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H.13

Introduced by Representatives Sweaney of Windsor and Bartholomew of
Hartland

Referred to Committee on

Date:

Subject: Commerce and trade; banking; insurance; flood insurance

Statement of purpose of bill as introduced: This bill proposes to limit the
amount of flood insurance coverage a mortgage or loan creditor can require.

An act relating to regulating flood insurance coverage requirements

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 8 V.S.A. § 10507 is added to read:

§ 10507. REAL ESTATE LOANS; FLOOD INSURANCE COVERAGE

For a mortgage or equivalent consensual security interest secured by
residential real estate that contains one to four family housing units:

(1) a creditor shall not require a borrower to purchase flood insurance:

(A) in a coverage amount that exceeds the outstanding principal
balance of the loan, or the full value of the line of credit, at the beginning of
the year for which the policy is in effect; or

(B) that includes coverage for contents; or

(C) that includes a deductible of less than \$5,000.00; and

1 (2) a creditor and an insurance producer, as defined in section 4791 of
2 this title, shall provide the following written notice to the borrower in clear and
3 conspicuous print:

4 VERMONT LAW PROHIBITS A CREDITOR FROM REQUIRING YOU
5 TO PURCHASE FLOOD INSURANCE IN AN AMOUNT THAT EXCEEDS
6 THE OUTSTANDING PRINCIPAL BALANCE OF YOUR REAL ESTATE
7 LOAN OR THE FULL VALUE OF A LINE OF CREDIT. THE MINIMUM
8 AMOUNT OF INSURANCE COVERAGE WILL ONLY PROTECT YOUR
9 CREDITOR’S INTEREST IN YOUR PROPERTY AND MOST LIKELY
10 WILL NOT BE SUFFICIENT TO PAY FOR REPAIRS OR COMPENSATE
11 YOU FOR YOUR LOSSES DUE TO THE FLOOD. IF YOU WISH TO
12 PROTECT YOUR HOME OR BELONGINGS, YOU MAY WANT TO
13 PURCHASE MORE FLOOD INSURANCE THAN THE AMOUNT YOU
14 ARE REQUIRED TO BUY.

15 Sec. 2. EFFECTIVE DATE

16 This act shall take effect on July 1, 2015.