

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1316 SCOMM 50: HOUSE SPECIAL COMMITTEE ON STATE LOANS 1985-86

04/17/84 05:40:56

SUMMARY OF MOBILE HOME PARKS ACTIVE LOANS PURCHASED THRU 4/10/84

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PARK NUMBER	PARK NAME	JMPAD PRINCIPAL BALANCE	ORIGINAL LOAN AMOUNT	COUNT
66 66	MITKOF MOBILE HOME COURT	\$111,029.03 \$111,029.03	\$112,200.00 \$112,200.00	3 3
67 67	TWO PINES TRAILER PARK	\$27,543.85 \$27,543.85	\$28,000.00 \$28,000.00	1 1
68 68	ACRES TRAILER COURT	\$73,602.61 \$73,602.61	\$73,750.00 \$73,750.00	2 2
69 69	SOUTH CENTRAL MOBILE HOME PARK II	\$407,150.84 \$407,150.84	\$421,900.00 \$421,900.00	17 17
70 70	CREEK SIDE TRAILER PARK	\$167,327.20 \$167,327.20	\$173,950.00 \$173,950.00	5 5
71 71	BAKERS TRAILER COURT	\$53,370.64 \$53,370.64	\$54,150.00 \$54,150.00	2 2
72 72	GLENCAREN COURT	\$10,408,845.56 \$10,408,845.56	\$10,586,886.00 \$10,586,886.00	296 296
73 73	GLENH MULDOON	\$1,903,194.76 \$1,903,194.76	\$1,943,069.00 \$1,943,069.00	65 65
74 74	IDLE WHEELS VENTURES	\$721,732.95 \$721,732.95	\$736,418.00 \$738,418.00	29 29

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SUMMARY OF MOBILE HOME PARKS ACTIVE LOANS PURCHASED THRU 4/10/84

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PARK NUMBER	PARK NAME	PAID PRINCIPAL BALANCE	ORIGINAL LOAN AMOUNT	COUNT
75	MALASPINA M. H. P.	\$2,059,841.09	\$2,116,318.09	79
75		\$2,069,841.09	\$2,116,313.00	79
76	PLEASANT PARK	\$207,743.30	\$211,741.00	7
76		\$207,743.38	\$211,761.00	7
77	ANCHOR POINT M. H. VILLAGE	\$13,526.78	\$14,700.00	1
77		\$13,526.78	\$14,700.00	1
78	GLASEN COURT	\$119,311.32	\$121,000.09	4
78		\$119,311.32	\$121,000.00	4
80	HIGHLAND TRAILER PARK	\$73,337.29	\$75,050.00	2
80		\$73,337.29	\$75,050.00	2
81	SOLLARS TRAILER COURT	\$205,308.19	\$299,150.00	10
81		\$285,808.19	\$299,153.00	10
83	STERLING HALL, INC.	\$10,692.21	\$11,300.00	1
83		\$10,692.21	\$11,300.00	1
84	LA CHATEAU	\$253,291.29	\$263,300.00	10
84		\$253,291.29	\$263,300.00	10
85	GLACIER TERRACE	\$1,107,714.91	\$1,215,546.00	50
85		\$1,187,714.81	\$1,215,543.00	50

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MISUMMARY --- SUMMARY OF MOBILE HOME PARKS ACTIVE LOANS PURCHASED THRU 4/10/84

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PARK NUMBER	PARK NAME	INPAID PRINCIPAL BALANCE	ORIGINAL LOAN AMOUNT	COUNT
86	PENGUIN PARK	\$152,306.52 \$152,306.52	\$154,661.00 \$154,661.00	5 00
87	PLAZA 36 M/H PARK	\$2,493,219.77 \$2,992,279.77	\$2,949,283.00 \$2,949,283.00	107 00
89	RIVIERA TERRACE	\$1,921,157.37 \$1,821,757.37	\$1,863,928.00 \$1,863,928.00	67 00
90	VILLAGE M/H PARK	\$3,001,245.25 \$3,031,245.25	\$3,070,615.00 \$3,070,615.00	94 00
91	SLEEPERS TRAILER COURT	\$13,965.95 \$19,965.95	\$20,900.00 \$20,900.00	1 00
92	SCHAFERS TRAILER COURT	\$141,177.17 \$141,177.17	\$151,122.00 \$151,122.00	7 00
94	PIPER MOBILE HOME COURT	\$53,749.25 \$58,749.25	\$61,450.00 \$61,450.00	3 00
95	SPAUCE PARK	\$202,706.52 \$202,706.52	\$206,823.00 \$206,823.00	9 00
96	WHARTONS P. H. PARK	\$155,708.72 \$156,708.72	\$160,600.00 \$160,600.00	7 00

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SUMMARY OF MOBILE HOME PARKS ACTIVE LOANS PURCHASED THRU 4/10/84

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PARK NUMBER	PARK NAME	UNPAID PRINCIPAL BALANCE	ORIGINAL LOAN AMOUNT	COUNT
97 97	BIG O M. H. PARK	\$77,863.44 \$77,863.44	\$81,200.00 \$81,200.00	4 4
98 98	BERNICE LAKE ESTATES	\$45,954.66 \$45,954.66	\$46,500.00 \$46,500.00	2 2
99 99	HARDINGS TRAILER COURT	\$20,248.75 \$20,248.75	\$20,900.00 \$20,900.00	1 1
100 100	ROUTE MOBILE HOME PARK	\$97,633.10 \$97,633.10	\$100,700.00 \$100,700.00	3 3
101 101	BURRELL TR. CT., TONKA VIEW M. H. PARK	\$32,342.71 \$32,342.71	\$35,500.00 \$35,500.00	2 2
102 102	SIMMONS TRAILER PARK	\$55,347.78 \$55,347.78	\$51,700.00 \$51,700.00	4 4
103 103	NAUOK COURT	\$367,593.98 \$367,593.98	\$380,186.00 \$380,186.00	15 15
104 104	LITTLE DELTA TRAILER COURT	\$15,370.35 \$15,370.35	\$16,050.00 \$16,050.00	1 1
105 105	VENNETTIS TRAILER COURT	\$194,895.51 \$194,895.51	\$203,400.00 \$203,400.00	10 10

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MISUMMARY --- SUMMARY OF MOBILE HOME PARKS ACTIVE LOANS PURCHASED THRU 4/10/94

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PARK NUMBER	PARK NAME	PAID PRINCIPAL BALANCE	ORIGINAL LOAN AMOUNT	COUNT
106	MILLERS MOBILE PARK	\$117,424.89	\$119,600.00	5
107	FOREST PARK MOBILE HOME COURT	\$528,526.61	\$647,092.00	25
108	TRAILS END MOBILE HOME COURT	\$116,757.97	\$118,367.00	5
109	WILLOW LAKE MOBILE HOME PARK	\$41,053.15	\$42,750.00	1
110	SUNSET TRAILER PARK	\$221,621.88	\$225,622.00	8
111	RIDGEWAY TRAILER COURT	\$87,663.73	\$92,550.00	4
113	FELTENS MATANUSKA MOBILE COURT	\$257,246.65	\$263,650.00	9
114	CLEARWATER TRAILER COURT	\$23,878.31	\$30,650.00	2
115	OLSON TRUST RENTALS (BIGELOW'S)	\$195,934.09	\$198,140.00	6

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SUMMARY --- SUMMARY OF MOBILE HOME PARKS ACTIVE LOANS PURCHASED THRU 4/10/84

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PARK NUMBER	PARK NAME	UNPAID PRINCIPAL BALANCE	ORIGINAL LOAN AMOUNT	COUNT
116 116	EAST ANCHORAGE MOBILE HOME CT.	\$313,910.34 \$313,910.34	\$320,500.00 \$320,500.00	13 ¢ 13 ¢¢
117 117	FORT EYAK TRAILER COURT	\$27,662.41 \$27,662.41	\$28,500.00 \$28,500.00	1 ¢ 1 ¢¢
119 119	BACK TRACKS TRAILER PARK	\$45,435.53 \$45,435.53	\$46,800.00 \$46,800.00	2 ¢ 2 ¢¢
120 120	GLACIER VALLEY MOBILE HOME PARK	\$52,795.29 \$52,795.29	\$54,100.00 \$54,100.00	2 ¢ 2 ¢¢
121 121	LAZY MOUNTAIN TRAILER COURT	\$335,044.21 \$335,044.21	\$343,600.00 \$343,500.00	14 ¢ 14 ¢¢
122 122	DOY'S TRAILER PARK	\$45,430.66 \$45,430.66	\$46,200.00 \$46,200.00	2 ¢ 2 ¢¢
124 124	HOME PARK ESTATES	\$105,114.62 \$105,114.62	\$109,200.00 \$109,200.00	4 ¢ 4 ¢¢
125 125	OCEANSIDE TRAILER PARK	\$79,244.42 \$79,244.42	\$83,150.00 \$83,150.00	2 ¢ 2 ¢¢
126 126	MCLAUGHLIN LAKESHORE COURT	\$197,759.53 \$197,759.53	\$207,550.00 \$207,550.00	8 ¢ 3 ¢¢

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SUMMARY OF MOBILE HOME PARKS ACTIVE LOANS PURCHASED THRU 4/10/84

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PARK NUMBER	PARK NAME	PAID PRINCIPAL BALANCE	ORIGINAL LOAN AMOUNT	COUNT
129 129	MINERAL CREEK PARK	\$267,520.40 \$267,520.40	\$283,250.00 \$293,250.00	7 0 7 00
130 130	STOUGH'S MOBILE HOME PARK	\$17,928.17 \$17,829.17	\$18,050.00 \$18,050.00	1 0 1 00
131 131	NIKISKI VILLAGE TRAILER COURT	\$47,721.45 \$47,921.45	\$52,700.00 \$52,700.00	3 0 3 00
132 132	VIENNA WOODS MOBILE HOME PARK	\$457,692.11 \$450,692.11	\$459,950.00 \$459,950.00	17 0 17 00
134 134	FOUR SEASONS	\$466,201.48 \$466,201.48	\$481,200.00 \$481,200.00	18 0 19 00
135 135	BEST VIEW MOBILE HOME PARK	\$15,301.60 \$16,301.60	\$17,150.00 \$17,150.00	1 0 1 00
136 136	COPPER VALLEY TELEPHONE M.H.P. (CUEA)	\$31,026.16 \$31,026.16	\$33,650.00 \$33,650.00	2 0 2 00
137 137	PEACEFUL MEADOWS	\$97,950.12 \$97,950.12	\$93,450.00 \$93,450.00	4 0 4 00
139 139	SOUTH PARK ESTATES	\$165,933.09 \$166,933.09	\$158,000.00 \$168,000.00	5 0 6 00

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SUMMARY OF MOBILE HOME PARKS ACTIVE LOANS PURCHASED THRU 4/10/84

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PARK NUMBER	PARK NAME	JNPAID PRINCIPAL BALANCE	ORIGINAL LOAN AMOUNT	COUNT
140	VAGABOND	\$433,730.45	\$452,450.00	19
140		\$433,730.45	\$452,450.00	19
141	MAGGIES	\$147,041.23	\$149,900.00	6
141		\$147,041.23	\$149,900.00	6
142	DEARMON MOBILE HOME PARK	\$31,094.68	\$32,150.00	2
142		\$31,094.68	\$32,150.00	2
143	NOAA MOBILE HOME PARK	\$51,018.73	\$51,750.00	2
143		\$51,018.73	\$51,750.00	2
144	MOBILE II	\$43,482.91	\$47,000.00	2
144		\$43,482.91	\$47,000.00	2
145	SMITH'S GREEN ACRES	\$78,379.47	\$80,800.00	2
145		\$78,379.47	\$80,800.00	2
146	BIRCH LANE MOBILE HOME PARK	\$56,184.40	\$57,200.00	1
146		\$56,184.40	\$57,200.00	1
147	ALTAVISTA	\$33,347.56	\$30,850.00	1
147		\$33,347.56	\$30,850.00	1
149	HUFFMAN PARK	\$22,798.31	\$23,900.00	1
149		\$22,798.31	\$23,900.00	1

3 YEARS OLD

TRAILER COURTS

TRAILER COURTS

Name	Address	Spaces
Airport Village	4407 Spenard Rd.	14
Alaskan Village, Inc.	7800 DeBarr Rd.	505
Alta Vista Mobile Home Park	1100 W. 32 Av.	24
Artesan Court	802 N. Lane St.	12
Baxter Road Trailer Court	4308 Baxter Rd.	16
Big Dipper	3920 McPhee Rd.	6
Brookside Manor	2205 Boniface Pkwy.	100
Cache Trailer Court	325 N. Park St.	13
Center Village	3600 Minnesota Dr.	19
Chateau Mobile Home Park	4203 Wilson St.	30
Chugach Drive Trailer Court	1115 Chugach Dr.	14
Clearwater Trailer Park	4040 Folker St.	30
Cordova Trailer Court	1200 Cordova St.	16
Cupid Trailer Park	2605 E. 50 Av.	15
DeArmoun Trailer Court	3533 Richmond	24
Dimond Estates	1200 W. Dimond Blvd.	520
Don's Trailer Park	Klatt Rd.	13
Eagle River Mobile Home Park	Box 65, St. Rt. Eagle River	26
E & J	3805 Cope	4
East Anchorage Mobile Home	5750 Glenn Hwy.	68
Far North Trailer Park	1616 Medfra St.	56
Forrest Park Trailer Court	1908 W. Hillcrest Dr.	47
Forty-niner Trailer Court	1009 W. 26 Av.	17
Four Seasons Mobiland	5901 E. 6 Av.	402
G & G Trailer Court	4619 E. 4 Av.	9
Glacier Terrace Trailer Court	4110 DeBarr Rd.	381
Glen Caren	2221 Muldoon Rd.	399
Glenn-Muldoon Trailer Court	7505 Glenn Hwy.	131
Golden Nugget Camper Park	1315 S. Hoyt	86
Granite Trailer Court	326 Irwin	2
Green Acres Mobile Home Court	4030 Lore Rd.	24
Grizzly Trailer Court	4222 Spenard Rd.	21
Hancock's Trailer Court	1417 W. 26 Av.	10
Handy's Trailer Court	1225 C St.	22
Highlander Trailer Court	2704 Fairbanks	33
Hill's Court	2702 McRae Rd.	9
Hillside Trailer Court	2150 Gambell	36
Home Park Estates	4403 Spenard Rd.	18
Huffman Camper Park	Jackass Ln.	151
Ida's	8730 Lake Otis Pkwy.	
Idle Wheels Mobile Court	4100 Arctic Blvd.	75
Kathy-O-Estates	909 Chugach Wy.	82
King's Court Trailer Court #1	2617 McRae Rd.	7

