ENGROSSED HOUSE
BILL NO. 2322

By: Cox and Pettigrew of the House

and

Horner of the Senate

An Act relating to insurance; prohibiting lender from requiring certain insurance coverage in certain loans; restricting coverage of term replacement value; defining terms; providing for determination of replacement value; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3639.3 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. No lender, as a condition of financing a residential mortgage or providing other financing arrangements for residential property, including a mobile or manufactured home, may require a borrower to purchase homeowner insurance coverage, mobile or manufactured home insurance coverage, dwelling fire coverage, or other residential property coverage in an amount that exceeds the replacement value of the dwelling and its contents, regardless of the amount of the mortgage or other financing arrangement entered into by the borrower. As used in this section, "replacement value" shall not include the cleanup costs or the value of outbuildings if the limits of coverage are separate from the dwelling limits coverage.

B. A lender may not include the fair market value of the land on which a dwelling is located in the replacement value of the dwelling and its contents.

C. A lender may accept the value of the dwelling determined by the insurer, or use the value placed on the dwelling that is determined by an appraisal of the real property by the lender to determine the replacement value.

D. As used in this section:

1. "Lender" means any person, partnership, corporation, association, or other entity, or any agent, loan agent, servicing agent, or any loan or mortgage broker, who lends money and receives or otherwise acquires a mortgage, lien, deed of trust, or any other security interest in or upon any real or personal property as security for such loan; and

2. "Borrower" means any person, partnership, corporation, association, or other entity, who has or acquires a legal or equitable interest in real or personal property which is or becomes subject to a mortgage, lien, security agreement, deed of trust, or other security instrument.

SECTION 2. This act shall become effective November 1, 2004.

Passed the House of Representatives the 25th day of February, 2004.

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Presiding Officer of the House of Representatives

Passed the Senate the ____ day of _____, 2004.

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Presiding Officer of the Senate