

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Rep. Robert Tomlinson at 3:34 p.m. on March 2, 2000 in Room 527-S of the Capitol.

All members were present except: Representative Cindy Empson
Representative Bob Grant
Dr. Bill Wolff, Research

Committee staff present: Ken Wilke, Revisor
Mary Best, Secretary

Conferees appearing before the committee: Mr. Bill Sneed, Mortgage Guaranty Insurance Corporation
Kathleen Sebelius, Commissioner, Kansas Insurance Dept.

Others attending: See attached Committee Guest List

Immediately after the committee announcements Chairman Tomlinson called for approval of the Minutes for February 25, 27, March 1, 3, 8, 10 and 15. Representative Cox moved to accept the Minutes. The motion was seconded by Representative Vining. A vote of the committee members was taken and the motion passed.

SB 444- Insurance; mortgage guaranty insurance companies; concerning authorized real estate security

The Chair then proceeded to recognize Mr. Bill Sneed, Mortgage Guaranty Insurance Corporation. Mr. Sneed gave Proponent Testimony and the overview of the bill. A copy of the bill is (Attachment #1) attached hereto and incorporated within the Minutes by reference. Mr. Sneed informed the committee, the purpose of the bill is “to permit the mortgage insurers to insure mortgage loans up to 100% of the value of the underlying property.” This increase from 97% to 100% will assist the citizens who are credit able to purchase a home when they lack the down payment for a home.

Mr. Sneed explained to the committee, the MI companies have in the past provided coverage to lenders and financial institutions thus insuring them against financial loss when a borrower defaults on their mortgage loan. Mortgage Insurance is usually required of the borrower when the down payment is less than 20% of the down payment or no down payment. As of this date, K.S.A.40-3502(c) limits the maximum ratio of principal balance of a loan value of property that an MI can insure at 97% and before this they were at 95%.

Interest has grown by those in the industry to raise the limit from 97% to 100% so that new and growing groups of potential new home buyers, including immigrants who have not been able to save a good down payment and closing costs. “Mortgage markets are beginning to develop and originate loans with an LTV in excess of 97%. Of course, the Federal House Administration (“FHA”) has been offering its guaranty on 100% LTV loans for a number of years, and lenders can make such loans without any type of mortgage insurance if they are willing to retain the risk.”

Allowing these changes mortgage companies will be able to expand their insured loans, and LTV would be able to expand mortgage markets to underserved groups; provide additional options to both the lender and borrower and allow mortgage insurers to compete with governmental programs. Summarizing his testimony, Mr. Sneed stood for questions.

Questions from the committee were from: Representative Myers, Kirk, Boston, Vining, Cox, and Chairman Tomlinson.

Questions ranged from: cost differences in the increase, how much more will be paid out for losses, why would someone purchase 100% of something, fair market value and homes already too expensive for some folks. Having responded to the questions including there would be minimal increases, the committee rested.

The next conferee before the committee was Ms. Linda DeCoursey, Kansas Insurance Department. Ms.

DeCoursey offered Proponent Testimony to the committee. A copy of the testimony is (Attachment #2) attached hereto and incorporated into the Minutes by reference. Ms. DeCoursey informed the committee of the support of the Insurance Department and the Insurance Commissioner. Ms. DeCoursey also added more examples of the dilemma. She also stated the low percent down payment may make the ownership of a home easier, but the mortgage premium and total monthly payment will be higher. The committee was also reminded the committee that thirty-seven other states already have a similar bill. Ms. DeCoursey went on to state, "The mortgage insurance industry was developed to act as partners with lenders seeking ways to offer customers more flexible borrowing terms. In 1994, a similar amendment to this one was made to amend the amount from 95% to 97%. The Insurance Department regulates these entities and sees no reason to limit their participation in the marketplace." With this Ms. DeCoursey stood for questions from the committee on the bill.

Questions came from Representatives Myers, Boston, and Burroughs. Questions-covered V.A. Loans, and other similar bills. With this, the Chairman asked for further discussion from the committee or guest. As there was none offered, public discussions on **SB 444** were closed.

It was brought to the committees attention that there were two pieces of Proponent Testimony included for them to read. Mr. Matthew Goddard, Heartland Community Bankers Association, and Ms. Kathleen Taylor Olsen, Kansas Bankers Association. A copy of their testimonies are (Attachments #3 & 4) are attached hereto and incorporated into the Minutes by reference.

The meeting was adjourned at 4:15 p.m.

The next meeting will be held March 7, 2000 at 3:30 p.m.