TRAILER COURTS

Name	Address	Spaces
King's Court #2	3301 Commercial Dr.	16
King's Rentals	2318 C St.	7
L & L Trailers & Spaces	1003 Chugach Wy.	35
La Honda Trailer Park	2907 La Honda Dr.	56
La Vie En Rose Mobile Home Park	3200 Turnagain Blvd. East	10
Linda Kay Trailer Ct. & Apts.	202 N. Klevin St.	17
Maggie's Trailer Court	4503 Spenard Rd.	43
Malaspina Mobile Home Park	1545 S. Hoyt	138
Manoog's Isle Mobile Home Park	2611 Pago Pago St.	284
Mayflower Circle Park	1001 Boniface Pkwy.	
Merchant's Trailer Court	412 E. 13 Av.	12
Miller's Mobile Park	3313 Spenard	17
Montague Manor Mobile Home Pk.s	9499 Brayton Dr.	318
Mt. View Trailer Court	160 S. Klevin St.	20
Nanook Courts, Inc.	3500 Mt. View Dr.	52
Panoramic View Camp. Trailer Park	Huffman Rd.	
Park Street Court	501 North Park St.	6
Parka Trailer Court	3508 Woodland Dr.	10
Pair-O-Dice Trailer Court	2606 Gambell St.	17
Penland Park	801 Airport Heights	453
Penguin Trailer Park	3407 Spenard Rd.	62
Piper Court	4222 Piper St.	24
Plaza 36 Mobile Home Park	3701 Eureka St.	222
Preferred Trailer Court	2906 W. 30 Av.	16
Rangeview Annex	905 Muldoon Rd.	97
Rangeview Mobile Home Park	705 Muldoon Rd.	318
Richmond Trailer Court	134-136 Schodde St.	10
Riviera Terrace Mobile Home Park	3307 Boniface Pkwy.	114
Scenic View Trailer Court	8007 Old Seward Hwy.	26
South Park Estates	3007 Arctic Blvd.	70
Spruce Park Trailer Court	7100 Lake Otis Pkwy.	50
Steven's Trailer Park	3804 Cope St.	7
Sullivan's	608 Mumford	5
Sunny Slope Trailer Court	4000 E. 2 Av.	7
Sunset Trailer Park	4200 E. 4 Av.	135
Talkeetna Trailer Court	4020 McPhee	19
Top Hand Trailer Court	2409 McRae Rd.	29
Totem Trailer Town	701 Klevin St.	137
Trailer City	4420 E. 2 Av.	49
Trails End Mobile Home Park	100 McCarrey St.	26
Troy Hill Trailer Court	211 E. 26 Av.	10
Tudor Vista Mobile Park	1601 E. Tudor Rd.	11
Twin Birch Trailer Court	4433 Wright St.	32
Vagabond Park	4225 Spenard Rd.	130
Vandemere Mobile Home Park	6033 Tudor Rd.	36
Wagon Wheels Mobile Home Park	4220 Baxter Rd.	34
Wharton Park	2208 Eureka St.	34
White Birch Trailer Park	1040 E. 6 Av.	60



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

Friday, May 25 1984

Letter of Intent to accompany SCSCSHB-663 (Fin.):

The Legislature is concerned about the number of trailer parks being sold or closed, and the increased risk this causes to portions of AHFC's mobile home loan portfolio and to certain borrowers under this program.

It is the intent of the Legislature that AHFC act immediately to make changes in its mobile home financing program through the adoption of emergency regulations as provided by AS 18.56.088(e). The emergency regulations will require that all mobile homes for which new mobile home loans are made be located on property owned by the borrower, property leased to the borrower for a period of time that exceeds the term of the loan, or if located on rented property, then the owner of the property must guarantee to allow the mobile home to remain on the property for a time period equal at least 75% of the loan term. As used here, the term "new mobile home loan" means a loan secured by collateral which is not already securing an existing AHFC mobile home loan.

AHFC shall continue to allow assumptions of existing mobile home loans, and shall use the flexibility authorized by section 1 of this bill to minimize undue hardship for owners of mobile homes under this program.

Additionally, as part of its annual trailer park approval process, AHFC shall require owners of approved trailer parks to provide at least one years eviction notice to their tenants prior to implementing a change in the land use of the property.

It is further the intent of the legislature that during the period the emergency regulations are in effect, the House and Senate Finance Committees, and the House Special Committee on State loans, in conjunction with the Commissioner of the Department of Revenue, and the Board and Executive Director of the Alaska Housing Finance Corporation, will develop proposed regulations for AHFC to consider regarding permanent changes to its mobile home loan financing program. In developing these proposed regulations, public hearings and other means will be utilized to gather input from all parties affected by the AHFC mobile home loan financing program.

Signed: _____

JOHN C. SACKETT
Co-Chairman, SFC

ALASKA HOUSING FINANCE CORPORATION

LOAN SUMMARY - MORTGAGES PURCHASED
MOBILE HOMES

	<u>FY '82</u>	<u>%</u>	<u>FY '83</u>	<u>%</u>	<u>JUL - MAR FY '84</u>	<u>%</u>
Sales Price	27,966		34,235		38,524	
Appraised Value	29,160		35,096		40,620	
Note Amount	25,878		31,376		36,372	
Monthly Income	2,710		2,864		2,910	
Age of Borrower	32.9		31.9		32.2	
Size of Household	2.6		2.5		2.6	
Loan to Sales Price Ratio	92.54		91.65		94.41	
Weighted Average Int. Rate	11.34		11.39		10.26	
Monthly P & I Payment	285.20		343.12		368.81	
Dwelling Type						
Mobile Homes	<u>1,324</u>	<u>100.00</u>	<u>1,872</u>	<u>100.00</u>	<u>1,326</u>	<u>100.00</u>
New/Existing						
New	132	9.97	390	20.83	264	19.9
Existing	<u>1,192</u>	<u>90.03</u>	<u>1,482</u>	<u>79.17</u>	<u>1,062</u>	<u>80.00</u>
	<u>1,324</u>	<u>100.00</u>	<u>1,872</u>	<u>100.00</u>	<u>1,326</u>	<u>100.00</u>
First Time Homeowner						
Yes	840	63.44	1,249	66.72	924	69.68
No	<u>484</u>	<u>36.56</u>	<u>623</u>	<u>33.28</u>	<u>402</u>	<u>30.32</u>
	<u>1,324</u>	<u>100.00</u>	<u>1,872</u>	<u>100.00</u>	<u>1,326</u>	<u>100.00</u>
Insurance Type						
FHA	-	-	-	-	-	-
VA	74	5.59	267	14.26	5	.38
CONV	<u>1,250</u>	<u>94.41</u>	<u>1,605</u>	<u>85.74</u>	<u>1,321</u>	<u>99.62</u>
	<u>1,324</u>	<u>100.00</u>	<u>1,872</u>	<u>100.00</u>	<u>1,326</u>	<u>100.00</u>
Eligible State Veteran	71	5.36	263	14.05	290	21.87
Non-Eligible State Veteran	<u>1,253</u>	<u>94.64</u>	<u>1,609</u>	<u>85.95</u>	<u>1,036</u>	<u>78.13</u>
	<u>1,324</u>	<u>100.00</u>	<u>1,872</u>	<u>100.00</u>	<u>1,326</u>	<u>100.00</u>
Original Balance	34,263,450.00		58,735,850.00		48,229,435.00	

cf19

MIGILL HOME LOTS IN PARKS

	Anchor Point	~~13,526~~ ~~68,529~~	~~1~~ ~~4~~
x	Anchorage	79,702,874	2627
	Bethel	573,052	20
	Chugiak	1,136,885	36
	Copper Center	41,053	1
x	Cordova	1,464,287	47
	Delta Junction	169,702	9
x	Eagle River	553,765	21
	Fairbanks	13,427,537	429
x	Juneau	8,013,160	377
	Kenai	420,274	21
	Ketchikan	1,104,510	48
x	Kodiak	1,656,231	54
	Alenana	47,114	1
	North Pole	163,909	6
	Palmer	420,412	14
	Petersburg	463,688	17
x	Sitka	1,297,797	60
x	Seldotna	677,751	30
	Sterling	34,218	2
OK	Valdez	1,060,291	50
x	Wasilla	1,124,505	30
	~~Willow~~	~~24,081~~	~~1~~
	Totals	113,585,123	3904

1,129

(29,041)

03/22/84

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AHFC APPROVED MOBILE HOME PARKS

NAME OF PARK	EXPIRATION DATE	AHFC#
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ANCHOR POINT

Anchor Point Mobile Home Village	6/24/83	77
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ANCHORAGE

Altavista	10/19/83	147
Alaskan Village	5/23/84	1
Baxter Trailer Court	6/15/83	152
Brookside Manor	7/26/84	2
Close In Aka LaVie En Rose	10/06/84	148
DeArmoun Mobile Home Park	7/12/83	142
Dimond Estates Mobile Home Park	2/25/85	3
Don's Trailer Park	10/12/84	122
East Anchorage Mobile Home Court	2/17/85	116
Forest Park Trailer Court	9/27/84	5
Four Seasons Mobiland	6/21/84	6
Glacier Terrace	2/21/85	85
Glencaren Court	5/10/84	72
Glenn Muldoon	7/26/84	73
Green Acres Trailer Court	6/15/84	93
Home Park Estates	7/26/84	124
Idle Wheels Ventures	11/12/84	74
Kathy O. Estates	5/15/84	7
La Chateau	4/26/85	84
Maggies	12/21/84	141
Malaspina Mobile Home Park	2/25/85	75
Manoogs Isle Mobile Home Park	2/10/85	8
Mayflower Circle Trailer Park	4/21/85	9
Millers Mobile Park	9/14/84	106
Nanook Court	5/10/84	103
Penland Mobile Home Park	3/21/85	11
Penguin Park	12/07/84	36
Piper Mobile Home Court	12/21/84	94
Plaza 36 Mobile Home Park	3/02/84	37
Pleasant Park	9/20/84	76
Rangeview Annex &		
Rangeview Mobile Home Park	5/25/84	12
Riviera Terrace	10/26/84	89
South Park Estates	8/02/84	139
Southwood Manor (Montague Manor)	3/30/85	10
Spruce Park	12/13/84	95
Sunset Trailer Park	3/25/84	110
Trails End Mobile Home Court	11/15/84	108
Vagabond	8/31/84	140

BETHEL

Bethel Trailer Park	7/08/84	13
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CHUGIAK

Birchwood Loop Terrace	12/21/84	14
Forest Park Mobile Home Court	5/24/84	107

03/22/84

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AHFC APPROVED MOBILE HOME PARKS*CORDOVA*

Glasen Court	12/10/83	78
Heney Mobile Home Park	10/11/84	15
McLaughlin Lakeshore Court	12/31/84	126
Mt. Eccles Estates	12/31/83	156

DELTA JUNCTION

Big D Mobile Home Park	1/21/85	97
Smith's Green Acres	9/14/83	145

EAGLE RIVER

Eagle River Trailer Park	2/24/85	115
Lazy Mountain Trailer Court	6/25/84	121

FAIRBANKS

Columbia Mobile Home Park	3/31/84	19
Eielson Mobile Home Park	5/25/84	20
Goldrush Estates	7/21/85	21
Huffman Park	11/19/84	149
Lakeview Mobile Home Park	12/02/84	22
Peaceful Meadows	6/14/84	137
Rainbow Valley Mobile Home Park	12/07/84	24
Riverview Mobile Home Park	9/14/85	18
Tanana Trailer Court	1/21/85	25
Towne And Country Mobile Home Park	2/02/85	26
Village Mobile Home Park	5/04/85	90
Wildwood Mobile Home Court	12/26/84	62
Badger Mobile Home Park	7/21/84	155

GIRDWOOD

Glacier Valley Mobile Home Park	7/14/83	120
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JUNEAU

Glacier View Trailer Court	12/15/84	27
Kodzoff Acres Trailer Park	12/15/84	28
Kodzoff II	12/15/84	158
Lenon Creek Manor Mobile Home Park	12/15/84	29
Mobile II	NOT ELIGIBLE	144
Mobile Haven	12/15/84	30
Sprucewood Mobile Home Park	12/15/84	31
Switzer Village Mobile Home Park	12/15/84	32
Thunder Mtn. Mobile Home Park	12/15/84	33
Valley Court	NOT ELIGIBLE	63

03/22/84

Page 3

AHFC APPROVED MOBILE HOME PARKS*KENAI*

Anchor Court	9/09/84	34
Bernice Lake Estates	10/22/84	98
Greatland Village	6/07/83	79
Highland Trailer Park	6/27/84	80
Nikiski Village Trailer Court	6/14/83	131
Sleepers Trailer Court	12/17/84	91

KETCHIKAN

Beach Crest Mobile Home Park	12/02/84	35
Mountain View Court	5/12/85	38
Ridgewood Mobile Home Park	9/20/83	39

KODIAK

Alaska Pacific Trailer Court	12/27/84	40
Clarks Trailer Court	12/06/83	64
Hardings Trailer Court	6/25/83	99
Jacksons Mobile Home Park	5/04/85	42
Mill Bay Court and Apartments	8/02/83	43
NCAA Mobile Home Park	5/25/84	143
Spruce Court of Kodiak	1/06/85	44

NENANA

Clear Trailer Court	1/06/85	154
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PALMER

Butte Mobile Home Park	5/13/84	100
Felziens Matanuska Mobile Court	3/21/85	113
Starr Mobile Estates	10/21/84	151

PETERSBURG

Olson Trust Rentals (Bigelow's)	11/24/84	150
Fort Magill Mobile Home Park	11/19/84	45
Mitkof Mobile Home Court	2/15/85	66
Towne Trailer Park	8/17/83	46

SEWARD

Olson's Salmon Creek Trailer Court (Two Pines)	6/02/83	57
Deer Creek Trailer Park	12/06/84	153

03/22/84

Page 4

AHFC APPROVED MOBILE HOME PARKS*SITKA*

Afton Conns Trailer Court	1/04/84	48
Arrowhead Court	12/13/84	49
Channel View Mobile Home Park	9/30/84	50
Forest Service Employees M. H. P.	11/21/84	51
Haven Mobile Court	8/10/83	52
Oceanside Trailer Park	2/16/85	125
Schafers Trailer Court	2/16/85	92
Sollars Trailer Court	1/15/85	81
Starrigavan Trailer Court	12/10/83	(Excluding Sp. 1 - 6) 53
Vennettis Trailer Court	8/02/84	105
Swearingens Trailer Court	8/31/84	157

SULUOTNA

Aspen Park	1/24/85	54
Birch Lane Mobile Home Park	9/22/84	146
River Terrace Mobile Home Park	12/14/84	55

STERLING

Back Tracks Trailer Park	12/17/84	119
Sterling Mail, Inc.	6/20/84	83

VALDEZ

Allied Mobile Home Park (JHS)	12/20/84	57
Copper Valley Telephone M.H.P. (CVEA)	3/05/84	136
Simmons Trailer Park	6/14/83	102
South Central II aka Mineral Creek	11/15/83	69

WASILLA

Best View Mobile Home Park	12/23/82	135
Four Seasons	5/28/84	134
Vienna Woods Mobile Home Park	5/12/84	132

WRANGELL

Bakers Trailer Court	11/24/84	71
Stough's Mobile Home Park	11/22/84	130

COPY

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JUNEAU, ALASKA 99811
(907) 465-4821

Alaska State Legislature



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REPRESENTATIVE WALT FLANNERY
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REPRESENTATIVE RON WENDT

House Special Committee on State Loans

MEMORANDUM

To: Members
House Special Committee on State Loans

From: Rep. Rick Uehling, Chair
House Special Committee on State Loans

Subject: AHFC Default Rates

Date: August 13, 1984

Attached please find profiles of AHFC's conventionally built home loan program and their mobile home loan program default rates. These figures are provided, by AHFC, in response to questions by members of the Loans Committee and members of the Anchorage Caucus. If you have additional questions or need additional information please contact David Cobb, of my staff at 274-2441.

