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HOUSE BILL 2569

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State of Washington

53rd Legislature

1994 Regular Session

By Representatives Dyer, Zellinsky, Brumsickle and B. Thomas

Read first time 01/17/94. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to title insurance policies; adding a new chapter  
2 to Title 61 RCW; and providing an effective date.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** LEGISLATIVE FINDINGS AND INTENT. The  
5 legislature finds that the purpose of title insurance is to indemnify  
6 the insured from loss caused by a defective title to real property.  
7 Generally, there are two types of policies available in the  
8 marketplace: A lender's policy and an owner's policy. Lenders  
9 typically require the borrower/owner to purchase title insurance  
10 protecting the lender from loss due to a defective title. However, in  
11 many cases the owner is not aware that the owner's interest in the  
12 property is not protected by the lender's policy, and that an owner's  
13 policy is available for an additional fee that usually is relatively  
14 small. The purpose of this chapter is to ensure that borrowers are  
15 made aware of the availability of an owner's title insurance policy  
16 when financing a mortgage.

17 NEW SECTION. **Sec. 2.** DISCLOSURE OF AVAILABILITY OF OWNER'S  
18 POLICY. Every lender that accepts an application from a borrower for

1 a residential mortgage loan, at the time of application and in  
2 conjunction with other disclosures required by federal or state law,  
3 shall provide the borrower with a written disclosure that an owner's  
4 title insurance policy is available to protect the owner from a  
5 defective title. The lender shall assist the borrower with questions  
6 or requests for information related to the disclosure required in this  
7 section by obtaining the necessary information for the borrower or by  
8 referring the borrower to a local title company. The disclosure  
9 substantively shall be as follows: "This is to give you notice that if  
10 the residential mortgage loan for which you are applying is made, you  
11 will have to provide the lender with a title insurance policy  
12 protecting the lender from loss from a defective title and that, for an  
13 additional fee, you can receive a title insurance policy that protects  
14 your interest as well. The fee for an owner's title insurance policy  
15 generally is significantly smaller than the fee you must pay for the  
16 lender's policy. If you would like additional information on the cost  
17 or the protection provided by title insurance, the lender will assist  
18 you."

19 NEW SECTION. **Sec. 3.** DEFINITIONS. Unless the context clearly  
20 requires otherwise, the definitions in this section apply throughout  
21 this chapter.

22 (1) "Borrower" means any person who applies for a residential  
23 mortgage loan.

24 (2) "Lender" means any person, corporation, association,  
25 partnership, or trust authorized under federal or state law to accept  
26 applications for residential mortgage loans including, but not limited  
27 to, banks, savings banks, savings and loan associations, credit unions,  
28 mortgage brokers, consumer finance companies, and insurance companies.

29 (3) "Owner" means any person who has or will acquire an ownership  
30 interest in real property which secures a residential mortgage loan.

31 (4) "Person" means an individual or individuals.

32 (5) "Residential mortgage loan" means a loan primarily for  
33 personal, family, or household use secured by a mortgage or deed of  
34 trust on real property upon which is constructed or intended to be  
35 constructed a single-family dwelling or multiple-family dwelling of  
36 four units or less. "Residential mortgage loan" includes a loan  
37 secured by real property on which one manufactured home is or will be  
38 permanently affixed.

1        NEW SECTION.    **Sec. 4.**    SEVERABILITY CLAUSE.    If any provision of  
2 this act or its application to any person or circumstance is held  
3 invalid, the remainder of the act or the application of the provision  
4 to other persons or circumstances is not affected.

5        NEW SECTION.    **Sec. 5.**    EFFECTIVE DATE.    This act shall take effect  
6 July 1, 1994.

7        NEW SECTION.    **Sec. 6.**    CAPTIONS.    Captions used in this act do not  
8 constitute any part of the law.

9        NEW SECTION.    **Sec. 7.**    CODIFICATION.    Sections 1 through 6 of this  
10 act shall constitute a new chapter in Title 61 RCW.

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