

106TH CONGRESS
2^D SESSION

H. R. 3637

To amend the Homeowners Protection Act of 1998 to make certain technical corrections.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 10, 2000

Mrs. ROUKEMA (for herself, Mr. LEACH, Mr. LAFALCE, Mr. VENTO, Mr. LAZIO, Mr. FRANK of Massachusetts, and Mr. HANSEN) introduced the following bill; which was referred to the Committee on banking and Financial Services

A BILL

To amend the Homeowners Protection Act of 1998 to make certain technical corrections.

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 Technical Corrections and Clarification Act”.

1 **SEC. 2. CHANGES IN AMORTIZATION SCHEDULE.**

2 (a) TREATMENT OF ADJUSTABLE RATE MORT-
3 GAGES.—The Homeowners Protection Act of 1998 (12
4 U.S.C. 4901 et seq.) is amended—

5 (1) in section 2—

6 (A) in paragraph (2)(B)(i), by striking
7 “amortization schedules” and inserting “the
8 amortization schedule then in effect”;

9 (B) in paragraph (16)(B), by striking
10 “amortization schedules” and inserting “the
11 amortization schedule then in effect”;

12 (C) by redesignating paragraphs (6)
13 through (16) (as amended by the preceding pro-
14 visions of this paragraph) as paragraphs (8)
15 through (18), respectively; and

16 (D) by inserting after paragraph (5) the
17 following new paragraph:

18 “(6) AMORTIZATION SCHEDULE THEN IN EF-
19 FECT.—The term ‘amortization schedule then in ef-
20 fect’ means, with respect to an adjustable rate mort-
21 gage, a schedule established at the time at which the
22 residential mortgage transaction is consummated or,
23 if such schedule has been changed or recalculated, is
24 the most recent schedule under the terms of the note
25 or mortgage, which shows—

1 “(A) the amount of principal and interest
2 that is due at regular intervals to retire the
3 principal balance and accrued interest over the
4 remaining amortization period of the loan; and

5 “(B) the unpaid balance of the loan after
6 each such scheduled payment is made.”; and

7 (2) in section 3(f)(1)(B)(ii), by striking “amor-
8 tization schedules” and inserting “the amortization
9 schedule then in effect”.

10 (b) TREATMENT OF BALLOON MORTGAGES.—Para-
11 graph (1) of section 2 of the Homeowners Protection Act
12 of 1998 (12 U.S.C. 4901(1)) is amended by adding at the
13 end the following new sentence: “A residential mortgage
14 that (A) does not fully amortize over the term of the obli-
15 gation, and (B) contains a conditional right to refinance
16 or modify the unamortized principal at the maturity date
17 of the term, shall be considered to be an adjustable rate
18 mortgage for purposes of this Act.”.

19 (c) TREATMENT OF LOAN MODIFICATIONS.—

20 (1) IN GENERAL.—Section 3 of the Home-
21 owners Protection Act of 1998 (12 U.S.C. 4902) is
22 amended—

23 (A) by redesignating subsections (d)
24 through (f) as subsections (e) through (g), re-
25 spectively; and

1 (B) by inserting after subsection (c) the
2 following new subsection:

3 “(d) TREATMENT OF LOAN MODIFICATIONS.—If a
4 mortgagor and mortgagee (or holder of the mortgage)
5 agree to a modification of the terms or conditions of a
6 loan pursuant to a residential mortgage transaction, the
7 cancellation date, termination date, or final termination
8 shall be recalculated to reflect the modified terms and con-
9 ditions of such loan.”.

10 (2) CONFORMING AMENDMENTS.—Section 4(a)
11 of the Homeowners Protection Act of 1998 (12
12 U.S.C. 4903(a)) is amended—

13 (A) in paragraph (1)—

14 (i) in the matter preceding subpara-
15 graph (A), by striking “section 3(f)(1)”
16 and inserting “section 3(g)(1)”;

17 (ii) in subparagraph (A)(ii)(IV), by
18 striking “section 3(f)” and inserting “sec-
19 tion 3(g)”;

20 (iii) in subparagraph (B)(iii), by strik-
21 ing “section 3(f)” and inserting “section
22 3(g)”;

23 (B) in paragraph (2), by striking “section
24 3(f)(1)” and inserting “section 3(g)(1)”.

