

# MAINE STATE LEGISLATURE

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# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

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Legislative Document

No. 1080

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S.P. 449

In Senate, March 9, 2023

### An Act to Require the Termination of Private Mortgage Insurance

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Reference to the Committee on Health Coverage, Insurance and Financial Services suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT  
Secretary of the Senate

Presented by Senator POULIOT of Kennebec.  
Cosponsored by Representative COLLINGS of Portland and  
Senators: BRENNER of Cumberland, DAUGHTRY of Cumberland, LIBBY of Cumberland,  
VITELLI of Sagadahoc.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 33 MRSA §507-A** is enacted to read:

3 **§507-A. Private mortgage insurance in residential mortgage transactions**

4 **1. Definitions.** As used in this section, unless the context otherwise indicates, the  
5 following terms have the following meanings.

6 A. "Actual value" means, with respect to a residential mortgage transaction, the  
7 contemporaneous value of the property securing the mortgage as determined by an  
8 automated valuation model.

9 B. "Automated valuation model" means a computerized model used to determine the  
10 value of property securing a residential mortgage transaction that complies with Title  
11 XI, Section 1125 of the federal Financial Institutions Reform, Recovery, and  
12 Enforcement Act of 1989, as in effect on January 1, 2023, 12 United States Code,  
13 Section 3354, and with regulations adopted pursuant to that section, if any.

14 C. "Private mortgage insurance" has the same meaning as in the federal Homeowners  
15 Protection Act of 1998, as in effect on January 1, 2023, 12 United States Code, Section  
16 4901(13).

17 D. "Residential mortgage transaction" means a transaction in which a mortgage, deed  
18 of trust, purchase money security interest arising under an installment contract or  
19 equivalent consensual security interest is created or retained against a single-family  
20 dwelling that is the principal residence of the mortgagor to finance the acquisition,  
21 initial construction or refinancing of that dwelling.

22 **2. Automatic termination.** Private mortgage insurance in connection with a  
23 residential mortgage transaction automatically terminates on the date that the outstanding  
24 balance of the mortgage first reaches 80% or less of the actual value of the property  
25 securing the mortgage or at the end of the 24th month following the date of the transaction,  
26 whichever occurs earlier.

27 **3. Prohibited provisions.** A mortgagee in a residential mortgage transaction may not  
28 require the mortgagor to carry private mortgage insurance beyond the date of automatic  
29 termination specified in subsection 2 or precondition the termination of private mortgage  
30 insurance on or after the date of automatic termination specified in subsection 2 upon the  
31 mortgagor's making of a request for termination.

32 **Sec. 2. Application.** This Act applies to private mortgage insurance created or  
33 renewed on or after the effective date of this Act and to residential mortgage transactions  
34 entered into on or after the effective date of this Act.

35 **SUMMARY**

36 This bill provides that private mortgage insurance in connection with a residential  
37 mortgage transaction automatically terminates on the date that the outstanding balance of  
38 the mortgage first reaches 80% or less of the actual value of the property securing the  
39 mortgage, as determined by an automated valuation model, or 2 years after the date of the  
40 transaction, whichever occurs first. The bill defines "private mortgage insurance" and  
41 "residential mortgage transaction" in a manner that is consistent with the definitions of  
42 these terms in the federal Homeowners Protection Act of 1998, as amended, which are

1 currently codified in 12 United States Code, Section 4901. It also defines "automated  
2 valuation model" as a computerized model used to determine the value of property securing  
3 a residential mortgage transaction that complies with the requirements of Title XI, Section  
4 1125 of the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989,  
5 which is currently codified in 12 United States Code, Section 3354.