House Engrossed

FILED

KEN BENNETT
SECRETARY OF STATE

State of Arizona
House of Representatives
Forty-ninth Legislature
Second Regular Session
2010

CHAPTER 31

HOUSE BILL 2073

AN ACT

AMENDING SECTION 20-1550, ARIZONA REVISED STATUTES; RELATING TO MORTGAGE GUARANTY INSURERS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 20-1550, Arizona Revised Statutes, is amended to read:

20-1550. Minimum policyholder position; definitions

A. A mortgage guaranty insurer shall maintain at all times a minimum policyholder position in an amount not less than the amount required by this section. The face amount of ~~the~~ AN INSURED mortgage shall include reinsurance assumed and shall be calculated net of reinsurance that is ceded to an insurer either:

1. Authorized to transact insurance or accredited to assume reinsurance in this state.

2. Pursuant to section 20-1557, subsection C.

3. Otherwise approved by the director.

B. If a policy of mortgage guaranty insurance insures individual loans with a percentage claim settlement option on the loans, the insurer shall maintain a minimum policyholder position based on each one hundred dollars of the face amount of ~~the~~ AN INSURED mortgage, the percentage coverage or claim settlement option and the loan-to-value category. The required amount of minimum policyholder position is calculated in the following manner:

1. If the total indebtedness is greater than seventy-five per cent of the value of the collateral property at the date of insurance, the following applies:

Per cent coverage	Minimum policyholder position per one hundred dollars of the face amount of ~~the~~ AN INSURED mortgage
5%	$ .20
10	.40
15	.60
20	.80
25	1.00
30	1.10
35	1.20
40	1.30
45	1.35
50	1.40
55	1.50
60	1.55
65	1.60
70	1.65
75	1.75
80	1.80
85	1.85

90	1.90
95	1.95
100	2.00

If the per cent coverage is between any five percentage point increment, the factor for minimum policyholder position per one hundred dollars of the face amount of ~~the~~ AN INSURED mortgage shall be prorated.

2. If the total indebtedness is at least fifty per cent and not more than seventy-five per cent of the value of the collateral property at the date of insurance, the required amount of minimum policyholder position is fifty per cent of the amount required by paragraph 1 of this subsection.

3. If the total indebtedness is less than fifty per cent of the value of the collateral property at the date of insurance, the required amount of minimum policyholder position is twenty-five per cent of the amount required by paragraph 1 of this subsection.

C. If a policy of mortgage guaranty insurance provides coverage on a pool of loans subject to an aggregate loss limit and if the equity:

1. Is not more than fifty per cent and not less than twenty per cent, or equity plus any prior insurance or a deductible equals twenty-five per cent of the value of the collateral property at the date of insurance, the required amount of minimum policyholder position is calculated as follows:

Per cent coverage	Minimum policyholder position per one hundred dollars of the face amount of ~~the~~ AN INSURED mortgage
1%	$ .30
5	.50
10	.60
15	.65
20	.70
25	.75
30	.775
40	.80
50	.825
60	.85
70	.875
75	.90
80	.925
90	.95
100	1.00

If the per cent coverage is between any specified increment, the factor for minimum policyholder position per one hundred dollars of the face amount of ~~the~~ AN INSURED mortgage shall be prorated.

2. Is less than twenty per cent or the equity plus prior insurance or a deductible is less than twenty-five per cent of the value of the collateral property at the date of insurance, the required amount of minimum policyholder position is two hundred per cent of the amount required by paragraph 1 of this subsection.

3. Is more than fifty per cent or the equity plus prior insurance or a deductible is more than fifty-five per cent of the value of the collateral property at the date of insurance, the required amount of minimum policyholder position is fifty per cent of the amount of minimum policyholder position required by paragraph 1 of this subsection.

D. If a policy of mortgage guaranty insurance provides for layers of coverage, deductibles or excess reinsurance, the required amount of minimum policyholder position may be computed by subtracting the required minimum policyholder position for the lower percentage coverage limits from the required minimum policyholder position for the upper or greater coverage limit.

E. If a policy of mortgage guaranty insurance provides for coverage on loans secured by second liens:

1. If the policy provides coverage on individual loans, the required amount of minimum policyholder position is calculated according to subsection B OF THIS SECTION after the per cent of coverage and the loan-to-value ratios have been determined as follows:

(a) Divide the insured portion of the second loan by the entire loan indebtedness on the collateral property to determine the per cent coverage.

(b) Divide the entire loan indebtedness on the property by the value of the collateral property at the date of insurance to determine loan-to-value per cent.

2. If the policy provides coverage on a group of loans subject to an aggregate loss limit, the minimum policyholder position is calculated according to subsection C OF THIS SECTION after the per cent of coverage and the loan-to-value ratios have been determined in accordance with this subsection.

F. If a policy of mortgage guaranty insurance provides for coverage on leases, the minimum policyholder position is four dollars for each one hundred dollars of the insured amount of the lease.

~~G. If a mortgage guaranty insurer does not have the amount of minimum policyholder position required by this section, the director may require that it shall cease transacting new business until such time that its minimum policyholder position is in compliance with this section.~~

G. AMONG OTHER REMEDIAL ACTIONS, THE DIRECTOR MAY REQUIRE A MORTGAGE GUARANTY INSURER TO CEASE TRANSACTING NEW BUSINESS UNTIL SUCH TIME AS THE MINIMUM POLICYHOLDER POSITION AS REQUIRED BY THIS SECTION IS MET.

H. A mortgage guaranty insurer shall include with its annual statement a report of its minimum policyholder position on a form approved by the director.

I. For the purposes of this section, except as otherwise provided:

1. "Equity" means the complement of the loan-to-value per cent.

2. "Face amount of ~~the~~ AN INSURED mortgage":

(a) Means ~~the~~ outstanding principal balance computed without any reduction because of an insurer's option limiting its coverage, except that for the purposes of determining a minimum policyholder position under subsection E "face amount of the mortgage" means the entire loan indebtedness on the property.

(b) DOES NOT INCLUDE THE OUTSTANDING PRINCIPAL BALANCE OF ANY INDEBTEDNESS SECURED BY THE SUBJECT REAL PROPERTY TO THE EXTENT THAT THE INSURER HAS ESTABLISHED A LOSS RESERVE FOR THAT INDEBTEDNESS.

APPROVED BY THE GOVERNOR APRIL 9, 2010.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 9, 2010.

Passed the House February 17, 2010

by the following vote: 57 Ayes,

0 Nays, 3 Not Voting

Speaker of the House

Cheryl Laube

Chief Clerk of the House

Passed the Senate April 1, 2010

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting

President of the Senate

Susan Aceves

Assistant Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

5th day of April, 2010

at 2:36 o'clock P. M.

Nicole Bendle

Secretary to the Governor

Approved this 9th day of

April

at 10:30 o'clock A. M.

Janice K. Brewer

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 9th day of April, 2010

at 12:09 o'clock P M.

Ken Bennett

Secretary of State

H.B. 2073