-
10 TION, HOW TO DETERMINE IF THE TERMS AND CONDITIONS HAVE BEEN SAT-
11 ISFIED, AND WHAT PROCEDURES TO TAKE TO TERMINATE THE PMI.

12 (2) SUBSECTION (1)(C) SHALL NOT APPLY TO ANY MORTGAGE LOAN
13 ON WHICH THE SCHEDULED LOAN PAYMENTS ARE NOT CURRENT AS OF THE
14 DATE CALCULATED UNDER SUBSECTION (1)(A). SUBSECTION (1)(C) SHALL
15 APPLY TO A MORTGAGE LOAN EXEMPTED UNDER THIS SUBSECTION AS OF THE
16 FIRST DAY OF THE FIRST MONTH AFTER THE DATE THAT THE SCHEDULED
17 LOAN PAYMENTS BECOME CURRENT.

18 (3) THIS SECTION SHALL NOT BE CONSTRUED TO PROHIBIT A MORT-
19 GAGOR FROM TERMINATING THE PMI POLICY AT ANY TIME DURING THE LOAN
20 PERIOD IF THE LOAN BALANCE HAS DROPPED BELOW THE ORIGINAL
21 REQUIRED LOAN TO VALUE NECESSARY FOR PMI EXEMPTION.

22 (4) AS USED IN THIS SECTION:

23 (A) "MORTGAGEE" MEANS THE HOLDER OF AN INDEBTEDNESS SECURED
24 BY A MORTGAGE OF A SINGLE-FAMILY RESIDENCE AND ANY ENTITY THAT
25 PROVIDES THE SERVICING OF THE MORTGAGE, INCLUDING THE RECEIPT OF
26 PAYMENTS FROM THE MORTGAGOR AND THE ADMINISTRATION OF THE LOAN ON
27 BEHALF OF THE HOLDER OF THE MORTGAGE.

1 (B) "MORTGAGE INSURANCE" MEANS INSURANCE TO PROTECT THE
2 MORTGAGEE AGAINST THE NONPAYMENT OF OR DEFAULT ON A RESIDENTIAL
3 MORTGAGE LOAN TRANSACTION, THE PREMIUMS OF WHICH ARE PAID BY THE
4 MORTGAGOR.

5 (C) "MORTGAGOR" MEANS AN INDIVIDUAL WHOSE INTEREST IN A
6 SINGLE-FAMILY RESIDENCE IS THE SUBJECT OF A MORTGAGE FOR WHICH
7 THE MORTGAGEE HAS REQUIRED MORTGAGE INSURANCE.

8 (D) "PRIVATE MORTGAGE INSURANCE" OR "PMI" MEANS MORTGAGE
9 INSURANCE OTHER THAN MORTGAGE INSURANCE MADE AVAILABLE UNDER THE
10 FEDERAL NATIONAL HOUSING ACT, TITLE 38 OF THE UNITED STATES CODE,
11 OR TITLE V OF THE HOUSING ACT OF 1949.