ALASKA HOUSING FINANCE CORPORATION

PROFILE OF MOBILE HOME PORTFOLIO

TOTAL LOANS OUTSTANDING 4,342 LOANS - 136,542,560.00

TOTAL LOANS IN DEFAULT 194 LOANS - 5,836,004.77

LOANS IN DEFAULT

# OF DAYS	DOLLAR AMOUNT	% OF DOLLAR AMOUNT IN DEFAULT
<u>30 DAYS</u>	3,808,222.84	2.79%
<u>60 DAYS</u>	795,581.36	.58%
<u>90 DAYS</u>	451,534.20	.33%
<u>120 DAYS</u>	<u>780,666.37</u>	<u>.57%</u>
 TOTALS	 5,836,004.77	 4.27%

ALASKA HOUSING FINANCE CORPORATION

PROFILE OF CONVENTIONALLY BUILT HOME LOAN PORTFOLIO

TOTAL LOANS OUTSTANDING 42,371 LOANS - 3,643,104,982.32

TOTAL LOANS IN DEFAULT 1,329 LOANS - 111,507,595.61

LOANS IN DEFAULT

<u># OF DAYS</u>	<u>DOLLAR AMOUNT</u>	<u>% OF DOLLAR AMOUNT IN DEFAULT</u>
<u>30 DAYS</u>	74,748,740.72	2.05%
<u>60 DAYS</u>	16,084,779.37	.44%
<u>90 DAYS</u>	6,676,075.95	.18%
<u>120 DAYS</u>	13,997,999.57	.38%
<u>TOTALS</u>	111,507,595.61	3.05%

Boettcher & Company

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Management/Leasing Office
Suite 215
8400 East Prentice Avenue
Englewood, Colorado 80111
(303) 740-0895

May 30, 1984

Ms. Carol Rion
Resource Coordinator of
the Mayors Office
Municipal Hill Building
632 W. 6th Avenue
Pouch 6-650
Anchorage, Alaska 99502-0650

Dear Carol:

I appreciated the opportunity to meet with you, Sandra Wicks, and our Architect, Bob Herndon last Friday, May 18. As you recall, we intend to develop the Vagabond Trailer Court into an Apartment Project.

I will restate for you the various points of the offers we have made to help mitigate the dislocation of the existing trailer park residents:

1. We have offered to rebate the trailer park residents \$.50 of each dollar paid for space rental from the time that we obtain our approved rezoning application through March of 1985. Current rentals are approximately \$220.00 per space. We anticipate receiving approval from the Municipal Assembly July 31, 1984. Therefore, the amount of the offer is currently \$880.00 per space. This is an effort to help the residents with relocation expenses for their trailers or help towards down payment of requirements for purchase of other housing.

2. We have offered to provide a lease from the time of approval of such rezoning until March 31, 1985, that would not be terminable by the landlord, but would be terminable by the residents upon 30 days notice. This is to provide flexibility for the residents in finding alternate housing while giving them the ability to seize such alternate housing when it is obtained. It is interesting to note that to the best of the knowledge of the sellers of this property, none of the residents have asked for anything greater than a month-to-month period.

Ms. Carol Rion
May 30, 1984
Page 2

3. We have offered to those residents who have school-age children attending Northwood Elementary to provide rental housing in the immediate area, in which to live until the 1984 school year is complete.

4. We have offered to be responsible for the demolition and removal of any personal property left by the residents. Further, the rental abatement offer stated in Item #1 on the first page is not conditioned upon removal of or demolition of personal property.

5. We have offered to hire a relocation counselor who is skilled and knowledgeable in Anchorage Housing Alternatives to assist residents in finding and negotiating for alternate housing. The services to be provided would be locating apartments and other urban locations, alternate mobile home parks, either planned or existing, assistance in preparing financial statements and personal resumes to obtain financing for home ownership or new mobile homes in other parks, and an explanation of State or Municipal programs for aid and assistance in relocation matters.

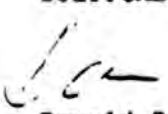
6. We have offered to discuss any specific and unique hardships of elderly residents of the park on a one-to-one basis. Our intent is to identify those residents who are particularly burdened in relocation due to their age.

With the exception, of course, of some of the more voiceful residents at Vagabond, the conversations and meetings that we have conducted with various neighbors and neighborhood groups have given us the impression that their feeling is that we are offering responsive solutions to the dislocation concern in an amount much greater than we are both required to and have heretofore been considered by redevelopers of Anchorage's Mobile Home Parks.

Again, thank you for extending the courtesy of visiting with us last week. As I mentioned, we sincerely wish to be a good neighbor and a responsible provider of quality housing.

Sincerely,

BOETTCHER PROPERTIES LTD.


Donald B. Berland
General Partner

DBB/chh

cc: Sandy Wicks ✓
Bob Herndon

Sandra J. Wicks
Attorney at Law
608 West 4th Avenue #22
Anchorage, Alaska 99501
(907) 338-6387

June 8, 1984

Subject: Case No. 84-56, Vagabond Trailer Court Rezoning

Dear Anchorage Planning & Zoning Commission Members:

Thank you very much for according my client, Boettcher and Company, the opportunity to have a work session with you on its request to rezone the Vagabond Trailer Court. I hope you felt that you gained worthwhile information for the extra time you put in during the noon hour. As Alicia Iden, Toni Jones and I discussed after the session, I think where there are complex land use and social issues in a case, some opportunity for the proponent of a project to do more than a 10 minute presentation is really necessary -- particularly where citizens who are properly organized, though perhaps ill-informed, may manage to testify for hours on a proposal.

On reflection, I thought perhaps it would be useful to the members who were not at the work session, as well as to those who were, to have me review for you some of the points the developer wanted to make. I have also attached copies of some of the materials that were referred to in the presentation. I think it is particularly important to review the comprehensive plan pages I have attached and highlighted. They are important for a proper balance in applying the comprehensive plan to rezoning requests. Not just the land use and residential intensity maps should be considered. Equally important are the goals and policies and the narrative sections that explain that you should look at the gross density for the area and not go below the minimum densities shown for the various geographic areas. Too often, I believe, people have looked at the density range for a particular parcel and stopped the analysis at that point without considering whether the plan for the area is being met.

As I explained in the work session, using the maps we provided (and I hope those of you who were not at the work session were provided the maps we left for you) several conclusions emerge about the part of Spenard around Vagabond Trailer Court:

1. Single-family and multi-family dwellings co-exist side by side through much of the area;

2. The zoning is not an accurate indicator of the actual development;
3. There is almost no vacant residential land remaining in the area;
4. The area is divided into small lots making unified redevelopment with urban amenities unlikely or at least difficult, and finally,
5. There is so much single-family development in the area that the comprehensive plan density ranges are not being met -- thus Spenard is not providing the share of housing allocated to it by the comprehensive plan.

The comprehensive plan guidelines, goals and policies indicate that Spenard is an area where higher density multi-family should be encouraged and higher density multi-family should be encouraged near arterials (Spenard Road) and open space (Northwood Park). Under the circumstances depicted above, higher density development should be permitted with the focus on design to mitigate impacts.

As you saw at the work session, after much interaction with the community, Boettcher and Company has produced a conceptual design that mitigates many of the impacts of higher density development. Copies of the conceptual site plan and elevation are attached to this letter, too. The conceptual design includes a wide buffer around the perimeter and three-story buildings clustered in the center of the property. Much more of the site is in usable open space than the 30% figure in the PUD provisions. The traffic circulation follows the recommendations of the traffic study performed for the developers. It lines up the ingress and the egress with Barbara Street and 45th Avenue. Forty-fourth Avenue will not be used and could be vacated as a right-of-way. Depending on the exact positioning of the buildings and parking, a vegetative strip 20 to 30 feet wide along Fish Creek could be included in the design.

Because of the front-end costs involved with PUD's and the delay before approval would be certain, the developer seeks to use the alternate approach of rezoning to R-3 with special limitations to provide the same type of assurances to the community that a PUD provides.

The developer would like to volunteer the following special limitations establishing design standards for the property.

1. The number of dwelling units permitted shall be limited to 300.
2. There shall be ingress and egress to both Spenard Road and Northwood with the intersections aligned with Barbara Street and West 45th Avenue.
3. There shall be a minimum of 40% usable open space.
4. There shall be a site plan review by the Planning and Zoning Commission to include ingress/egress, parking, building footprint, open space and landscaping on the appearance request of the petitioner.
5. Before the petitioner may obtain an appearance request review of its site plan, it must provide the Spenard Community Council an opportunity to review and comment on the site plan.
6. Construction on the project shall not commence before April 1, 1985.

The developer is also willing to discuss other limitations or variations on the above limitations in an effort to produce a product that meets the community's needs. The important thing is to provide certainty at this time to the developer and to the trailer court residents who will be displaced.

With regard to the issue of displacement of the trailer court tenants, it is my legal opinion that the commitments made in the letter to Carol Rion of the Mayor's office (additional copies of which are attached to this letter) are not appropriate special limitations on a rezoning request, although they are nonetheless, commitments representing an expenditure of approximately \$150,000 to which the developer intends to adhere. Special limitations should only deal with the land use issues.

In summary, because of the shortage of vacant residential land in all of the Northwest area of Anchorage and because the rezoning request conforms to the narrative policies in the comprehensive plan, the density of development requested by Boettcher and Company should be approved with special limitations to protect the surrounding areas from impacts of the increased density. This project has the possibility of providing needed housing, a buffer for Fish Creek and a shot in the arm for the revitalization of the Spenard Road area while minimizing the impact on the adjacent residential neighborhoods through appropriate design.

Anchorage Planning & Zoning
Commission Members
June 8, 1984
Page - 4 -

While there has been a lot of community discussion on the project and there is not unanimous agreement on it, there is considerable community support for it. Attached to this letter are petitions and letters signed by people supporting the project. The two attached letters are from property owners in Lakeway Subdivision, the subdivision on the northeast corner. They are neighbors of Mr. Beck, an outspoken critic of the project, and they hold diametrically opposed views to his. They do not see the project as a threat to their lifestyle or their property values. They feel the project will enhance their neighborhood and help stabilize its residential character.

Thank you for taking the time to read this lengthy letter and for allowing the developer to address you in the work session.

Sincerely,



Sandra Wicks, Esq.

Enclosures

cc: Mayor Knowles
Bill Luria, Director Community Planning
Assembly Member, Dave Walsh
Assembly Member, Rick Mystem
Spenard Community Council Co-Chairmen, Myron Igtanloc and
Mary McKinnon
Don Berland, Boettcher and Company
Bob Herndon, Herndon and Associates

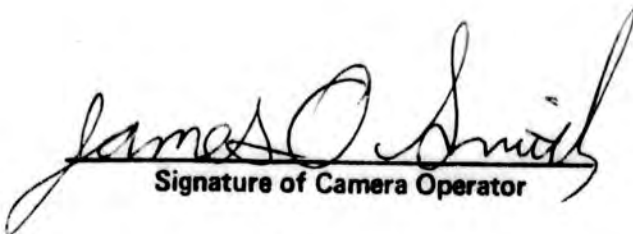
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Signature of Camera Operator


Date

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#50:14

ALASKA MORTGAGE BANKERS ASSOCIATION

P.O. BOX 42691/ANCHORAGE, ALASKA 99503

January 25, 1985

Mr. Willis Kirkpatrick
Director of Banking, Securities and Corporations
Department of Commerce and Economic Development
Pouch D
Juneau, Alaska 99811

Dear Mr. Kirkpatrick:

The Alaska Mortgage Bankers Association has reviewed House Bill 51 and Senate Bill 6, relating to Interest on Escrows.

Banks, of their own volition, do not require funds held in escrow on mortgage loans. This is only one requirement of the investors purchasing the mortgages, with which banks must comply in order to originate and sell mortgage loans.

The bills are discriminatory, in that they would affect banks only; escrows on mortgage loans are held not only by banks, but by Credit Unions, Savings and Loan Associations, Savings Banks and Mortgage Companies. Requiring only banks to pay interest on escrows would give non-bank institutions an unfair advantage and a disadvantage to non-bank borrowers.

The bills also would require banks to pay interest at the rate of interest charged to the borrower on a mortgage loan. Since Alaska lenders sell the majority of loans to investors, such as Alaska Housing Finance Corporation, and service the loans for the investors for a set fee, the rate of interest paid on the loan is not relevant to the escrow. This requirement would create a real computer nightmare if it is even possible, adding to the cost of performing escrow functions.

Banks have never wanted to collect reserves (escrows) on mortgage loans. During the Depression in the 1930s, many borrowers lost their homes due to inability to pay taxes. The federal government and lending institutions determined there should be a better way, and collection of reserves on a monthly basis evolved, in great part as a result of the Housing Act of 1934, which created FHA. Reserve accounts have helped standardize mortgage loans, which has resulted in loans requiring minimal down payments and lower interest rates than would otherwise be available, thus making homeownership available to more people.

AHFC, which purchases some 75-80% of all mortgage loans in Alaska, requires collection of reserves. Without the assurance that funds are available to pay taxes and insurance, we question whether AHFC could sell their bonds, and if so, at what price. The cost to Alaska homebuyers would definitely increase.

The bills would exempt those loans where escrows are required by federal law or regulation; this would exempt FHA and VA loans, and possibly loans sold to Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). As AHFC now sells its' loans to FNMA, these could possibly also be exempted. The majority of loans in Alaska could therefore come under exemption.

Lenders holding escrow funds in connection with mortgage loans perform significant services which accrue to the benefit of the borrowers, local tax authorities, insurers and mortgage investors.

