

## ACT 239

S.B. NO. 1376

A Bill for an Act Relating to Mortgages.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Section 403-92.5, Hawaii Revised Statutes, is amended to read as follows:

**“[§403-92.5] Mortgage insurance; [opportunity to accept or decline.] notice of right to cancel.** (a) [A] Any financial institution regulated under this chapter that provides a mortgagor with mortgage life insurance without charge for a period less than the term of the mortgage, which insurance is not a condition of obtaining the mortgage, [without charge and for a period that is equal to or less than the term of the mortgage,] shall send each insured mortgagor[,] written notice advising each such mortgagor of the right to cancel the insurance, of the requirements for effecting such cancellation, and that premiums will be charged for the insurance unless it is cancelled. The notice shall be sent to each insured mortgagor at least [no later than] four weeks prior to the expiration of the period during which the insurance is provided without charge [(the “free-period”), a form with a designated “yes” or “no” space in which the insured mortgagor may indicate a desire to continue or discontinue the mortgage life insurance after the free-period has ended. The form shall clearly indicate the amount of the premium to be charged to continue the mortgage life insurance and shall also provide a space for the mortgagor’s signature and the date of signing].

[(b) Failure to provide the form as specified under this section shall result in the automatic termination of the mortgage life insurance policy upon the expiration of the free-period, unless the mortgagor indicates otherwise in writing to the financial institution.

(c) (b) For the purposes of this section, “mortgage life insurance” means an insurance plan which will pay off the mortgage balance in the event of the death or, as the case may be, disability of the insured mortgagor.”

SECTION 2. Chapter 407, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**“§407- Mortgage insurance; notice of right to cancel.** (a) Any savings and loan association that provides a mortgagor with mortgage life insurance without charge for a period less than the term of the mortgage, which insurance is not a condition of obtaining the mortgage, shall send each insured mortgagor written notice advising each such mortgagor of the right to cancel the insurance, of the requirements for effecting such cancellation, and that premiums will be charged for the insurance unless it is cancelled. The notice shall be sent to each insured mortgagor at least four weeks prior to the expiration of the period during which the insurance is provided without charge.

(b) For the purposes of this section, “mortgage life insurance” means an insurance plan which will pay off the mortgage balance in the event of the death or, as the case may be, disability of the insured mortgagor.”

SECTION 3. Chapter 408, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**“§408- Mortgage insurance; notice of right to cancel.** (a) Any industrial loan company that provides a mortgagor with mortgage life insurance without charge for a period less than the term of the mortgage, which insurance is not a condition of obtaining the mortgage, shall send each insured mortgagor written notice advising each such mortgagor of the right to cancel the insurance, of the requirements for effecting such cancellation, and that premiums will be charged for the insurance unless it is cancelled. The notice shall be sent to each insured mortgagor at least four weeks prior to the expiration of the period during which the insurance is provided without charge.

(b) For the purposes of this section, “mortgage life insurance” means an insurance plan which will pay off the mortgage balance in the event of the death or, as the case may be, disability of the insured mortgagor.”

SECTION 4. Chapter 410, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**“§410- Mortgage insurance; notice of right to cancel.** (a) Any credit union that provides a mortgagor with mortgage life insurance without charge for a period less than the term of the mortgage, which insurance is not a condition of obtaining the mortgage, shall send each insured mortgagor written notice advising each such mortgagor of the right to cancel the insurance, of the requirements for effecting such cancellation, and that premiums will be charged for the insurance unless it is cancelled. The notice shall be sent to each insured mortgagor at least four weeks prior to the expiration of the period during which the insurance is provided without charge.

(b) For the purposes of this section, “mortgage life insurance” means an insurance plan which will pay off the mortgage balance in the event of the death or, as the case may be, disability of the insured mortgagor.”

SECTION 5. Chapter 506, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**“§506- Mortgage insurance; notice of right to cancel.** (a) Any person, on behalf of a casualty insurance company, that provides a mortgagor with mortgage life insurance without charge for a period less than the term of the mortgage, which insurance is not a condition of obtaining the mortgage, shall send each insured mortgagor written notice advising each such mortgagor of the right to cancel the insurance, of the requirements for effecting such cancellation, and that premiums will be charged for the insurance unless it is cancelled. The notice shall be sent to each insured mortgagor at least four weeks prior to the expiration of the period during which the insurance is provided without charge.

(b) For the purposes of this section, “mortgage life insurance” means an insurance plan which will pay off the mortgage balance in the event of the death or, as the case may be, disability of the insured mortgagor.”

SECTION 6. Statutory material to be repealed is bracketed. New statutory material is underscored.<sup>1</sup>

SECTION 7. This Act shall take effect upon its approval; provided that if the period during which the mortgage life insurance is provided without charge, expires less than six weeks after the effective date of this Act, the notice required by this Act need not be sent.

(Approved June 8, 1989.)

**Note**

1. Edited pursuant to HRS §23G-16.5.