SENATE BILL NO. 335–SENATOR O'DONNELL

MARCH 8, 1999

Referred to Committee on Commerce and Labor

SUMMARY—Requires mortgage company to disclose yield spread premium to potential borrower at time of estimate of interest rate. (BDR 54-1537)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~[omitted material]~~ is material to be omitted.

AN ACT relating to mortgage companies; requiring a mortgage company to disclose the yield spread premium to a prospective borrower at the time a mortgage company provides an estimate of an interest rate to the prospective borrower; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 645B of NRS is hereby amended by adding thereto a new section to read as follows:

1. Except as otherwise provided in subsection 2, if a prospective borrower requests an estimate on a loan secured by a lien upon real property, a mortgage company shall, at the time the mortgage company provides the estimate, provide to the prospective borrower a written statement that discloses, for each lender for which an estimate is given:

(a) The par rate for the lender;

(b) The interest rate being offered to the prospective buyer; and

(c) Any yield spread premium that the lender will pay to the mortgage company if the prospective borrower accepts a loan at that interest rate.

2. If an estimate on a loan described in subsection 1 is provided by means of a telephone or other oral communication, the mortgage company shall make the disclosures required pursuant to subsection 1 by telephone or other oral communication at the time the estimate is provided. A mortgage company shall provide the written statement required pursuant to subsection 1 before the mortgage company obtains a loan secured by a lien upon real property for the borrower.

3. As used in this section:

(a) "Borrower" means a mortgagor, grantor of a deed of trust or other obligor on a loan secured by a lien upon real property.

(b) "Discount point" means a lump-sum fee, usually expressed as a percentage of the total amount of the loan, paid by a borrower to decrease the interest rate paid on a loan secured by a lien upon real property.

(c) "Lender" means a mortgagee, beneficiary of a deed of trust or other obligee on a loan secured by a lien upon real property, and his successor in interest.

(d) "Par rate" means the lowest interest rate at which a lender will make a loan without charging the borrower any discount point.

(e) "Yield spread premium" means a fee paid by a lender to a mortgage company for securing a borrower for a loan secured by a lien upon real property at an interest rate above the par rate.

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