§ 6503. Limitations. (a) Mortgage guaranty insurance may be transacted in this state only by a company licensed to do so and shall be written only:

(1) to insure loans secured by authorized real estate securities; or

(2) to insure pools of loans secured by instruments constituting a first lien on real estate and evidenced by pass-through certificates or other instruments, provided no part of the premiums for such insurance shall be paid directly or indirectly by the mortgagors and mortgage guaranty insurance for such pools of loans shall not be subject to the provisions of subsection (c) of this section; or

(3) to insure a portfolio of loans secured by instruments constituting a junior lien on real estate.

(b) A mortgage insurer shall not insure exposure on loans secured by liens on properties in a single housing tract or a contiguous tract in excess of ten percent of its policyholders surplus. In calculating such exposure, the applicable claim settlement option shall be applied and applicable reinsurance shall be deducted. "Contiguous" means not separated by more than one-half mile.

(c) A mortgage insurer providing coverage on loans secured by a first lien on real estate may elect to pay the entire indebtedness to the insured and acquire title to the authorized real estate security. A mortgage insurer providing coverage on loans secured by a junior lien on real estate may elect to insure a portfolio of loans secured by instruments constituting a junior lien on real estate.

(d) Except for loans made pursuant to the state of New York mortgage agency's forward commitment program as defined in title seventeen of article eight of the public authorities law, a mortgagor shall not be required to pay, directly or indirectly, the cost of continuing mortgage guaranty insurance on a loan secured by a first lien on real estate when the unpaid principal amount of the real estate loan represents seventy-five percent or less of the real estate's appraised value at the time the loan was made or such higher percentage of such appraised value as may be established from time to time by general regulation of the superintendent of financial services, which shall consider:

(1) the cost to mortgagors and the necessity of maintaining insurance;

(2) the applicable mortgage insurance requirements of the Federal National Mortgage Association, the Government National Mortgage

Association and the Federal Home Loan Mortgage Corporation to be met as a precondition to the sale thereto by a regulated mortgage investor; and

(3) the need in light of prevailing economic conditions for regulated mortgage investors to resell such security.

(e) For loans made pursuant to the state of New York mortgage agency's forward commitment program as defined in title seventeen of article eight of the public authorities law, a mortgagor shall not be required to pay, directly or indirectly, the cost of continuing mortgage guaranty insurance on a loan secured by a first lien on real estate when the unpaid principal amount of the real estate loan represents sixty percent or less of the fair market value of the real estate at the time the loan was made.

(f) A mortgagor shall not be required to pay, directly or indirectly, the cost of mortgage guaranty insurance on a loan secured by a junior lien on real estate when the indebtedness evidencing that loan, combined with all existing mortgage loan amounts at the time the loan is made, is less than sixty percent of the fair market value of the real estate at the time the junior loan is made.

(g) A mortgage insurer may not obtain a deficiency judgment against a borrower in the event of foreclosure.

(h) This article shall not limit the right of any mortgage insurer to impose reasonable requirements upon the lender with regard to the terms of any note or bond or other evidence of indebtedness secured by a mortgage or deed of trust.