- 1) Collection of taxes and insurance monthly.
- 2) Collection of assessments in certain instances.
- 3) Obtaining tax bills and paying in a timely manner.
- 4) Payment of assessments in a timely manner.
- 5) Payment of insurance premiums to assure coverage.
- 6) Analyzing sufficiency of escrow accounts and adjusting payments as necessary due to changes in taxes, insurance and assessments.
- 7) Answering questions and complaints including those regarding increases in taxes which should more properly be directed to taxing authorities.
- 8) Distributing an annual statement of account.
- 9) Advancing lenders' own funds when necessary to insure timely payment of taxes and insurance. Repayment of these advances are often spread over a period of time, without charge, to ease the financial burden to the borrower.

The cost of administering escrow accounts is significant. Lenders currently absorb this cost because it is partially offset by non-interest bearing deposits. Should lenders be required to continue the escrow function and to pay interest on the escrows, the full cost of performing the services required would necessarily be passed on to the borrowers.

The Alaska Mortgage Bankers Association urges thoughtful consideration of these bills prior to any action. At this time, we urge these bills be rejected.

Please keep us advised of any hearings.

Sincerely,

Paula Cranmer
President
Alaska Mortgage Bankers Association

attachment: Membership list, Alaska Mortgage Bankers Assoc.

Introduced: 1/14/85
Referred: 1/16/85 House Special Committee on
State Loans and Finance

1 IN THE HOUSE

BY DUNCAN, SUND AND MARROU

2

HOUSE BILL NO. 51

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act requiring banks to pay interest on money in
reserve accounts held in connection with mortgage
loans."

9

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

10

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

11

Sec. 06.05.285. INTEREST ON RESERVE ACCOUNTS. (a) A bank that

12

requires the payment of money by a borrower into an escrow or similar

13

reserve account for the payment of taxes, insurance premiums, or home

14

owner's association dues in connection with a mortgage loan shall pay

15

interest on the money in that account unless the account is required

16

by federal law or regulation. The rate of interest paid on money in a

17

reserve account shall equal the rate of interest charged to the bor-

18

rower for the mortgage loan and shall be computed on the average

19

monthly balance in that account on the first of each month.

20

(b) Interest earned on money in a reserve account shall be

21

annually credited to the remaining principal balance on the mortgage

22

loan, or at the election of the borrower, shall be paid to the borrow-

23

er.

24

X

Sec. 2. AS 06.05.285 enacted in sec. 1 of this Act applies to escrow

25

and similar reserve accounts established before the effective date of this

26

Act, as well as to accounts established after the effective date of this

27

Act, with interest to be paid beginning on the effective date of this Act

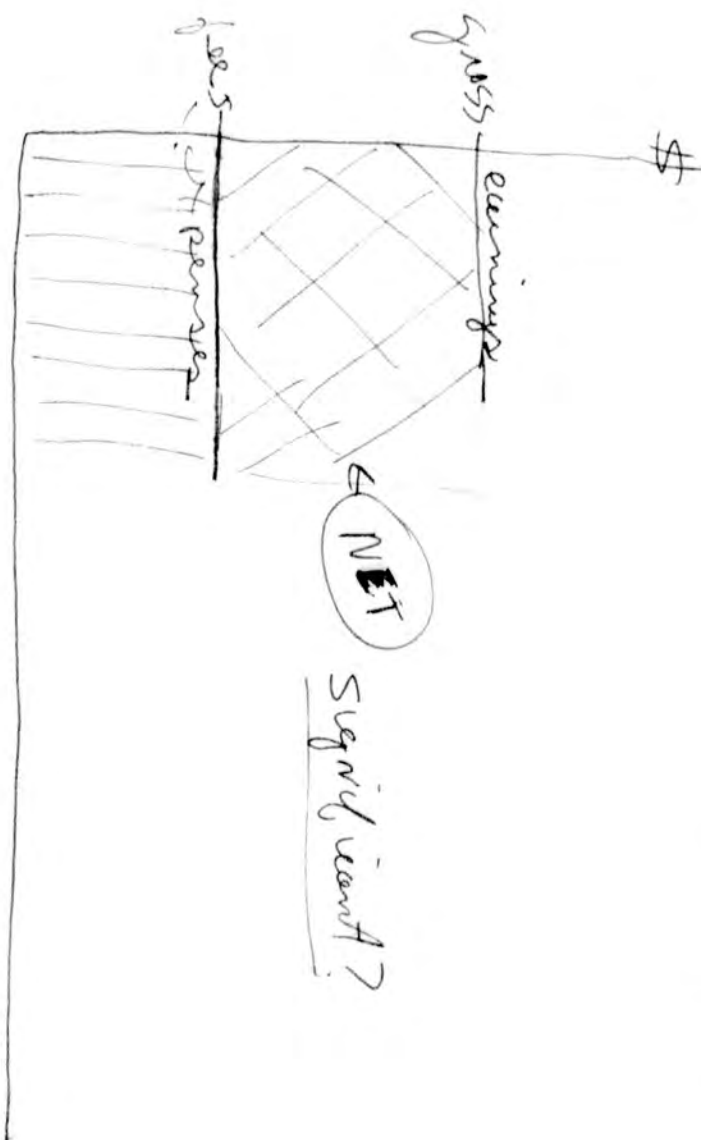
28

on money in those accounts.

sec 3. + allow fees to be collected

Question -

How much ^{net} income do the
Banks receive from interest
etc on the "float".



What is
Done w/ \$?

MORTGAGE ESCROW ACCOUNTS

(States which require the payment of interest on escrow accounts are marked with an asterisk.)

ARKANSAS, Stat. Ann. Secs. 67-2217 and 2218

*Require
Escrow funds
be held separate
from company
assets.*

All monies paid to a mortgage loan company (required to be licensed under state law) for the payment of taxes or insurance premiums on property secured by a loan made by the company shall be deposited in an insured account and kept separate, distinct and apart from funds belonging to the mortgage loan company. The company shall, upon reasonable notice, account to the mortgagor and to the Commissioner for all funds in the account. Such funds are not subject to execution or attachment on any claim against the company.

*CALIFORNIA, Civil Code, Secs. 2954 - 2955

Impound accounts maintained in connection with mortgages secured by single-family, owner-occupied dwellings are optional unless: (1) required by state or federal regulatory authority; (2) the state or federal government makes, guarantees or insures the loan; (3) the borrower or purchaser is delinquent in paying two consecutive tax installments; (4) the original principal amount of the loan is 90 percent or more of the appraised value of the property; or (5) whenever the combined principal balance of all loans secured by the real property exceeds 80 percent of the appraised value of the property securing the loans.

Every mortgagor is entitled to receive one itemized accounting of the impound account per year and may request additional similar accountings for one or more months upon written request and advance payment of a set fee. Any increase in monthly payments must be preceded by an itemized accounting, a statement of the new monthly rate and an explanation of the cause of the increase. Violation of these provisions is punishable by a fine of not less than \$25 nor more than \$100. Lenders are responsible for making timely payments of property taxes and insurance premiums.

*Require
2% min.
rate*

Every bank, savings and loan association, credit union or any other person or organization making loans secured by real property containing a 1-4 family residence shall pay a minimum 2 percent simple interest charge on impound account funds collected in connection with such loans. Interest is payable annually or upon termination of the account, whichever is earlier. Lenders may not impose any fee in connection with the maintenance or disbursement of an account that will reduce the effective interest rate below 2 percent per annum. Exempted from the interest requirement are monies required by a state or federal regulatory authority to be placed by a financial institution other than a bank in a non-interest-bearing demand trust fund account at a bank.

How paid?

All monies held in impound accounts for the payment of taxes or insurance premiums shall be retained in the state and, if invested, may only be invested within the state. (62 Op. Att'y Gen. 351 ruled that this provision is constitutional.)

Special Note:

For several years Section 2954.8 of the Civil Code has required the payment of 2 percent interest on impounds unless the impounds were kept in non-interest bearing accounts. Most mortgage bankers were required by the Real Estate Commissioner's Regulations to keep the money in "demand" accounts which do not pay interest. Therefore they were not required to pay interest on impound accounts.

A. B. 575, effective January 1, 1980, changed Section 2954.8 to provide that interest must be paid unless the funds are required to be kept in non-interest bearing accounts. Effective February 16, 1980, the California Real Estate Commissioner's regulations were changed to permit impounds to be placed in interest-bearing accounts. The Commissioner has adopted a new Section 2830.1 to read:

Section 2830.1, Interest on Impounds. A real estate broker who receives funds in trust from or on behalf of an obligor for the payment of property taxes, assessments, insurance or other purposes relating to real property containing only a one to four family residence shall not be precluded by provisions of Section 2830 from depositing and maintaining said fund in an interest-bearing account in a bank, savings and loan association or other financial institution provided that the account is insured by an agency of the federal government.

This, in effect, removed the exemption that had applied to mortgage bankers.

COLORADO, Rev. Stat. 39-1-119

??

Escrow account balances may not exceed three months' total escrow charges.

•CONNECTICUT, Gen. Stat. Sec. 49-2a et. seq.

Requires each bank, trust company, savings and loan association, mutual savings bank, insurance company and other mortgagee or mortgage servicing company holding funds of a mortgagor in an escrow account to pay interest on such funds at a rate not less than 4 percent per annum. These provisions apply to mortgages secured by 1-4 unit, owner-occupied residences and housing cooperatives occupied solely by the shareholders. Interest payments shall be annually credited towards the payment of taxes and insurance premiums in the ensuing year. If the debt is paid prior to the end of the year, the interest to the date of payment shall be paid to the mortgagor. Violation of these provisions by a mortgagee or mortgage servicing company shall result in a fine not to exceed \$100 for each offense.

*4% Minimum
Credited to
Reserves - Better
than paying
Alaska title*

Interest may not be required to be paid on escrow accounts where (1) there is a contract between the parties, entered into before October 1, 1975, which contains an express disclaimer on the part of the mortgagee to pay such interest; (2) the payment of such interest would violate a federal law or regulation, or (3) the account is maintained with a mortgage servicing company, neither affiliated with nor owned in whole or in part by the mortgagee, under a written contract or any mortgage agreement, entered into before October 1, 1975, that does not permit the company to earn or receive a return from the investment of such accounts; or (4) the account is maintained in connection with a loan entered into on and after October 1, 1977, which is serviced or held for sale for not more than one year by a

mortgage servicing company, neither affiliated with nor owned in whole or in part by the purchaser of the mortgage loan.

A rate of 2 percent per annum applies where a contract that contained an express provision to pay 2 percent was entered into prior to October 1, 1977.

DISTRICT OF COLUMBIA, Code Ann. Sec. 28-3301 (b)(4)

*Requires
borrower
consent to
collect interest
on 50% of loan
balance*

Any loan which is secured by a mortgage or deed of trust on residential real property shall be subject to the following provision... (4) any borrower who has made a down payment equaling 20 percent or more of the total purchase price of the property is not required by the lender to make advance payments of real estate taxes or casualty insurance premiums to enable the lender to have funds on hand for disbursement for payment of such taxes or insurance premiums. Lenders are required to inform borrowers, in writing, of this right to pay such taxes and insurance premiums directly.

FLORIDA, Stat. Ann. Sec. 501.137

All lenders of money whose loans are secured by mortgages on real estate located in the State and who maintain escrow accounts for the payment of property taxes shall promptly pay taxes when they become due and adequate escrow funds are deposited so that the maximum tax discount available may be obtained. If the escrow account is deficient, the lender must notify the depositor within fifteen days after receipt of the tax notification. Each mortgagee must issue an annual statement of the escrow account to the mortgagor at the expiration of the annual accounting period.

*GUAM, Laws 1980, Bill No. 419

Requires interest to be paid on home mortgage escrow accounts at a rate not less than that paid on regular passbook savings accounts by a Guam bank or savings and loan association. The law applies to mortgage escrow accounts established pursuant to mortgages executed both before and after the effective date of the law, September 1, 1980.

HAWAII, Rev. Stat. Sec. 449-16.5

In all escrow agreements involving the sale of real property . . . in which an escrow depository acts as a fiduciary party holding the funds in escrow, any interest earned on such funds shall accrue to the credit of the purchaser unless otherwise instructed in writing by the purchaser and seller in the escrow agreement. (This section does not apply to banks, trust companies, building and loans, savings and loans or insurance companies, when acting as escrow depositories.)

IDAHO, Code Sec. 26-1931(8)

Limits the collection of escrow to one-half of the estimated annual requirement. If funds are placed in a savings account, interest must be paid on those funds.

ILLINOIS, Ann. Stat. Ch. 17 Secs. 4901-5001

Mortgage lenders may, in lieu of establishing an escrow account, permit a borrower to pledge an interest-bearing savings account with the lender in an amount sufficient to secure the payment of anticipated taxes. "Mortgage Lender" - banks, savings and loan associations, building and loan associations, or other institution, association, partnership, corporation or person who extends the loan of monies for the purpose of enabling another to purchase a residence.

When a mortgage loan is reduced to 65 percent of its original amount by timely payments of the borrower, a mortgage lender must notify the borrower that he may terminate the escrow account or elect to continue the account until he requests a termination, or until the loan is paid in full, whichever occurs first. Borrowers shall not have this right of termination in conjunction with mortgages insured, guaranteed, supplemented or assisted by the state or the federal government that require an escrow arrangement for their continuation.

If, after terminating an escrow account, the borrower does not furnish to the lender sufficient evidence of timely payment of taxes, the lender, after verifying the nonpayment, may reestablish an escrow arrangement with the borrower within thirty days after the payment due date.

All lenders must furnish to borrowers written notice of the requirements of this act at the date of closing. Failure of any lender operating within the state to comply with the provisions of this act shall entitle the borrower to actual damages in a court action.

Mortgage lenders using the capitalization method of accounting (crediting tax payments directly to the loan principal upon receipt and increasing the loan balance when the taxes are paid) are exempted from the provisions of this act.

ILLINOIS, Ann. Stat. Ch. 17 Sec. 2301

Mortgage bankers, licensed to do business in Illinois, are required to place all monies received during the course of business: (1) in escrow with an escrow agent located and doing business in Illinois, or (2) deposit the funds in a trust or escrow bank account maintained by the mortgage banker with a bank located and doing business in Illinois. Violation of this requirement will result in suspension or revocation of the mortgage bankers' license and a fine of up to \$10,000.

***IOWA, Code Ann. Sec. 524.822**

Effective July 1, 1982, banks, savings and loan associations and credit unions that maintain escrow accounts in connection with loans secured by one- to two-family, owner-occupied dwellings, must pay interest to the borrower on those funds at the rate the institution pays to depositors of funds in ordinary savings accounts. Interest must be calculated on a daily basis and a written annual accounting of all account transactions must be delivered to each mortgagor.

A state bank may act as an escrow agent with respect to real property and shall act as a fiduciary for all such funds. A bank maintaining such an account, whether or not the mortgage has been assigned to a third person, shall deliver to the

mortgagor a written summary of all transactions made during each calendar year. Credit unions and savings and loan associations are also authorized to act as escrow agents, but only in connection with real property loans made by the institution.

KANSAS, Stat. Ann. Sec. 2.02(4)(b)(iv)

Limits the collection of escrow funds by savings and loan associations to one-half of the estimated annual taxes and insurance premiums.

