

104TH CONGRESS
2D SESSION

H. R. 3556

To amend the Truth in Lending Act to require notice of cancellation rights with respect to private mortgage insurance which is required by a creditor as a condition for entering into a residential mortgage transaction, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 30, 1996

Mr. HANSEN introduced the following bill; which was referred to the
Committee on Banking and Financial Services

A BILL

To amend the Truth in Lending Act to require notice of cancellation rights with respect to private mortgage insurance which is required by a creditor as a condition for entering into a residential mortgage transaction, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Private Mortgage In-
5 surance Consumer Protection Act”.

1 **SEC. 2. NOTIFICATION OF CANCELLATION RIGHTS FOR PRI-**
2 **VATE MORTGAGE INSURANCE.**

3 (a) IN GENERAL.—Chapter 2 of the Truth in Lend-
4 ing Act (15 U.S.C. 1631 et seq.) is amended by inserting
5 after section 125 the following new section:

6 **“SEC. 126. NOTIFICATION OF CANCELLATION RIGHTS FOR**
7 **PRIVATE MORTGAGE INSURANCE.**

8 “(a) NOTICE OF RIGHT OR LACK OF RIGHT TO CAN-
9 CEL.—If a consumer is required to obtain and maintain
10 private mortgage insurance as a condition for entering
11 into a residential mortgage transaction, the creditor shall
12 disclose, in writing at the time the transaction is entered
13 into, whether or not the private mortgage insurance may
14 be canceled by the consumer at any time while the mort-
15 gage is outstanding.

16 “(b) INFORMATION REQUIRED TO BE DISCLOSED IF
17 INSURANCE IS CANCELABLE.—If private mortgage insur-
18 ance is required for a residential mortgage transaction and
19 may be canceled by the consumer at any time while the
20 mortgage is outstanding, the creditor shall disclose in
21 writing the following information at the time the trans-
22 action is entered into:

23 “(1) IDENTIFYING INFORMATION.—Such infor-
24 mation as may be necessary to permit the consumer
25 to communicate with the creditor, any subsequent

1 servicer of the mortgage, or the issuer of the private
2 mortgage insurance concerning the insurance.

3 “(2) CONDITIONS ON CANCELLATION.—Any
4 condition required to be met before the private mort-
5 gage insurance may be canceled by the consumer, in-
6 cluding the following:

7 “(A) If a condition for canceling the pri-
8 vate mortgage insurance is based on a mini-
9 mum ratio between the principal on the loan re-
10 maining outstanding and either the original or
11 the current value of the property securing the
12 loan, such ratio.

13 “(B) Information relating to any require-
14 ment for an appraisal of the property as a con-
15 dition for the cancellation of the insurance.

16 “(C) Information relating to the time re-
17 quired for canceling the insurance.

18 “(3) CANCELLATION PROCEDURES.—The proce-
19 dures required to be followed by the consumer in
20 canceling the private mortgage insurance.

21 “(c) INFORMATION REQUIRED TO BE DISCLOSED
22 WITH EACH PERIODIC STATEMENT.—If a consumer is re-
23 quired to obtain and maintain private mortgage insurance
24 as a condition for entering into a residential mortgage
25 transaction, the person servicing the mortgage shall in-

1 clude in or with each written statement of account pro-
2 vided to the consumer after December 31, 1995, while
3 such insurance is in effect, but not less than annually—

4 “(1) the information required to be disclosed
5 under subsection (b); or

6 “(2) a clear and conspicuous written statement
7 containing—

8 “(A) a statement that the consumer may
9 be able to cancel the private mortgage insur-
10 ance (if such is the case); and

11 “(B) an address and telephone number
12 which the consumer may use to contact the
13 creditor or the person servicing the mortgage to
14 determine whether the consumer has the right
15 to cancel the private mortgage insurance and, if
16 so, the conditions and procedures for canceling
17 such insurance.

18 “(d) NOTICES FURNISHED WITHOUT COST TO THE
19 CONSUMER.—No fee or other cost may be imposed on any
20 consumer with respect to the provision of any notice or
21 information to the consumer pursuant to this section.

22 “(e) DEFINITIONS.—For purposes of this section, the
23 following definitions shall apply:

24 “(1) MORTGAGE INSURANCE.—The term ‘mort-
25 gage insurance’ means insurance, including any

1 mortgage guaranty insurance, against the nonpay-
2 ment of, or default on, a mortgage or loan involved
3 in a residential mortgage transaction.

4 “(2) PRIVATE MORTGAGE INSURANCE.—The
5 term ‘private mortgage insurance’ means mortgage
6 insurance other than mortgage insurance made
7 available under the National Housing Act, title 38 of
8 the United States Code, or title V of the National
9 Housing Act of 1949.”.

10 (b) AMENDMENT RELATING TO LIABILITY FOR VIO-
11 LATIONS.—Section 130(a) of the Truth in Lending Act
12 (15 U.S.C. 1640(a)) is amended by adding at the end the
13 following new sentence: “In the case of any failure make
14 any disclosure required under section 126, paragraph (1)
15 shall be applied by substituting ‘3 times the amount of
16 any actual damage’ for ‘any actual damage’.

17 (c) SCOPE OF APPLICABILITY.—The amendments
18 made by subsections (a) and (b) shall apply with respect
19 to residential mortgage transactions entered into after the
20 date of the enactment of this Act.

21 (d) CLERICAL AMENDMENT.—The table of sections
22 for chapter 2 of the Truth in Lending Act (15 U.S.C.
23 1631 et seq.) is amended by striking the item relating to
24 section 126 and inserting the following new item:

“126. Notification of cancellation rights for private mortgage insurance.”.

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