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**SENATE BILL NO. 74**

Offered January 8, 2014

Prefiled December 19, 2013

A *BILL to amend and reenact § 6.2-412 of the Code of Virginia, relating to loans secured by lien on real estate; flood insurance requirements.*

Patrons—Puckett and McWaters

Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:**

**1. That § 6.2-412 of the Code of Virginia is amended and reenacted as follows:**

**§ 6.2-412. Insurance coverage under certain loans not to exceed replacement value of improvements.**

A. As used in this section, "property:

"Flood insurance coverage" means insurance against loss or damage to any property caused by flooding or the rising of the waters of the ocean or its tributaries.

"Property insurance coverage" means insurance against losses or damages caused by perils that commonly are covered in insurance policies described with terms similar to "standard fire" or "standard fire with extended coverage."

B. No lender shall require a borrower, as a condition to receiving or maintaining a loan secured by any mortgage or deed of trust, to provide or purchase property insurance coverage *or flood 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.

C. In determining the replacement value of the improvements on any real property, the lender may:

1. Accept the value placed on the improvements by the insurer; or

2. Use the value placed on the improvements that is determined by the lender's appraisal of the real property.

D. A violation of this section shall not affect the validity of the mortgage or deed of trust securing the loan.

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