KENTUCKY, Rev. Stat. Sec. 294.130

All monies paid to a mortgage loan company (required to be licensed under Chapter 294) for the payment of taxes or insurance premiums on property secured by a loan made or serviced by the company shall be deposited in an insured account and kept separate, distinct and apart from funds belonging to the mortgage loan company. Any interest earned on the funds shall belong to the borrower and will be applied to the expenses that will be paid from such account. The mortgage company must, upon reasonable notice, account for all funds deposited by a borrower and, upon reasonable notice, account to the Commissioner of Banking and Securities for all funds deposited. Escrow account funds are not subject to execution or attachment on any claim against the mortgage company.

*If escrow
funds placed
in interest-
bearing acct,
borrower
receives interest.*

LOUISIANA, Rev. Stat. Sec. 6:828

Savings and loan associations are permitted to require borrowers to pay monthly, in advance, the equivalent of one-twelfth of the estimated annual taxes, insurance premiums and other expenses upon real estate securing a loan so as to enable the association to pay such charges as they become due from the funds so received. The funds are to be held, without interest, for the credit of the borrower.

***MAINE, Rev. Stat. Ann. Art. 9-B Sec. 429**

Where a financial institution (trust company, savings bank, savings and loan, industrial bank or credit union) maintains an escrow account for the payment of taxes in connection with a first purchase money mortgage on a 1-4 family dwelling located in the state, the institution must: (1) pay the mortgagor quarterly dividends or interest at a rate at least 1/2 of the highest annual interest rate paid by that institution on regular savings accounts. Such interest may not be reduced by any service or maintenance charge on the account; or (2) to the extent of the account, pay the appropriate taxing authority when the taxes are due.

Interest shall be computed on the daily balances in the account from the date of receipt to the date of disbursement and be credited to the account as of the last business day of each calendar quarter or fiscal year. Mortgagors must be given an annual statement showing interest credited on the account during that period.

•MARYLAND, Comm. Law, Secs. 12-109, 12-109.1

Requires any bank, savings bank or savings and loan association doing business in Maryland that lends money secured by a first mortgage or first deed of trust on any interest in residential real property and creates or is the assignee of an escrow account in connection with such a loan, to pay interest on the funds at a rate which is the greater of: (a) 3 percent per annum simple interest or; (b) the rate regularly paid by the lending institution on regular passbook saving accounts. All interest shall be computed on the average monthly balance and credited annually to the borrower's account. The lending institution must provide an annual statement of the account balance. This section applies only to loans made after May 31, 1974.

These provisions do not apply to institutions which provide for the payment of taxes, insurance or other expenses under the direct reduction method by which these expenses when paid by the lender, are added to the outstanding principal balance of the loan.

- ? Loans purchased by an out-of-state lender through FNMA, GNMA or the FHLMC are exempted if the purchasing lender elects to service the loan.

Funds held in escrow accounts may not be used to reduce the loan principal or to pay interest or other loan charges except upon foreclosure or release unless there is periodically an overage in the account. In these cases, the borrower shall be given, at least annually, the option of receiving a refund, applying the overage to the payment of principal and interest or leaving the excess amount in the account. If the borrower does not reply to the lender's notice of these options within sixty days, the lender must return the overage to the borrower.

•MASSACHUSETTS, Ann. Laws, Ch. 183, Sec. 61

Requires a mortgagee doing business in the commonwealth and holding a first mortgage or lien on a 1-4 unit, owner-occupied dwelling who requires advance payments for the payment of real estate taxes to pay interest on such funds. Interest shall be paid at least annually at a rate and in a manner to be determined by the mortgagee. Mortgagees must file an annual statement with the commissioner of banks showing the amount of profit or loss from the investment of the escrow funds. If the lender shows a net loss from these investments, the commissioner may grant an exemption from the interest requirement. These provisions apply only to advance deposits for the payment of taxes on mortgaged property made after July 1, 1975.

MICHIGAN, Comp. Laws Sec. 565.161

Any mortgagee or agent receiving escrow funds from a mortgagor for the payment of taxes, insurance premiums or improvements to the property, must furnish the mortgagor with an annual statement of the escrow account within sixty days of the close of the calendar year.

The annual statement is not required where the mortgagor is provided with a monthly billing form or mortgage passbook that lists the account balance and records tax expenditures. Mortgagees will be liable for any fees or penalties

incurred by the mortgagor as a result of failure to make timely payments of taxes when due.

Sec. 438.31(c)(12) - An interest bearing deposit account held in a depository institution may be established as a condition of the making of a mortgage or land contract where the primary security is an owner-occupied dwelling. The account shall be pledged to the lender as additional security for the mortgage or land contract. The lender may make withdrawals as agreed upon in the mortgage and such withdrawals will be applied against the periodic payments otherwise due from the borrower pursuant to the terms of the mortgage. All interest earned on the pledged deposit amount shall be credited to the account. Lenders who make five or more mortgages in any one calendar year may not require the establishment of such an escrow account on more than 20 percent of mortgages made during the year. (This provision expires on April 1, 1985.)

• MINNESOTA, Stat. Ann. Sec. 47.20 (9)

Requires all banks, trust companies, savings and loan associations, mortgage banks, mutual savings banks, insurance companies, credit unions or assignees of the above that require a mortgagors' funds to be paid into an escrow or similar account for payment of taxes or insurance in connection with a mortgage on a 1-4 family, owner-occupied residence in the state to pay interest on the funds at a rate not less than 5 percent per annum. Interest shall be computed on the average monthly balance on the first of each month and be annually credited to the remaining balance on the mortgage or, at the election of the mortgagee, be paid to the mortgagor, or credited to the escrow account. If the interest exceeds the remaining balance, the excess shall be paid to the mortgagor. The payment of interest is not required if the escrow is mandatory under federal law, is maintained in connection with a conventional loan in an original principal amount in excess of 80 percent of the lender's appraised value at the time the loan is made, or if the loan is insured or guaranteed by HUD, the VA or the FmHA.

Lenders not requiring the maintenance of an escrow account may permit a mortgagor to elect to maintain a non-interest bearing escrow account to be serviced by the mortgagee at no extra charge if the mortgagor is also offered the option of managing the payment of insurance and taxes himself or opening a passbook savings account for that purpose. A mortgagee that is not a depository institution offering passbook savings accounts shall notify its mortgagors, (1) that they may open accounts at a depository institution and (2) of the current maximum legal interest rate on such accounts. These options do not apply to escrow accounts which are specifically exempted from the interest paying requirements.

Lenders are specifically prohibited from charging a direct fee for the administration of escrow accounts and are required to make timely payments of tax and insurance bills provided that there are sufficient funds in the account. Failure to make such payments shall subject the mortgagee to liability for all damages caused.

Mortgagors must be promptly notified of any account shortages.

MONTANA, Code Ann. Secs. 71-1-113 through 71-1-115

Limits escrow accounts to no more than 110 percent of the projected amount needed unless parties agree in writing to a larger amount.

Lending institutions that maintain reserve accounts for the payment of taxes and insurance premiums in connection with a mortgage on real property must keep itemized records of such accounts and annually mail a statement of total receipts and disbursements to each borrower.

NEBRASKA, Rev. Stat. Sec. 8-330

Building and loan associations may pay interest on funds held in an escrow account for the payment of taxes, insurance and similar payments, if agreed to in writing by the borrower and association.

Sec. 45-101.05 - Lenders are prohibited from requiring a borrower to deposit, in any one month, an amount larger than one-twelfth of the total yearly amount of estimated taxes and insurance premiums.

NEVADA, Rev. Stat. Secs. 645B.165, 645B.170, 645B.180

All money paid to a mortgage company (licensed under Chapter 645B) for the payment of taxes and insurance shall be deposited in a bank and kept separate, distinct and apart from funds belonging to the company and shall be designated as an "impound trust account". The company shall, upon reasonable notice account for any funds paid by a mortgagor and, upon reasonable notice, account to the commissioner of savings associations for all funds held in the impound trust account. Such funds are not subject to execution or attachment on any claim against the mortgage company.

***NEW HAMPSHIRE, Rev. Stat. Secs. 384.16c - 384.16e**

Any bank which requires or accepts monies for deposit in escrow accounts maintained for the payment of taxes, insurance premiums or other expenses related to loans on property secured by a real estate mortgage shall credit each account with interest at a rate of not less than 2 percent below the rate paid on regular savings deposits in said bank. (Effective January 1, 1974.)

Any company that is in the business of making loans for the purpose of financing the acquisition of single-family homes and which requires or accepts money for deposit in escrow accounts maintained for the payment of taxes, insurance premiums or other related expenses must credit each such escrow account with interest at a rate of not less than 4 percent per annum. (Effective January 1, 1984.)

NEW MEXICO, Stat. Ann. Sec. 48-7-8

Mortgagees may impose a monthly charge to be held in escrow for the payment of taxes, insurance premiums and other charges under the terms of a mortgage. Any

balance exceeding two months' total escrow charges shall, upon the demand of the mortgagor but not more than once each year, be credited to the principal amount of the mortgage within sixty days of the demand. Failure of mortgagee to credit such excess shall cause a penalty at the rate of 6 percent per year, payable to the mortgagor.

***NEW YORK, McKinneys Banking Law, Section 14-b, General Obligation Law, Section 5-601**

Requires any mortgage investing institution (bank, trust company, savings bank, savings and loan association, private bank, investment company, insurance company or other entity which makes, extends or hold mortgage loans) that maintains an escrow account in connection with a loan secured by a 1-6 family, owner-occupied residence or on any property owned by a cooperative apartment corporation to pay interest at a rate not less than 2 percent per annum or a rate prescribed by the banking board, whichever is higher. The banking board shall prescribe the method or basis of computing interest and the minimum rate paid shall be a net rate over and above any service charges imposed. Interest shall be computed on daily balances and credited to the account as of the last business day of each quarter of the calendar year or the bank's fiscal year. Service charges in connection with the maintenance of an escrow account are prohibited unless expressly authorized in a loan contract executed prior to this act's effective date (1974).

Interest is not required where: (1) there is a contract between the mortgagor and the mortgage investing institution entered into before the effective date of the act (1974) which contains an express disclaimer of an obligation on the part of the mortgage investing institution to pay interest on such accounts; (2) the payment of such interest would violate any federal law or regulation or (3) such accounts are maintained with a mortgage servicing company, neither affiliated with nor owned in whole or in part by the mortgage investing institution, under a written contract, entered into before the effective date of this act, which contract does not permit the mortgage investing institution to earn or receive a return from the investment of such accounts.

Earn Money on Purchase

Lien Law, Section 71-a(3)-Requires that any initial advance pursuant to a residential real estate sale or construction contract on a residential condominium on not more than a two-family residence be placed in an interest-bearing escrow account in a bank, trust company or savings and loan association. Alternatively, the recipient of the advance may post a bond guaranteeing the return of the money otherwise required to be held in escrow. A boldface statement of the purchaser's right to demand an escrow or bond must be contained in the contract of sale.

***OREGON, Rev. Stat. Secs. 86.205 - 86.275**

Lenders (any person who makes, extends or holds a real estate loan agreement including, but not limited to, mortgagees, beneficiaries under trust deeds and vendors under conditional land sale contracts) who require a lender's security provision in connection with a real estate loan agreement shall require either a direct reduction provision, an escrow account or a pledge of an interest-bearing savings account in an amount not to exceed the maximum amount which a lender may require a borrower to deposit in an escrow account and bearing interest at a rate not less than the rate required on an escrow account.

Interest on escrow accounts shall be paid quarterly at a rate not less than 3/4's of 1 percent less than the normal passbook rate and in no event less than 4 1/4 percent. If a lender does not offer an open passbook, the rate of interest shall be 4 1/4 percent. Interest shall be computed on the average monthly balance of the account. This requirement does not apply to loan agreements entered into prior to September 1, 1975.

Lenders are prohibited from imposing a service charge in connection with an interest-bearing escrow account. Escrow accounts may be terminated when the principal balance of a mortgage loan falls below 85 percent of the purchase price or original appraised value, whichever is less.

If a lender fails to pay the borrower's taxes in time to take advantage of any authorized discounts, the lender shall credit to the account an amount equal to the discount plus any accrued interest on the unpaid property taxes to the date the taxes are paid. If the lender's failure to make the timely payments is willful or if the lender fails to credit the borrower's account with the correct amount, the borrower shall have a cause of action against the lender to recover an amount equal to fifteen times the amount of discount that the borrower should have received, plus any interest that would have accrued. Borrowers recovering damages shall be entitled to attorney fees as determined by the court in addition to costs and necessary disbursements. Violation by the lender of any of these provisions shall render the lender's security provision voidable at the option of the borrower, and make the lender liable to the borrower in an amount equal to actual damages or \$100, whichever is greater, and court costs and attorney fees in the case of a successful action by the borrower.

These provisions do not apply to a loan agreement which is serviced or held for sale within one year by a mortgage servicing company neither affiliated with nor owned in whole or in part by the purchaser and which is made or held by a purchaser whose principal place of business is outside of the state.

*Prior to October 25, 1983, the minimum rate of interest that must be paid was 4 percent per annum.

•RHODE ISLAND, Gen. Laws Ann. Sec. 19-5-22

Requires all banks, trust companies, savings and loan associations, mutual savings banks, insurance companies and other mortgagees holding funds of a mortgagor in escrow for the payment of taxes and insurance premiums to pay or credit interest on such funds at a rate not less than 2 percent per annum. This requirement is effective July 1, 1979, and applies to escrows maintained in connection with mortgage loans secured by 1-4 unit, owner-occupied residential properties located in the state. Interest shall be credited annually toward the payment of taxes and insurance premiums in the ensuing year. If the mortgage debt is paid prior to June 30th in any year, the interest to the date of payment shall be paid to the mortgagor. These provisions may not be waived and violation of this act by a mortgagee will result in a fine not to exceed \$100. FmHA, HUD, VA or privately insured mortgages are exempt. The bank commissioner is empowered to make rules and regulations necessary to carry out these provisions and shall furnish forms to mortgagees for the purpose of reporting to mortgagors the interest due.

*Exempt
most loans*

•UTAH, Code Ann. Secs. 7-17-1 et. seq.

