

**SENATE BILL REPORT**

**ESHB 1717**

**AS OF MARCH 25, 1991**

**Brief Description:** Requiring disclosure of the right to cancel mortgage insurance.

**SPONSORS:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Mielke, Day, Tate, Dellwo, Moyer, Belcher, Wood, Padden, Zellinsky, Bowman, Paris, Morton, Anderson, Holland, Broback, Ferguson, Ballard, P. Johnson, Brumsickle, Betrozoff, Chandler, Fuhrman, Nealey, Casada, D. Sommers, Forner, Horn, Wineberry, Scott, Wang, Van Luven, Winsley, Wynne, Brough, Miller, May and Mitchell).

**HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Staff:** Mark Hutson (786-7488)

**Hearing Dates:** March 26, 1991

**BACKGROUND:**

When a borrower seeks a home mortgage loan, the lender requires the borrower to meet certain financial standards. Among these standards is the requirement that the borrower be able to make a down payment in the range of 0 to 20 percent pursuant to the type of mortgage loan sought. Prior to the borrower's equity in the home reaching a certain percentage, e.g. 20-25 percent, the borrower may be required to pay for mortgage insurance that protects the lender from a borrower's default. Some loan programs permit the borrower to cancel the mortgage insurance when the borrower's equity reaches the required level, while others require coverage for the full loan term.

Obtaining a home mortgage loan involves many complex documents and contracts. Often the borrower's first opportunity to read these documents comes at the time of loan closing when the borrower must sign the contracts.

**SUMMARY:**

When mortgage insurance is required for a residential mortgage loan, the lender must notify the borrower in writing: that the borrower should contact the loan servicing agent for the conditions and procedures for cancellation of mortgage insurance; and of the most common loan to value ratio required before cancellation of coverage will be considered.

Home mortgage lenders must advise borrowers at the time of a loan application that the borrower has a right to request and obtain copies of closing documents at least 24 hours before loan closing.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested