

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 1243
Committee Substitute Favorable 5/8/89

Short Title: Lenders Accept Binders at Closings.

(Public)

Sponsors:

Referred to:

April 12, 1989

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE THAT CERTAIN LENDERS ACCEPT INSURANCE
3 BINDERS AT LOAN CLOSINGS.

4 The General Assembly of North Carolina enacts:

5 Section 1. Chapter 58 is amended by adding a new section to read:

6 "**§ 58-51.6. Temporary contracts of insurance permitted.**

7 A lender engaged in making or servicing real estate mortgage or deed of trust
8 loans on one to four family residences shall accept as evidence of insurance a temporary
9 written contract of insurance meeting the requirements of G.S. 58-177(4) and issued by
10 any duly licensed insurance agent, broker, or insurance company.

11 Nothing herein prohibits the lender from refusing to accept a binder or from
12 disapproving such insurer or agent provided such refusal or disapproval is reasonable.

13 Such lender need not accept a binder unless such binder:

14 (1) Includes:

15 a. The name and address of the insured;

16 b. The name and address of the mortgagee;

17 c. A description of the insured collateral;

18 d. A provision that it may not be cancelled within a term of the
19 binder except upon 10 days' written notice to the mortgagee;
20 and

21 e. The amount of insurance bound.

22 (2) Is accompanied by a paid receipt for one year's premium, except in the
23 case of the renewal of a policy subsequent to the closing of a loan; and

1 (3) Includes an undertaking of agent to use his best efforts to have the
2 insurance company issue a policy.

3 The Department of Insurance may require binders to contain any additional
4 information to permit the binders to comply with the reasonable requirements of the
5 Federal National Mortgage Association, Government National Mortgage Association, or
6 Federal Home Loan Mortgage Corporation for purchase of mortgage loans."

7 Sec. 2. This act is effective upon ratification.