

# SENATE BILL REPORT

## SB 5887

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As of February 26, 1997

**Title:** An act relating to property insurance on the security interest in a real estate contract.

**Brief Description:** Requiring property insurance on the security interest in a real estate contract.

**Sponsors:** Senator Loveland.

**Brief History:**

**Committee Activity:** Financial Institutions, Insurance & Housing: 2/27/97.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

**Staff:** Dave Cheal (786-7576)

**Background:** Real property transactions are sometimes financed by the seller by entering into a contract with the buyer. The real property and improvements serve as security for payment. If the improvement is not insured against fire or other hazard, and a loss occurs, the seller could lose a substantial amount of its security.

**Summary of Bill:** Purchasers of real estate financed by a contract with payments secured by a single family residence or mobile home are required to obtain property insurance satisfactory to the seller, and naming seller as the loss payee.

Purchasers are required to provide ongoing evidence of coverage.

The parties may alter these requirements by written agreement.

Current law gives borrowers the right to choose a broker or insurer when they are required to buy property insurance by law. The bill declares that right to be unaffected.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.