

SESSION OF 2002

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2639

As Amended by House Committee on
Insurance

Brief*

HB 2639, as amended, concerns mortgage guaranty insurance companies and permits those insurers to insure mortgage loans in an amount not exceeding 105 percent of the fair market value of the real estate.

The House Committee amendment deletes the original language of the bill eliminating the current 100 percent of fair market value cap on such insurance and replaces it with a new cap of 105 percent.

Background

HB 2639 was requested by Mortgage Insurance Companies of America whose representative explained that removing the maximum loan-to-value ratio will expand mortgage markets to underserved groups of home buyers, offer Kansans with good credit and stable incomes the opportunity to finance the closing costs and fees associated with the real estate, and provide additional options to lenders and borrowers.

The Deputy Commissioner of the Consumer and Mortgage Lending Division, Office of the State Bank Commissioner, expressed the concern that removal of the ceiling will encourage lenders to make more high loan-to-value loans. These loans are not necessarily well understood by consumers but are popular in the subprime lending market.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.accesskansas.org/legislature/>

The fiscal note prepared by the Division of the Budget indicates there would be no fiscal effect for expenditure and staffing levels with enactment of the bill.