

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 1243

Short Title: Lenders Accept Binders at Closings.

(Public)

Sponsors: Representatives Mills; Hasty, Kimsey, and Stam.

Referred to: Judiciary.

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 disapproving such insurer provided
12 such disapproval is reasonable and in writing.

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; and

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

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

22 (3) Includes an undertaking of agent to use his best efforts to have the
23 insurance company issue a policy within 45 days, unless the binder is
24 cancelled.

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

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