

(II) “[property] PROPERTY insurance coverage” means property insurance against losses caused by perils that commonly are covered in insurance policies described with terms similar to “standard fire” or “standard fire with extended coverage”.

(III) “FLOOD INSURANCE COVERAGE” MEANS FLOOD INSURANCE AGAINST LOSSES CAUSED BY FLOODING THAT ARE COVERED UNDER A POLICY ISSUED UNDER THE NATIONAL FLOOD INSURANCE ACT BY:

1. THE FEDERAL GOVERNMENT; OR
2. AN INSURER.

(2) A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first mortgage or first deed of trust, to provide or purchase property insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement value of the improvements on the real property.

(3) A LENDER MAY NOT REQUIRE A BORROWER, AS A CONDITION TO RECEIVING OR MAINTAINING A LOAN SECURED BY A FIRST MORTGAGE OR FIRST DEED OF TRUST, TO PROVIDE OR PURCHASE FLOOD INSURANCE COVERAGE IN AN AMOUNT EXCEEDING THE REPLACEMENT VALUE OF THE IMPROVEMENTS ON THE REAL PROPERTY.

[(3)](4) In determining the replacement value of the improvements on any real property, the lender may:

- (i) Accept the value placed on the improvements by the insurer; or
- (ii) Use the value placed on the improvements that is determined by the lender’s appraisal of the real property.

[(4)](5) A lender may not require that the insurance be purchased through a particular insurance producer or insurance company.

(b) (1) A violation of this section shall entitle the borrower to:

- (i) Seek an injunction to prohibit the lender who has engaged or is engaging in the violation from continuing or engaging in the violation;
- (ii) Reasonable attorney’s fees; and
- (iii) Damages directly resulting from the violation.

(2) A violation of this section does not affect the validity of the first mortgage or first deed of trust securing the loan.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2004.

Approved May 11, 2004.