1 **SEC. 3. DELETION OF AMBIGUOUS REFERENCES TO RESI-**
2 **DENTIAL MORTGAGES.**

3 (a) **TERMINATION OF PRIVATE MORTGAGE INSUR-**
4 **ANCE.**—Section 3 of the Homeowners Protection Act of
5 1998 (12 U.S.C. 4902) is amended—

6 (1) in subsection (c), by inserting “on residen-

7 tial mortgage transactions” after “imposed”; and

8 (2) in subsection (g) (as so redesignated by sec-

9 tion 2(c)(1)(A) of this Act)—

10 (A) in paragraph (1), in the matter pre-

11 ceding subparagraph (A), by striking “mort-

12 gage or”;

13 (B) in paragraph (2), by striking “mort-

14 gage or”; and

15 (C) in paragraph (3), by striking “mort-

16 gage or” and inserting “residential mortgage or

17 residential”.

18 (b) **DISCLOSURE REQUIREMENTS.**—Section 4 of the
19 Homeowners Protection Act of 1998 (12 U.S.C. 4903(a))
20 is amended—

21 (1) in subsection (a)—

22 (A) in paragraph (1)—

23 (i) by striking “mortgage or” the first
24 place it appears; and

1 (ii) by striking “mortgage or” the sec-
2 ond place it appears and inserting “resi-
3 dential”; and

4 (B) in paragraph (2), by striking “mort-
5 gage or” and inserting “residential”;

6 (2) in subsection (c), by striking “paragraphs
7 (1)(B) and (3) of subsection (a)” and inserting
8 “subsection (a)(3)”; and

9 (3) in subsection (d), by inserting before the pe-
10 riod at the end the following: “, which disclosures
11 shall relate to the mortgagor’s rights under this
12 Act”.

13 (c) DISCLOSURE REQUIREMENTS FOR LENDER-PAID
14 MORTGAGE INSURANCE.—Section 6 of the Homeowners
15 Protection Act of 1998 (12 U.S.C. 4905) is amended—

16 (1) in subsection (c)—

17 (A) in the matter preceding paragraph (1),
18 by striking “a residential mortgage or”; and

19 (B) in paragraph (2), by inserting “trans-
20 action” after “residential mortgage”; and

21 (2) in subsection (d), by inserting “transaction”
22 after “residential mortgage”.

1 **SEC. 4. CANCELLATION RIGHTS AFTER CANCELLATION**

2 **DATE.**

3 Section 3 of the Homeowners Protection Act of 1998
4 (12 U.S.C. 4902) is amended—

5 (1) in subsection (a)—

6 (A) in the matter preceding paragraph (1),
7 by inserting after “cancellation date” the fol-
8 lowing: “or any later date that the mortgagor
9 fulfills all of the requirements under paragraphs
10 (1) through (4)”;

11 (B) in paragraph (2), by striking “and” at
12 the end;

13 (C) by redesignating paragraph (3) as
14 paragraph (4); and

15 (D) by inserting after paragraph (2) the
16 following new paragraph:

17 “(3) is current on the payments required by the
18 terms of the residential mortgage transaction; and”;
19 and

20 (2) in subsection (e)(1)(B) (as so redesignated
21 by section 2(c)(1)(A) of this Act), by striking “sub-
22 section “(a)(3)” and inserting “subsection (a)(4)”.

