

105TH CONGRESS  
1ST SESSION

# H. R. 607

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.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 5, 1997

Mr. HANSEN (for himself, Mr. BAKER, Mr. KENNEDY of Massachusetts, Mr. CALVERT, Mr. WAXMAN, Ms. RIVERS, Mr. SAWYER, Mr. EVANS, Mr. BOUCHER, Ms. FURSE, and Mr. FROST) introduced the following bill; which was referred to the Committee on Banking and Financial Services

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## 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 “Homeowners Insur-  
5 ance 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 and any subse-  
26 quent servicer of the mortgage.

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

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

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

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

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

19           “(c) INFORMATION REQUIRED TO BE DISCLOSED  
20 WITH EACH PERIODIC STATEMENT.—If a consumer is re-  
21 quired to obtain and maintain private mortgage insurance  
22 as a condition for entering into a residential mortgage

1 transaction, the person servicing the mortgage shall in-  
2 clude in or with each written statement of account pro-  
3 vided to the consumer after December 31, 1997, while  
4 such insurance is in effect, but not less than annually—

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

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

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

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

19           “(d) NOTICE REQUIREMENT.—If a consumer main-  
20           tains private mortgage insurance in connection with a resi-  
21           dential mortgage transaction the original principal of  
22           which exceeded 80 percent of the appraised value of the  
23           residence (as of the date of the transaction), the person  
24           servicing the mortgage shall send a letter to the consumer  
25           containing the information required to be disclosed under

1 paragraphs (2) and (3) of subsection (b) and subsection  
2 (c)(2) when the principal outstanding on the mortgage  
3 first becomes equal to or less than the amount which is  
4 80 percent of the appraised value of the residence (as of  
5 the date of the transaction).

6 “(e) NOTICES FURNISHED WITHOUT COST TO THE  
7 CONSUMER.—No fee or other cost may be imposed on any  
8 consumer with respect to the provision of any notice or  
9 information to the consumer pursuant to this section.

10 “(f) DEFINITIONS.—For purposes of this section, the  
11 following definitions shall apply:

12 “(1) MORTGAGE INSURANCE.—The term ‘mort-  
13 gage insurance’ means insurance, including any  
14 mortgage guaranty insurance, against the nonpay-  
15 ment of, or default on, a mortgage or loan involved  
16 in a residential mortgage transaction.

17 “(2) PRIVATE MORTGAGE INSURANCE.—The  
18 term ‘private mortgage insurance’ means mortgage  
19 insurance other than mortgage insurance made  
20 available under the National Housing Act, title 38 of  
21 the United States Code, or title V of the National  
22 Housing Act of 1949.”.

23 (b) AMENDMENT RELATING TO LIABILITY FOR VIO-  
24 LATIONS.—Section 130(a) of the Truth in Lending Act  
25 (15 U.S.C. 1640(a)) is amended by adding at the end the

1 following new sentence: “In the case of any failure make  
2 any disclosure required under section 126, paragraph (1)  
3 shall be applied by substituting ‘3 times the amount of  
4 any actual damage’ for ‘any actual damage’.

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

9 (d) CLERICAL AMENDMENT.—The table of sections  
10 for chapter 2 of the Truth in Lending Act (15 U.S.C.  
11 1631 et seq.) is amended by striking the item relating to  
12 section 126 and inserting the following new item:

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

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