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Issue Area: Conventional Residential Lending
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February 5, 1998

Dear Member of the House or Senate Banking committee:

The National Association of **REALTORS**® urges enactment of legislation that allows homeowners to cancel private mortgage insurance (PMI) when it is no longer needed, while protecting the rights of states to enact laws for the protection of their residents. PMI is a valuable tool to increase the availability of homeownership. Yet there are many homeowners who continue to pay these premiums long after reaching the industry standard threshold of 20% equity in their home.

NAR® supports the thresholds of S. 318 that allow for automatic cancellation at 22% equity and consumer initiated cancellation at 20%. This bill also requires disclosure for existing loans of the current cancellation powers and contact information, and disclosure at closing for all mortgages entered into after the effective date.

However, S. 318 includes a provision that would preempt state law. Several states have enacted their own laws relating to cancellation of PMI, and others may chose to do so. S. 318 would preempt these current laws, and prevent states from enacting future ones. NAR ® prefers the provision in H.R. 607 which allows states to set laws for the protection of their residents.

The **NATIONAL ASSOCIATION OF REALTORS**® supports the disclosure and cancellation of PMI. We suggest that the House and Senate pass the provisions of S. 318, with its more consumer-friendly cancellation thresholds, but not prevent the rights of states to set their own laws. These bills will save homeowners nationwide millions of dollars a year. Please do not let these important bills die. We urge you to come to agreement on S. 318 and H.R. 607 and pass legislation that will allow homeowners to cancel PMI when it has become unnecessary, while allowing states the right to set laws for their residents.

Sincerely,

Layne Morrill