1 **SEC. 5. CLARIFICATION OF CANCELLATION AND TERMI-**
2 **NATION ISSUES AND LENDER PAID MORT-**
3 **GAGE INSURANCE DISCLOSURE REQUIRE-**
4 **MENTS.**

5 (a) **GOOD PAYMENT HISTORY.**—Section 2(4) of the
6 Homeowners Protection Act of 1998 (12 U.S.C. 4901(4))
7 is amended—

8 (1) in subparagraph (A)—

9 (A) by inserting “the later of (i)” before
10 “the date”; and

11 (ii) by inserting “, or (ii) the date
12 that the mortgagor submits a request for
13 cancellation under section 3(a)(1)” before
14 the semicolon; and

15 (B) in subparagraph (B)—

16 (i) by inserting “the later of (i)” be-
17 fore “the date”; and

18 (ii) by inserting “, or (ii) the date
19 that the mortgagor submits a request for
20 cancellation under section 3(a)(1)” before
21 the period at the end.

22 (b) **AUTOMATIC TERMINATION.**—Paragraph (2) of
23 section 3(b) of the Homeowners Protection Act of 1998
24 (12 U.S.C. 4902(b)(2)) is amended to read as follows:

25 “(2) if the mortgagor is not current on the ter-
26 mination date, on the first day of the first month be-

1 ginning after the date that the mortgagor becomes
2 current on the payments required by the terms of
3 the residential mortgage transaction.”

4 (c) PREMIUM PAYMENTS.—Section 3 of the Home-
5 owners Protection Act of 1998 (12 U.S.C. 4902) is
6 amended by adding at the end the following new sub-
7 section:

8 “(h) ACCRUED OBLIGATION FOR PREMIUM PAY-
9 MENTS.—The cancellation or termination under this sec-
10 tion of the private mortgage insurance of a mortgagor
11 shall not affect the rights of any mortgagee, servicer, or
12 mortgage insurer to enforce any obligation of such mort-
13 gagor for premium payments accrued prior to the date on
14 which such cancellation or termination occurred.”.

15 **SEC. 6. DEFINITIONS.**

16 (a) REFINANCED.—Section 6(c)(1)(B)(ii) of the
17 Homeowners Protection Act of 1998 (12 U.S.C.
18 4905(c)(1)(B)(ii)) is amended by inserting after “refi-
19 nanced” the following: “(under the meaning given such
20 term in the regulations issued by the Board of Governors
21 of the Federal Reserve System to carry out the Truth in
22 Lending Act (15 U.S.C. 1601 et seq.))”.

23 (b) MIDPOINT OF THE AMORTIZATION PERIOD.—
24 Section 2 of the Homeowners Protection Act of 1998 (12
25 U.S.C. 4901) is amended by inserting after paragraph (6)

1 (as added by section 2(a)(1)(D) of this Act) the following
2 new paragraph:

3 “(7) MIDPOINT OF THE AMORTIZATION PE-
4 RIOD.—The term “midpoint of the amortization pe-
5 riod” means, with respect to a residential mortgage
6 transaction, the point in time that is halfway
7 through the period that begins upon the first day of
8 the amortization period established at the time a
9 residential mortgage transaction is consummated
10 and ends upon the completion of the entire period
11 over which the mortgage is scheduled to be amor-
12 tized.”.

13 (c) ORIGINAL VALUE.—Section 2(12) of the Home-
14 owners Protection Act of 1998 (12 U.S.C. 4901(10)) (as
15 so redesignated by section 2(a)(1)(C) of this Act) is
16 amended—

17 (1) by inserting “transaction” after “a residen-
18 tial mortgage”; and

19 (2) by adding at the end the following new sen-
20 tence: “In the case of a residential mortgage trans-
21 action for refinancing the principal residence of the
22 mortgagor, such term means only the appraised
23 value relied upon by the mortgagee to approve the
24 refinance transaction.”.

1 (d) PRINCIPAL RESIDENCE.—Section 2 of the Home-
2 owners Protection Act of 1998 (12 U.S.C. 4901) is
3 amended—

4 (1) in paragraph (14) (as so redesignated by
5 section 2(a)(1)(C) of this Act) by striking “primary”
6 and inserting “principal”; and

7 (2) in paragraph (15) (as so redesignated by
8 section 2(a)(1)(C) of this Act) by striking “primary”
9 and inserting “principal”;

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