Applies to any person who regularly makes, extends or holds real estate loans and includes, but is not limited to, mortgagees, beneficiaries under trust deeds and vendors under conditional land sales contracts who regularly require or maintain reserve accounts. (Effective June 30, 1979)

Each lender is required to pay at least 5.25 percent interest per annum on mandatory reserve accounts maintained in connection with a mortgage secured by a 1-4 unit owner-occupied residence. Interest shall be computed on the average of the month end balances at the end of the calendar year. Within sixty days after the end of each calendar year, the interest shall be credited to the remaining principal balance on the loan, paid to the borrower or credited to the account, at the election of the lender. In the event of payoff of the loan, the interest must be paid or credited to the borrower within thirty days after the payoff date. Lenders may not require or impose a service charge for the administration of the account. Payment of interest is not required: (1) if the account is required by a governmental insurer or guarantor; (2) the original principal amount of the loan exceeded 80 percent of the appraised value of the property at the time the loan was made (when the principal balance of the loan is paid down to 80 percent, this exception shall not apply) or (3) if such payment of interest is prohibited by federal law. Lenders not requiring the establishment of reserve accounts shall offer the following options to the borrower: (1) borrower may maintain a non-interest-bearing account to be serviced by the lender at no charge to the borrower, or (2) borrower may manage the payment of insurance premiums and taxes from his own account. If the borrower selects option (2) and is delinquent more than once in the payment of the taxes or insurance premiums, the lender may require a reserve account without interest or other compensation for the use of the funds.

Lenders must furnish an itemized statement to the borrower, within sixty days after the end of each calendar year, showing monies received for interest and principal repayment and received and held in or disbursed from a reserve account. Negligent failure by the lender to make timely payments for taxes and insurance premiums shall subject the lender to liability for all damages directly resulting from the failure. Failure of the borrower to promptly deliver all notices of tax assessments or assigns shall relieve the lender from such liability. A lender who violates this act is liable to the borrower for actual damages suffered or \$100, whichever is greater. If an action is commenced, the prevailing party may be awarded reasonable attorney's fees. No action may be brought more than one year after the date of the violation.

Sec. 7-7-33(6) - A savings and loan association may require (subject to the above provisions) a borrower to pay monthly, in advance, equivalent of one-twelfth of the estimated annual taxes, assessments, insurance premiums, and other charges upon the real estate securing the loan. If the association advances its own funds, that amount shall be secured by the mortgage or trust deed with the same priority as the original amount advanced under the mortgage or trust deed.

VERMONT, Stat. Ann. T.9 Sec. 44

Agreements to maintain with the lender non-interest bearing reserves or deposits with which to pay when due taxes and insurance premiums shall not be construed to be interest or a prohibited charge.

VIRGINIA, Code Sec. 6.1-2.8

Any bank or lender maintaining escrow accounts for the payment of taxes and insurance which, upon receipt of a notice thereof, fails to make timely payment and incurs a penalty or late charge or a cancellation for nonpayment if there are sufficient funds in the account at least five days before the payment due date, shall be liable for the penalty or late charge assessed and for any loss as a result of the property being uninsured for nonpayment. Lenders must give written notice to any obligor of the payment of such penalty or late charge within five days after payment is made.

***WISCONSIN, Stat. Ann. Sec. 138.051(5)**

Requires a bank, credit union or mutual savings bank which originates a loan and which requires an escrow to assure the payment of taxes or insurance premiums to pay interest on the outstanding principal balance of the escrow of not less than 5.25 percent per annum.

Sec. 138.052(5), effective January 1, 1983, requires a bank, credit union, mutual savings bank, savings and loan association or mortgage banker which originates a loan and requires an escrow to assume the payment of taxes or insurance premiums to pay interest on the outstanding principal balance of the escrow of not less than 5.25 percent unless the escrow funds are held by a third party in a non-interest-bearing account (effectively exempting mortgage bankers from this requirement.)

Parties may agree to waive payment of all or part of the interest if more than 75 percent of the lender's interest in the loan is sold to a third party who is not a person related to the lender and the escrow funds are held by a third party.

Alaska State Legislature

House of Representatives

Committee on Loans



POUCH V
JUNEAU, ALASKA 99811

PHONE
(907) 465-4919
(907) 465-4920

AGENDA

TUESDAY, 2/12/85, 3:30 p.m.
Room 124 (House Judiciary)

- * HB 51 "An Act requiring banks to pay interest on money in reserve accounts held in connection with mortgage loans."
- * HB 59 "An Act making a special appropriation to the Department of Natural Resources, division of parks, for the youth hostel loan fund; and providing for an effective date."
- * HB 61 "An Act relating to loans for youth hostels"

For more information, contact John Hartle, room 411, 465-4919.

* Indicates first public hearing

May / August
ASSESSMENT
Specific / failure to
pay taxes
PASSBOOK SAVINGS OR
LESS

Introduced: 1/14/85
Referred: 1/16/85 House Special Committee on
State Loans and Finance

1 IN THE HOUSE

BY DUNCAN, SUND AND MARROU

CANT BE CREDIT
IT

2

HOUSE BILL NO. 51

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act requiring banks to pay interest on money in
7 reserve accounts held in connection with mortgage
8 loans."

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

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

11 Sec. 06.05.285. INTEREST ON RESERVE ACCOUNTS. (a) A bank that
12 requires the payment of money by a borrower into an escrow or similar
13 reserve account for the payment of taxes, insurance premiums, or home
14 owner's association dues in connection with a mortgage loan shall pay
15 interest on the money in that account unless the account is required
16 by federal law or regulation. The rate of interest paid on money in a
17 reserve account shall equal the rate of interest charged to the bor-
18 rower for the mortgage loan and shall be computed on the average
19 monthly balance in that account on the first of each month.

20 (b) Interest earned on money in a reserve account shall be
21 annually credited to the remaining principal balance on the mortgage
22 loan, or at the election of the borrower, shall be paid to the borrow-
23 er.

24 * Sec. 2. AS 06.05.285 enacted in sec. 1 of this Act applies to escrow
25 and similar reserve accounts established before the effective date of this
26 Act, as well as to accounts established after the effective date of this
27 Act, with interest to be paid beginning on the effective date of this Act
28 on money in those accounts.

Alaska State Legislature

House of Representatives

Committee on Loans



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For more information, contact John Hartle, room 411, 465-4919.

* Indicates first public hearing

Alaska State Legislature

SENATOR
ARLISS STURGULEWSKI

Chairman, Senate Resources Committee
Vice-Chairman, Senate Health, Education and Social Services Committee
Member, Senate Community and Regional Affairs Committee



Senate

2957 SHELDON JACKSON STREET
ANCHORAGE, ALASKA 99508

Write in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3818

M E M O R A N D U M

April 18, 1985

TO: Representative John Sund
Chairman, Committee on State Loans

FROM: Senator Arliss Sturgulewski (signature)

RE: Attached material from Al Bruck

Al Bruck of Anchorage, a valued constituent of mine, has sent me material relevant to House Bill 51 which will be of interest to your committee. Copies are attached for your information. I appreciate any information or assistance you can offer to Mr. Bruck on the matter.

cc: Al Bruck

P.O. Box 100678
Anchorage, Alaska 99510

March 12, 1985

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

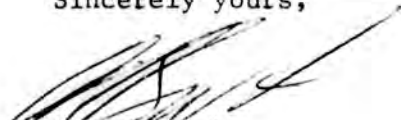
Dear Senator Sturgulewski:

House Bill 51, an Act requiring banks to pay interest on money on reserve accounts, is of considerable interest to me, and I solicit your support for this bill.

I would, however, suggest that it be applied equally to all types of loans and would therefore recommend that the phrase starting on line 15... "unless the account is required by federal law or reputation" be deleted.

As an attachment I have provided a simple example of the magnitude of the problem using my own situation, which can be considered modest at best. It is readily apparent that lending institutions have the use of a very significant amount of "free" money.

Sincerely yours,



A. B. Bruck

cc: Steve Rieger
House of Representatives

EXAMPLE OF RESERVE BALANCES AVAILABLE FOR BANK USE

<u>Reserve Account Balance 2/28/85</u>	<u>Payments</u>	<u>Balance</u>
		1045.72
March 1 Payment (Reserve only)	238.38	1284.10
April 1 Payment (Reserve only)	238.38	1522.48
May 1 " " "	238.38	1760.86
June 1 " " "	238.38	1999.24
1st half tax prior to June 15	[714.83]	1284.41
July 1 Payment (Reserve only)	238.38	1522.79
August 1 " " "	238.38	1761.17
2nd half tax prior to August 15	[714.83]	1046.34
September 1 Payment (Reserve only)	238.38	1284.72
September Assessment	[74.18]	1210.54
October 1 Payment (Reserve Only)	238.38	1448.92
November 1 Payment (Reserve Only)	238.38	1687.30
Hazard Insurance	[750.00]	937.30
Mortgage Loan Insurance	[225.38]	711.92
December 1 Payment (Reserve Only)	238.38	<u>950.30</u>
Reserve Account Balance 12/31/85		\$950.30

A B BRUCK
LOIS E BRUCK

ALASKA MUTUAL BANK
200217

ANALYSIS
DATE
02/28/85

POIS E BRUCK

LOAN NUMBER

200217

02-28-85

PRESENT MONTHLY DEPOSIT	FUNDS ARE COLLECTED IN YOUR ESCROW ACCOUNT FOR THESE ITEMS	NEXT DUE DATE		TERM IN MCS	ESTIMATED AMOUNT OF NEXT DISBURSEMENT	NEW MONTHLY ESCROW DEPOSIT	ESCROW REQUIRED	
		MO	YR				NO MOS	ITEM BALANCE
119.14	FIRST HALF TAXES	05	85	12	714.83	59.57	10	595.70
	SECOND HALF TAXES	08	85	12	714.83	59.57	07	416.99
6.18	ASSESSMENTS	09	85	12	74.18	6.18	06	37.08
55.25	HAZARD INSURANCE	11	85	12	750.00	62.50	04	250.00
	ESTIMATED			12	225.38	18.78		
.93	SHORTAGE				254.25	31.78		

ESCROW BALANCE	1045.52	BAL REQD TO BE ON DEPOSIT	1299.77	SHORT	-254.25	NEW PAYMENT					
PRINCIPAL & INTEREST	+	SERVICE CHARGE	+	NEW MONTHLY ESCROW	+	OPTIONAL INSURANCES	+	OTHER	=	AMOUNT	EFFECTIVE DATE
269.50				238.38						507.88	03-01-85

YOUR NEW PAYMENTS CONSIST OF THE ITEMS SHOWN ABOVE.

YOUR NEW PAYMENTS CONSIST OF THE ITEMS SHOWN ABOVE.

You are hereby notified that the property described on the face of this notice has been reappraised for the current year.

Alaska Statutes require that a person receiving an assessment notice shall advise the Assessor of errors or omissions in the assessment of his/her property. Failure to so advise will not negate the tax.

If, after reviewing the current values, you feel that the appraisal is in excess of fair market value, you may contact the Assessor's office for an appraisal review. If, after the review, you still feel that your property has been over appraised, you may request a petition of appeal to the Board of Equalization. Either a letter requesting a petition, or a completed petition, must be received by the Assessor's office prior to the date shown on the face of this notice. Alaska law requires that the written appeal be in the form which the Board may require, otherwise the right of appeal ceases, unless the Board finds that the taxpayer was unable to comply.

The Board of Equalization will begin meeting in April. You will be notified as to the place and date of the hearing for your appeal. If you are unable to attend the meeting, the Board will proceed in your absence.

Statements for the first one half tax payments are mailed prior to May 15th and become delinquent and subject to penalty on June 15th. Statements for the second one half tax payments are mailed prior to July 15th and become delinquent and subject to penalty on August 15th.

It is your responsibility to notify the Assessor's office in writing if there is an error in your name or address. Do not notify the Collector's office.

THIS IS A VALUATION NOTICE - NOT A TAX STATEMENT.

Introduced: 1/14/85
Referred: 1/16/85 House Special Committee on
State Loans and Finance

1 IN THE HOUSE

BY DUNCAN, SUND AND MARROU

2 HOUSE BILL NO. 51

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act requiring banks to pay interest on money in
7 reserve accounts held in connection with mortgage
8 loans."

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

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

11 Sec. 06.05.285. INTEREST ON RESERVE ACCOUNTS. (a) A bank that
12 requires the payment of money by a borrower into an escrow or similar
13 reserve account for the payment of taxes, insurance premiums, or home
14 owner's association dues in connection with a mortgage loan shall pay
15 interest on the money in that account unless the account is required
16 by federal law or regulation. The rate of interest paid on money in a
17 reserve account shall equal the rate of interest charged to the bor-
18 rower for the mortgage loan and shall be computed on the average
19 monthly balance in that account on the first of each month.

20 (b) Interest earned on money in a reserve account shall be
21 annually credited to the remaining principal balance on the mortgage
22 loan, or at the election of the borrower, shall be paid to the borrow-
23 er.

24 * Sec. 2. AS 06.05.285 enacted in sec. 1 of this Act applies to escrow
25 and similar reserve accounts established before the effective date of this
26 Act, as well as to accounts established after the effective date of this
27 Act, with interest to be paid beginning on the effective date of this Act
28 on money in those accounts.

Settlement costs and you



A HUD GUIDE FOR HOME BUYERS

Alaska Mutual Bank
POUCH 4-9003
ANCHORAGE, ALASKA 99509

300. CASH AT SETTLEMENT FROM/TO BUYER

Remaining are the summary lines which are 301-303 for the borrower (and 601-603 for the seller). Subtracting line 302 (gross amount paid by or for the borrower) from line 301 (gross amount due from the borrower) results in the net cash the borrower must pay at settlement.

RESERVE ACCOUNTS

In most instances, a monthly mortgage payment is made up of a payment on the principal amount of the mortgage debt which reduces the balance due on the loan, an interest payment which is the charge for use of the borrowed funds, and a reserve payment (also known as an escrow or impound payment) which represents approximately one-twelfth of the estimated annual insurance premiums, property taxes, assessments and other recurring charges.

When settlement occurs you may need to make an initial deposit into the reserve account; otherwise, your regular monthly deposits to it will not accumulate enough to pay the taxes, insurance or other charges when they fall due. Under RESPA, the maximum amount the lender can require borrowers or prospective borrowers to deposit into a reserve account at settlement is a total gross amount not to exceed the sum of: (a) an amount that would have been sufficient to pay taxes, insurance premiums, or other charges which would have been paid under normal lending practices, and ending on the due date of the first full monthly mortgage installment payment, plus (b) an additional amount not in excess of one-sixth (2 months) of the estimated total amount of taxes, insurance premiums and other charges to be paid on the dates indicated above during any twelve month period to follow.

An illustration will help clarify this calculation. Assume the following set of facts on a loan, and that taxes are paid at the end of the period against which taxes are assessed.

Example:

Settlement date	April 30, 1977
Due Date of first mortgage loan repayment	June 1, 1977
Taxes due yearly	\$360.00
Monthly tax accrual	\$ 30.00
Due date for taxes	December 1st for the calendar year

The reserve amount for category (a) is \$180.00. This represents the amount of taxes accruing between December 1, 1976 (the last tax due date) and May 30, 1977 (\$30.00 x 6 months). Reserve amounts chargeable under category (b) could be up to two months advance payment times \$30.00 or a total of \$60.00. Therefore, total reserve deposits for taxes at settlement would be a maximum of \$240.00. Changing the due date for taxes and/or the first mortgage payment results in a different reserve amount for the same illustration.

