

**CS FOR HOUSE BILL NO. 363(STA)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered: 2/21/96

Referred: Labor and Commerce, Finance

Sponsor(s): REPRESENTATIVE BUNDE

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to reserve accounts held in connection with mortgage loans."**

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

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

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

11           (b) Interest earned under (a) of this section shall be, at the election of the  
12          borrower, annually credited to the remaining principal balance on the mortgage loan  
13          or paid to the borrower.

14           (c) At the end of each year, the following information regarding each escrow  
15          reserve account during that year shall be delivered by the bank to the borrower:

- 1 (1) the cost to the bank of administering the account;
- 2 (2) the amount that was in the account on the last day of each month;
- 3 (3) the amount of interest earned on the account each month;
- 4 (4) a schedule of payments made by the bank from the account.

5 \* **Sec. 2.** AS 06.05.285, enacted in sec. 1 of the Act, applies to escrow reserve accounts  
6 established before the effective date of this Act, as well as to accounts established on or after  
7 the effective date of this Act, with interest to begin accruing on the effective date of this Act  
8 on money in those accounts.