

HOUSE BILL NO. 33

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE RAMRAS

Introduced: 1/16/07

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the payment of interest on reserve accounts held for borrowers by
2 financial institutions and mortgage originators and by loan servicing agents of the
3 Alaska Housing Finance Corporation."

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

5 * **Section 1.** AS 06 is amended by adding a new chapter to read:

6 **Chapter 80. Miscellaneous Provisions.**

7 **Sec. 06.80.010. Interest on reserve accounts.** (a) If a covered institution
8 requires a borrower to establish a reserve account to cover the payment of tax,
9 insurance, or other obligations for a loan, the covered institution shall pay the
10 borrower interest each year on the money held in the reserve account.

11 (b) A covered institution who is required by (a) of this section to pay a
12 borrower interest on the money held in a reserve account shall, on December 31 of
13 each calendar year, credit the borrower with interest on the reserve account for the
14 calendar year. The covered institution shall calculate the interest at the rate of two

1 percent a year on the average daily balance of money in the reserve account over the
2 calendar year.

3 (c) A covered institution may not require the borrower to pay, or impose a
4 service charge on the borrower or the reserve account, for the administration of the
5 reserve account.

6 (d) This section does not apply to a covered institution that is

7 (1) authorized to engage in business as a bank, savings institution, or
8 credit union under the laws of the United States and who is subject to the general
9 supervision, regulation, and examination of a regulatory body or agency of the United
10 States;

11 (2) a subsidiary of or an affiliate of a person who is covered by (1) of
12 this section and who is subject to the general supervision, regulation, and examination
13 of a regulatory body or agency of the United States;

14 (3) an agency of the federal government, a state government, a
15 municipality, or a quasi-governmental agency making or brokering mortgage loans
16 under the specific authority of the laws of a state or the United States.

17 (e) In this section,

18 (1) "borrower" means a person to whom a loan has been made;

19 (2) "covered institution" means a financial institution or mortgage
20 originator; in this paragraph,

21 (A) "financial institution" has the meaning given in
22 AS 06.01.050;

23 (B) "mortgage originator" means a person who engages in the
24 business of preparing, submitting, and evaluating a loan application, including
25 providing credit checks, verifying employment, and appraising property;

26 (3) "reserve account" means an account that holds money from a
27 borrower to cover the payment of tax, insurance, or other obligations of a loan.

28 * **Sec. 2.** AS 18.56 is amended by adding a new section to read:

29 **Sec. 18.56.137. Interest on reserve accounts.** (a) If the corporation contracts
30 with a loan servicing agent for the loan servicing agent to provide servicing for a loan
31 that is made by the corporation and if the loan servicing agent requires the borrower to

1 establish a reserve account to cover the payment of tax, insurance, or other obligations
 2 for the loan, the corporation shall require, as a condition of the servicing contract, that
 3 the loan servicing agent pay the borrower interest each year on the money held in the
 4 reserve account.

5 (b) A loan servicing agent who is required by (a) of this section to pay a
 6 borrower interest on the money held in a reserve account shall, on December 31 of
 7 each calendar year, credit the borrower with interest on the reserve account for the
 8 calendar year. The loan servicing agent shall calculate the interest at the rate of two
 9 percent on the average daily balance of money in the reserve account over the calendar
 10 year.

11 (c) A loan servicing agent may not require the borrower to pay, or impose a
 12 service charge on, the borrower or the reserve account for the administration of the
 13 reserve account.

14 (d) In this section,

15 (1) "borrower" means the person to whom the corporation makes the
 16 loan;

17 (2) "reserve account" means an account that holds money from a
 18 borrower to cover the payment of tax, insurance, or other obligations of a loan.

19 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
 20 read:

21 **APPLICABILITY.** (a) AS 06.08.010, enacted by sec. 1 of this Act, applies only to
 22 loans for which a reserve account is established by the covered institution on or after the
 23 effective date of this Act. In this subsection, "covered institution" has the meaning given in
 24 AS 06.80.010, enacted by sec. 1 of this Act.

25 (b) AS 18.56.137, enacted by sec. 2 of this Act, applies only to loans whose servicing
 26 is sold to a loan servicing agent by the Alaska Housing Finance Corporation on or after the
 27 effective date of this Act.