The same procedure is used to determine the maximum amounts that can be collected by the lender for insurance premiums or other charges. You need to know the charges and due dates in order to compute the amounts.

Once you begin your monthly mortgage payments, you cannot be required to pay more than one-twelfth of the annual taxes and other charges each month, unless a larger payment is necessary to make up for a deficit in your account or to maintain the cushion of the one-sixth of annual charges mentioned in (b) above. A deficit may be caused, for example, if your taxes or insurance premiums are raised.

You should note that the above monthly mortgage payments reserve limitations apply to all RESPA covered mortgage loans whether they were originated before or after the implementation of RESPA.

ADJUSTMENTS BETWEEN BUYER AND SELLER

The previous section dealt with setting up and maintaining your reserve account with the lender. At settlement it is also

HB 51

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

The safety and soundness of state-chartered financial institutions is not affected by provisions of HB 51. There would be only minor review time involved in examinations to determine compliance.

The committee may wish to consider having these types of interest rate provisions under AS 45.45 and include all mortgage lenders except the State housing programs.


Loren H. Lounsbury, Commissioner

Date: 2/12/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 51
Title: Interest on money in
reserve accounts
Sponsor: Duncan, Sund & Marrou
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.
Program Category Affected: _____
Banking and Securities
BRU, Program or Subprogram(s) Affected: _____
Banking and Securities

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: Attach a separate page if necessary

Prepared By: N. T. Lusk
Division: Division of Banking and Securities
Approved by Commissioner: Loren H. Lounsbury
Agency: Commerce & Economic Development

Phone: 465-2521
Date: _____
Date: 2/11/85

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

7/1/84

FNMA

PART 1 GENERAL REQUIREMENTS FOR 1ST MORTGAGES

In general, all 1st mortgages sold to us must be acceptable to other institutional investors and informed buyers in the community where the mortgaged property is located.

In addition, mortgages must meet certain requirements before we will purchase them. Our general eligibility requirements for FHA, VA and conventional 1st mortgages follow in this Part. The specific eligibility requirements for certain types of mortgages—including 2nd mortgages—are described in Parts 2 through 9 of this Chapter.

Sec 101 Origination and Ownership of Mortgage

A Lender may deliver a mortgage that has been originated by another Lender. However, the selling Lender is responsible for meeting all of our requirements, and must own the mortgage on the date it is delivered to us.

Sec 102 "Open-End" Advances

We will purchase a mortgage that includes an "open-end" advance provision only if the provision gives us the option not to make any advances. If the Lender has already made an advance, the mortgage is eligible for purchase.

Sec 103 Monthly Payments (also see Sec 209, 309, 509 and 705)

Generally, the mortgage must fully amortize over its term, through level monthly installments of principal and interest, payable the 1st day of each month. However, mortgages, and growing equity mortgages—that do not provide for level monthly payments over the full mortgage term.

Since we will not decline submissions for purchase because of slight differences in payment calculations, the Lender may use any widely-accepted amortization tables or formulas. We include in our Servicing Guide the formulas that we use to calculate fixed installments and to amortize a mortgage.

Sec 104 Escrow Deposit Accounts (also see Sec 205, 412 and 905)

Mortgages must provide for the monthly deposit of escrow funds to pay taxes, ground rents, special assessments, mortgage insurance premiums and hazard insurance premiums as they come due. For VA and conventional mortgages, the Lender may waive this requirement, but the standard escrow provision must remain in the mortgage documents.

Whenever the Lender waives the right to collect escrows, it must retain our right to enforce the requirement if the borrower fails to act responsibly.

We do not require escrow deposits to cover hazard insurance premiums for individual condominium or PUD units when the project containing the unit is covered by a blanket hazard insurance policy purchased by the owners' association.

Sec 105 Payment Status (also see Sec 906)

Payments on the mortgage must be current at the time of delivery. The 1st payment made to us must be a full installment of principal and interest.

We will accept delivery of a 1- to 4-family mortgage up to 45 days from the due date of the last paid installment. For example, if the due date of the last paid installment was April 1, we will accept the mortgage at any time through May 15. If the mortgage is delivered on May 16, it will not be acceptable until the May 1 payment is applied.

If the mortgage is new and no installment has been applied when the mortgage is delivered, the Lender should report the 1st day of the month preceding the due date of the 1st full installment as the "interest paid-to" date. The 45-day limit will then be clocked from this date.

Sec 106 Lien Requirements (also see Sec 205, 409, 514, 806 and 907)

The lien of the security instrument must be a 1st and paramount lien on the mortgagor's estate in the real property and on any personal property identified in the instrument. It may be subject only to liens for taxes and special assessments that are not in arrears and to conditions, restrictions and encumbrances that we do not consider as material. The Lender must provide documentation to show that the current installments of taxes and assessments (which may have been attached as prior liens but are not now in arrears) have been paid or that sufficient deposits are being collected to pay them.

106.01 Borrower's Estate. In most cases, the borrower must own the property in fee simple. However, we will purchase mortgages secured by leasehold estates in areas where they have received market acceptance.

Generally, leasehold estates must have a remaining term that equals or exceeds the remaining term of the mortgage. In most cases, the term of the estate should run, or be renewable at the borrower's option, for at least 10 years beyond the maturity date of the mortgage, unless fee simple title will vest in the borrower (or the owners' association if the mortgage is on a PUD unit) at an earlier date. However, the term may vary for different types of mortgages. When the term of the leasehold estate differs from those normally used in the area, the Lender should contact the local regional office to determine if it is acceptable.

Sec 412 Special Assessments

If special assessments are not paid at the time of closing, the maximum mortgage otherwise available must be reduced by the principal amount of the unpaid special assessment.

In addition, any improvement to the premises that results from the assessment must be included in the appraised value of the property. The mortgagor's monthly payment should include $\frac{1}{12}$ th of the estimated annual payment toward the assessments.

Sec 413 Payment of Settlement Costs

Certain prepaid settlement costs must be paid by the purchaser of the property in order for the mortgage to be eligible for purchase. They are

- interest charges covering any period after the settlement date;
- real estate taxes covering any period after the settlement date;
- hazard insurance premiums; and
- escrow accruals required for renewal of mortgage insurance premium.

Other costs may be paid by the property seller or purchaser. However, if any costs normally the responsibility of the purchaser are paid by the seller, the Lender must advise the appraiser.

Sec 414 Trade Equities

The property seller may take the borrower's existing property in trade as all or part of the down payment, as long as the borrower's equity contribution is a true value consideration. This contribution is usually determined by subtracting the outstanding mortgage balance of the property being traded, plus any transfer costs, from the lesser of the property's appraised value or the trade-in value agreed to by both parties.

Sec 415 Subordinate Financing

We will consider purchasing mortgages subject to subordinate financing as long as that lien is clearly subordinate to our 1st mortgage lien. Lenders must disclose subordinate financing repayment terms when applying for a mortgage insurance commitment.

When the subordinate financing repayment terms provide for regular monthly payments, they must remain constant for each 12-month period over the term of the mortgage. In addition, the change in the monthly payment at the end of each 12-month period cannot exceed $7\frac{1}{2}\%$.

If the subordinate financing will not fully amortize under a level monthly payment plan, it may not have a maturity or call option date of less than 5 years.

We will not permit subordinate financing on a cooperative share loan.

FNMA

PART 2 DEPOSIT ACCOUNTS, TAXES AND INSURANCE

Generally, the mortgages we purchase require that a portion of the mortgagor's monthly payment be put into an escrow deposit account so that funds will be available to pay taxes, special assessments, hazard insurance premiums, mortgage insurance premiums, ground rents and similar items when they come due.

The Servicer may waive the escrow deposit account requirement on individual cases. The waiver should be in writing and should clearly state that it may be revoked at the Servicer's option. Even when the escrow deposit account requirement has been waived, the Servicer remains responsible for the timely payment of the taxes and insurance premiums. If the mortgagor fails to pay the taxes or does not keep the insurance in force, the Servicer should revoke the waiver and begin collecting monthly deposits for the escrow deposit account.

We do not require the Servicer of a 2nd mortgage to maintain an escrow account. However, to assure that the expenses for the 2nd mortgage are paid promptly—particularly when the Servicer of the 1st mortgage does not collect escrow funds—the Servicer may establish an escrow account if it wishes.

Sec 201 Administration of Escrow Deposit Accounts

The Servicer must assume full responsibility for administering the mortgagor's escrow deposit account. It must estimate the monthly deposit required to assure that funds will be available to pay each expense as it comes due. Each year, it should analyze the account to determine that the balance is adequate and, if necessary, make any adjustments required to meet the estimated future charges.

201.01 Additional Deposits. The Servicer may collect deposits for items that we do not require (such as disability or credit life insurance). If it does, the Servicer must

- identify in its records the purpose and the recipient of the additional deposits;
- accept the monthly payment even if it does not include these additional deposits;
- collect any shortages in these deposits from the mortgagor. The regular deposit account funds may not be used to cover these shortages; and
- separate the amount of the additional deposits from the installment we require on the mortgagor's monthly billing or payment coupon.

201.02 Advances. When the borrower's deposit account does not have enough funds to cover a particular expense, the Servicer should request the mortgagor to pay the additional amount. If the borrower's payment cannot be received in time to avoid a penalty, the Servicer should advance its own funds.

When the Servicer has to advance its own funds, the mortgagor should be billed for that amount. If the mortgagor does not repay the advance, his or her subsequent

mortgage payments may be used to repay the Servicer if local law does not prohibit it. If the advance involves \$500 or more and was necessary to protect our interest in the property, the Servicer of a whole mortgage may submit a Cash Disbursement Request (Form 571) to request us to reimburse it for the advance. In that case, any repayments subsequently made by the mortgagor would be sent to us.

201.03 Annual Analysis. The Servicer must analyze the account each year to determine its status and to estimate the funds needed for the coming year. After analyzing the account, the Servicer can adjust the monthly deposits to the account according to different situations.

- If there is a shortage in the account, the Servicer may either request the mortgagor to pay it in full, or take the shortage into account when it establishes the monthly escrow deposits for the next year.
- If there is an overage, the Servicer may refund it to the mortgagor if the mortgage is current or take it into account when the monthly escrow deposits for the next year are established. If the mortgage is delinquent, the Servicer should request the mortgagor to apply the overage toward the delinquency.

When the monthly payment changes as a result of the escrow analysis, the Servicer should give the mortgagor reasonable notice of the new payment.

201.04 Interest on Escrow. Some jurisdictions require that interest be paid on the funds in the mortgagor's escrow deposit account. When these requirements apply to mortgages that we own, the Servicer must pay the interest. The Servicer may also voluntarily pay the interest.

Normally, we will not reimburse the Servicer for required or voluntary interest payments. However, if we are holding a portion of the escrow deposit funds, we will reimburse the Servicer for our share of any required interest payments. In that case, the Servicer should submit a Request for Disbursement of Excess Escrow Funds or Interest on Escrow Accounts (Form 843) within 30 days after it pays the interest.

201.05 Annual Statement. At the beginning of each year, the Servicer must send the mortgagor a statement of activity in his or her mortgage account during the past year. The statement should include

- the escrow deposit account balance at the beginning of the year, any deposits to or withdrawals from the account during the year, and the account balance at year-end;
- the amount of interest that the mortgagor paid during the year;
- the amount of real estate taxes paid during the year;
- the unpaid principal balance of the mortgage at the end of the year;

- the amount by which the mortgage balance increased during the year as a result of negative amortization (when applicable); and
- the amount of interest paid (or credited) to the mortgagor as "interest on escrow".

In addition, the Servicer must provide a detailed analysis of all transactions relating to a mortgagor's monthly payments and escrow deposit account whenever the mortgagor requests it. The Servicer cannot charge the mortgagor for the annual statement or the detailed analysis.

Sec 202 Taxes and Assessments

The Servicer must maintain accurate records on the status of real estate taxes, ground rents or any other assessments that could become a lien against the property. The Servicer should always pay these expenses before any penalty date. Whenever funds are available, the Servicer should pay these expenses early enough to take advantage of the maximum discounts allowed. If a penalty is incurred for late payments of taxes—and the mortgagor was a factor in delaying the payment—the Servicer may collect the penalty from the mortgagor. Otherwise, the Servicer must pay the penalty from its own funds.

When the owners' association of a PUD or condominium project in which the Servicer services mortgages notifies the Servicer that a mortgagor is 60 days delinquent in the payment of assessments or charges levied by the association, the Servicer should advance the funds to pay the charges if necessary to protect our interest in the mortgage.

Sec 203 FHA and Conventional Mortgage Insurance

The Servicer must keep in effect the FHA or conventional mortgage insurance that existed when we purchased the mortgage. However, there are special situations that may affect the continuation of mortgage insurance coverage.

203.01 FHA Mortgage Insurance. The Servicer may consider a mortgagor's written request to cancel the FHA mortgage insurance if the borrower has a satisfactory payment record and our interests will continue to be adequately protected.

Before agreeing to cancel the insurance, the Servicer should obtain a current appraisal of the property. Then, if the property clearly meets the standards that we would require for a new conventional mortgage and the unpaid balance of the mortgage is not greater than 80% of the property's value, the Servicer may cancel the insurance.

The appraisal is not necessary if the Servicer believes that the mortgage balance is substantially less than 80% of the current property value.

203.02 FHA Coinsured Mortgages. If the mortgage is current, FHA coinsured mortgages are automatically converted to full insurance when the 60th monthly

payment is made. The Servicer does not have to notify us of this automatic change, but should contact us in cases where the conversion is not automatic. For example, when a mortgage is under a special relief provision on the date the 60th monthly payment is scheduled to occur, the Servicer should request HUD to convert it to full insurance if the mortgage is current under the terms of the relief provision. If HUD agrees to the conversion, the Servicer should then notify us.

If the Servicer cannot continue its coinsurance obligations because of its dissolution or bankruptcy, it should notify HUD and provide a list of all coinsured mortgages in its FNMA portfolio. When HUD acknowledges that the mortgages will be converted to full insurance, the Servicer should send us the list of mortgages and a copy of HUD's acknowledgement.

203.03 Conventional Mortgage Insurance. Servicers may cancel insurance coverage on a 1st mortgage when the balance has been paid down to 80% of the original value of the property. Coverage on a 2nd mortgage can be cancelled when the combined loan amount for the 1st and 2nd mortgages has been paid down to 65% of the property's original value. If the Servicer thinks that the property may have depreciated in value since the original appraisal, it may require the mortgagor to submit a current appraisal for the property before it cancels the coverage. If a mortgagor whose payments are current requests cancellation of coverage and the property has retained its value, the Servicer must cancel the coverage.

