

1 IN THE HOUSE

BY DUNCAN

2 HOUSE BILL NO. 780

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act concerning mortgage escrow accounts."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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

9 CHAPTER 40. ESCROW ACCOUNTS.

10 Sec. 06.40.010. TERMINATION OF ESCROW ACCOUNTS. (a) When the
11 mortgage is reduced to 65 per cent of its original amount by payments
12 of the borrower according to the provisions of the loan agreement
13 secured by the mortgage, and the borrower is otherwise not in default
14 on the loan agreement, the mortgage lender must notify the borrower
15 that he may terminate the escrow account or that he may elect to con-
16 tinue it until he requests a termination of it, or until the mortgage
17 is paid in full, whichever occurs first.

18 (b) This section does not apply to mortgages insured, guaranteed,
19 supplemental or assisted by the state or federal government which re-
20 quire an escrow arrangement for their continuation.

21 Sec. 06.40.020. PLEDGED SAVINGS ACCOUNTS. Instead of the mort-
22 gage lender establishing an escrow account or an escrow-like arrange-
23 ment, a borrower may pledge an interest bearing savings account held
24 by the mortgage lender in an amount sufficient to secure the payment of
25 anticipated taxes and insurance.

26 Sec. 06.40.030. RE-ESTABLISHMENT OF ESCROW ACCOUNTS. A borrower
27 terminating an escrow account or escrow-like arrangement under sec. 10
28 of this chapter shall advise the lender when taxes and insurance are
29 due on the property covered by the mortgage, and shall furnish to the

1 lender evidence of payment of the taxes and insurance. If the lender
2 does not pay the taxes and insurance when due the lender may re-estab-
3 lish an escrow account or escrow-like arrangement.

4 Sec. 06.40.040. EXEMPTIONS. The provisions of this chapter are
5 not applicable to a mortgage lender using the capitalization method of
6 accounting for receipt of payments for taxes. The capitalization
7 method means crediting the tax payments directly to the loan principal
8 upon receipt and increasing the loan balance when the taxes are paid.

9 Sec. 06.40.050. NOTICE. Written notice of the requirements of
10 this chapter shall be furnished to the borrower at the time of closing
11 the transaction.

12 Sec. 06.40.060. DEFINITIONS. In this chapter, unless the context
13 otherwise requires,

14 (1) "borrower" means the person obligated under the mortgage
15 loan;

16 (2) "escrow account" means any account established by the
17 mortgage lender in conjunction with a mortgage loan on a residence, into
18 which the borrower is required to make regular periodic payments and
19 out of which the lender pays the taxes or insurance on the property
20 covered by the mortgage;

21 (3) "escrow-like arrangement" means an arrangement the
22 intent of which is to serve the same purposes as an escrow account
23 but which does not require the formal establishment of an account;

24 (4) "mortgage lender" means a bank, savings and loan asso-
25 ciation, building and loan association or other institution, associa-
26 tion, partnership, corporation or person extending the loan of money
27 for the purpose of enabling another to purchase a residence.
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