

HOUSE BILL NO. 363

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE BUNDE

Introduced: 12/29/95

Referred: State Affairs, Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act requiring banks to pay interest on money in reserve accounts held in**
2 **connection with mortgage loans."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 06.05 is amended by adding a new section to read:

5 Sec. 06.05.285. INTEREST ON RESERVE ACCOUNTS. (a) A bank that
6 requires the payment of money by a borrower into an escrow reserve account for the
7 payment of taxes, insurance premiums, or home owner's association dues in connection
8 with a mortgage loan shall pay interest on the money in that account unless the
9 account is required by federal law or regulation. The rate of interest paid on money
10 in a reserve account shall equal two percent less than the rate of interest charged to
11 the borrower for the mortgage loan and shall be computed on the average monthly
12 balance in that account each month.

13 (b) Interest earned on money in a reserve account shall be annually credited
14 to the remaining principal balance on the mortgage loan or, at the election of the

1 borrower, shall be paid to the borrower.

2 * **Sec. 2.** AS 06.05.285, enacted in sec. 1 of the Act, applies to escrow reserve accounts
3 established before the effective date of this Act, as well as to accounts established on or after
4 the effective date of this Act, with interest to be paid beginning on the effective date of this
5 Act on money in those accounts.