The Servicer may also approve a mortgagor's request to cancel the conventional mortgage insurance on a 1st mortgage if the mortgagor has a satisfactory payment record and a new appraisal indicates that the mortgage balance is below 80% of the current value of the property. Requests to cancel coverage on a 2nd mortgage—based on a new appraised value—may be approved only if the borrower has had an acceptable payment record for at least 1 year. In either case, the new appraisal should be made a part of the permanent mortgage records.

At any time, the mortgagor can replace the original policy with equivalent mortgage insurance from another acceptable mortgage insurer. The Servicer must promptly send our local regional office the new original insurance policy or certificate. When the coverage expires or is cancelled, we will return the original insurance policy or certificate if the mortgage insurer requires us to do so.

Sec 204

Hazard and Flood Insurance

The Servicer must make sure that the hazard and flood insurance coverages that were required when we purchased the mortgage are maintained. Those requirements are described in Chapter One, Part 1, of our Lending Guide. If the mortgage covers a PUD, cooperative or condominium unit, the Servicer should also verify that the coverages required of the owners' association or cooperative corporation—hazard, flood, liability and fidelity—are being maintained. These requirements are discussed in

Chapter Three of the Lending Guide. In addition, the insurance that HUD requires for FHA-insured home improvement loans must be kept in force.

A Servicer may act as an insurance broker or agent to sell insurance to the mortgagor. Any activities relating to this role are outside the scope of the Servicer's authority to act on our behalf. As a result, we will not reimburse the Servicer for any fees or costs resulting from claims on coverages that exceed our requirements. In addition, the Servicer must reimburse us for any fees or costs that we incur in response to any action or defense the mortgagor might bring in connection with this coverage.

204.01 Replacement Policies. The mortgagor can modify the existing insurance coverage or replace it with a policy from another acceptable company. If the mortgagor allows the insurance coverage to lapse, the Servicer should immediately obtain new coverage that meets our basic requirements. If necessary, the Servicer should advance its own funds to pay the premium.

The owners' association of a PUD or condominium project or the cooperative corporation of a cooperative project may also have its existing insurance coverage modified or replaced with a policy from another insurance company. In this case, the owners' association or cooperative corporation must give the Servicer notice of the change so that the Servicer can determine if the coverage adequately protects our interests.

204.02 Changes in Coverage. Certain things may happen to make the existing insurance coverage inadequate to protect our interests or to cause us to be over-insured in some cases. When either situation occurs, the coverage should be changed.

When a property becomes vacant, the Servicer should add the proper endorsement to change a homeowner's policy to a fire and extended coverage policy.

The mortgagor may discontinue flood insurance coverage if the property is no longer included in a flood zone because the flood plain has been redefined. On the other hand, if the redefinition of a flood plain will result in the property being included in a flood zone, the Servicer must notify the mortgagor to obtain coverage to protect against possible damage. If the mortgagor refuses to obtain the required coverage, the Servicer should contact the regional office for further instructions.

204.03 Evidence of Insurance. Unless the Servicer is covered by mortgage impairment insurance or mortgagee interest insurance, it must keep the original insurance policy in its custody. Instead of holding the complete policy, the Servicer may accept a short form certificate of insurance if it shows all of the necessary information and is signed by the insurer. A complete text of the full policy must be available in the Servicer's office.

Many condominium or cooperative units are covered by "master" or "blanket" policies instead of individual policies. This is also true for some PUD units. In these cases, the Servicer may maintain a copy of the current "master" or "blanket" policy and a certificate of insurance showing that the individual unit is covered under the policy.

Regardless of the form used as evidence of insurance, the Servicer must be able to give us copies of the individual insurance policies if we need them.

204.04 Notice of Loss. When we purchase the mortgage on a condominium, cooperative or PUD unit, the owners' association or cooperative corporation of the project agrees to give the Servicer prompt notice of any change in its insurance coverage or of any condemnation or casualty loss that may have a material effect on the project or on our security. Therefore, the Servicer should send a notice, identifying the units it is servicing, to the owners' association of each condominium or PUD project and the cooperative corporation of each cooperative project in which it services mortgages.

Sec 205 Insurance Loss Settlements

As soon as the Servicer of a whole mortgage learns of a casualty loss, it should contact the mortgagor to get complete details on the damage and discuss plans for having the property repaired. If the Servicer is unable to contact the mortgagor, it should determine the extent of the damage and the required repairs, and submit to our local regional office a recommendation regarding the restoration of the damaged property.

When a property is damaged, the Servicer must closely monitor the filing of the claim with the insurance carrier, the repairs to the property and the disbursement of the insurance proceeds. The Servicer's responsibilities include

- helping the mortgagor to determine the nature of the needed repairs and to get the necessary bids;
- reviewing and approving the final plans for repair;
- submitting a Report of Hazard Insurance Loss (Form 176) to our local regional office for approval if
 - the mortgage is in foreclosure or the property has been acquired through foreclosure or a deed in lieu of foreclosure,
 - the insured improvements have suffered a total or near-total loss,
 - the insurance proceeds are greater than the cost of restoring the property to its original condition, or
 - the Servicer believes that the insurance proceeds should be applied to the mortgage debt instead of being used to repair the property;
- inspecting the repairs to see that they comply with the final plans;
- getting the proper lien releases; and
- disbursing the proceeds.

If the Servicer of a 2nd mortgage can determine that the repairs were made in a satisfactory manner, it does not have to inspect the property. However, it should include in the individual mortgage file documentation describing the quality of the workmanship.

In cases involving extensive repairs, the Servicer should consider making progress payments as portions of the work are completed.

Sec 206

Uninsured Losses

When a disaster (such as an earthquake, flood or tornado) results in an uninsured loss to the property, the Servicer should

- determine the extent of the damage;
- secure the property, if it is abandoned;
- develop plans for repairing the property; and
- send a complete report of the damage to our local regional office.

The Servicer should help the mortgagor file for any disaster relief aid that may be available. If the damage is extensive, the Servicer should agree to any reasonable forbearance plans or modification agreements that the mortgagor proposes.

FHLMC

a different office in special instructions to the Servicer. When used in connection with accounting transactions, the applicable Freddie Mac regional office is the Freddie Mac regional office serving the state where the Seller's principal office is located.

6103**Borrower**

The borrower is the party obligated to repay the indebtedness secured by the mortgaged premises. For a home mortgage or HIL, the borrower must be an individual or individuals.

6104**Condominium unit;
condominium project**

A condominium unit is a single family dwelling located in a condominium project.

A condominium project is real estate that includes the separate ownership in fee (or on an acceptable leasehold estate) of a specified residential unit with an undivided interest in the real estate designated for common ownership solely by unit owners.

6105**Date of the Seller's offer**

The date of the Seller's offer is the date the Seller telephones Freddie Mac offering to sell mortgages to Freddie Mac. Freddie Mac will insert this date on the purchase contract in the applicable space for each offer Freddie Mac accepts.

6106**Delinquency**

Delinquency occurs when any part of the borrower's monthly payment of principal, interest, and escrow under the mortgage is past due and unpaid after the due date.

6107**Delivery date**

The delivery date is the date Freddie Mac receives a Contract Delivery Summary (Form 381) and either a Mortgage Submission Voucher (Form 13SF or 13 Multi) completed for each mortgage or a Mortgage Loan Submission Schedule (Form 11), together with any other documentation required to be delivered to Freddie Mac before payment by Freddie Mac. Delivery to Freddie Mac occurs when the applicable Freddie Mac regional office takes possession of all documentation required to be submitted. The posting of such documentation with the U.S. Postal Service or any other mail service does not constitute delivery to Freddie Mac.

6108**Due date**

The due date is the date on which the borrower's monthly payment is due, as stated in the mortgage documents.

6109**Escrow**

Escrow includes all funds collected to cover expenses to be paid

under the mortgage, including, but not limited to, taxes, special assessments, ground rents, and other charges that are or may become first liens on the mortgaged premises, as well as hazard insurance premiums and mortgage insurance premiums.

6110**FHA; FHA mortgage**

FHA is the Federal Housing Administration. An FHA mortgage is a mortgage insured by the FHA.

6111**Home improvement loan**

A home improvement loan is a home mortgage to finance permanent improvements for energy conservation, solar installation, rehabilitation, modernization, or addition.

6112**Home mortgage**

A home mortgage is a mortgage on real estate on which there is located a structure designed principally for residential use by no more than four families.

6113**MI**

An MI is a mortgage insurer approved by Freddie Mac.

6114**Minimum gross yield**

The minimum gross yield is the sum of the Freddie Mac required net yield plus the Freddie Mac required minimum servicing spread.

6115**Minimum servicing spread**

The minimum servicing spread is the minimum amount of the interest income retained by the Servicer as compensation for servicing mortgages purchased in whole by Freddie Mac.

6116**Mortgage**

A mortgage is a loan secured by a lien on real estate held in fee simple or on an acceptable leasehold estate; when used alone, and unless the context indicates otherwise, the term "mortgage" includes home mortgages, multifamily mortgages, and home improvement loans.

6117**Mortgaged premises**

The mortgaged premises are the land and improvements thereon subject to the lien of a mortgage.

6118**Mortgages purchased in whole or in part**

Mortgages purchased in whole have been purchased in their entirety by Freddie Mac. Mortgages purchased in part are mortgages in which Freddie Mac has purchased or retained a participation interest.

separate agreement, incorporating this guide by reference. In such a case, the term "purchase documents" means the separate agreement and this guide.

6124**Real estate owned (REO)**

Real estate owned (REO) is property acquired through foreclosure or deed in lieu of foreclosure.

6125**Required net yield**

The required net yield is the amount of interest Freddie Mac receives from each mortgage purchased as stated in the purchase contract.

6126**Seller**

A Seller is a mortgage lender approved to sell mortgages to Freddie Mac.

6127**Servicer**

A Servicer is a mortgage lender approved to service mortgages purchased by Freddie Mac. The Servicer may be the Seller, a wholly owned subsidiary of the Seller, a subsidiary of the Seller and other Sellers, a servicing agent of the Seller (under section 6201), or a transferee of the Seller (under section 6311).

6128**Servicing**

Servicing is the performance of applicable obligations described in the purchase documents, including tasks necessary to maintain mortgages sold to Freddie Mac in a manner that protects Freddie Mac's interests.

6129**Servicing agent**

A servicing agent is a Servicer unaffiliated with the Seller that has received Freddie Mac's authorization to act on the Seller's behalf in servicing mortgages purchased by Freddie Mac.

6130**Transfer of ownership**

For the purposes of chapters 69 and 73, transfer of ownership means, but is not limited to mean, the conveyance of the mortgaged premises or any right, title, or interest in the mortgaged premises, whether legal or equitable, voluntary or involuntary, by any of the following methods:

- outright sale
- deed
- installment sale contract
- land contract
- contract for deed
- leasehold interest with a term greater than three years
- lease-option contract
- land trust

relieve the Seller of its responsibilities to Freddie Mac under the purchase documents.

6202**Servicing facilities and duties**

The Servicer must maintain servicing facilities with staff trained to adequately service mortgages according to the requirements in the purchase documents. The Servicer's staff must be familiar with all regulations and requirements affecting mortgages serviced for Freddie Mac. These regulations and requirements include, but are not limited to, those issued by Freddie Mac, FHA, VA, MIs, and local or federal agencies having jurisdiction. The Servicer must perform all duties of the mortgagee under the security instrument, FHA insurance, VA guaranty, and mortgage insurance policy.

6203**Borrower inquiries**

If asked by the borrower, the Servicer must inform the borrower whether Freddie Mac has purchased the borrower's mortgage. If Freddie Mac has purchased the mortgage, the Servicer must explain to the borrower that it services the mortgage for Freddie Mac. The Servicer must answer the borrower's inquiries and not refer or advise the borrower to contact Freddie Mac directly concerning the mortgage. Borrowers must be given prompt, clear, and accurate information about whether their mortgages are assumable, and if they are, on what terms the assumption will be allowed and how long those terms will apply.

6204**Mortgage file**

(a) **Contents.** The Servicer must maintain an individual file for each mortgage. The file must contain all documents required to be held by the Seller, as stated in the *Sellers' Guide FHA/VA*, Section 3.302 or in section 2415 of this guide, as well as all legal notices, correspondence, forms, and reports concerning the mortgage. The file must contain the originals of all documents submitted to Freddie Mac (except when the original documents are retained by Freddie Mac). When the Servicer possesses the original note, the note may be segregated from the file if it is maintained in a fireproof storage area. The Servicer must also maintain adequate records of collection efforts and make the records available for Freddie Mac's inspection on request. At a minimum, the records must show:

- the dates that letters and notices were mailed;
- results of conversations with the borrower;
- dates of personal contacts;
- dates and results of property inspections; and
- reasons for prior and current defaults.

Where applicable law or local custom requires the original security instrument to secure its release, the Servicer agrees to maintain a certified copy of the original security instrument, complete with recordation notation.

(b) Maintenance. The Servicer must prudently maintain all mortgage files, related documents, and records held pursuant to this section and the purchase documents. Each file must be clearly marked to indicate Freddie Mac's percentage of interest in the mortgage and the Freddie Mac loan number assigned to it.

The Servicer agrees to maintain the entire mortgage file while Freddie Mac retains any interest in the mortgage and for at least three years from the date Freddie Mac's interest in the mortgage is satisfied. If the mortgage is accelerated, the Servicer must maintain the entire file at least six years from the date Freddie Mac's interest in the mortgage is satisfied.

(c) Microfilm copies. Instead of maintaining the original documents required by this section, all documents (except the security instrument and the note) may be maintained in the form of microfilm or microfiche provided that

- the copies were made in the regular course of business pursuant to a written policy of the Servicer applying to all its mortgage files;
- the copies were made by a process that accurately reproduces or forms a durable medium for reproducing the original;
- the copies are satisfactorily identified;
- the Servicer maintains the copies in a manner that permits ready transfer to legible hard copies of the material relating to the mortgages serviced for Freddie Mac;
- reader/copiers that can be used by Freddie Mac representatives are kept in the same offices where the copies are kept.

(d) Damage or loss. The Servicer must bear the entire cost of restoring mortgage files and related documents and records damaged or lost for any reason.

(e) Inspection by Freddie Mac. When Freddie Mac requests, either before or after termination of servicing, the Servicer must permit Freddie Mac at any time during normal business hours to inspect the mortgage files and all of the Servicer's records pertaining to mortgage operations related to Freddie Mac.

6205**Reports**

The Servicer must submit all servicing reports for any mortgage to the applicable Freddie Mac regional office at the time and in the form requested by Freddie Mac.

Whether there is any delinquency in the mortgage serviced for Freddie Mac or not, the Servicer must provide Freddie Mac with a monthly Summary of Delinquencies and Foreclosures (Form 100, exhibit 80) for each state where mortgaged premises are located. The report must be received by Freddie Mac within eight business days after the last day of each month.

Mortgage impairment or mortgage interest insurance is acceptable if it provides errors and omissions coverage on substantially the same terms as stated above. Deductibles may not exceed the higher of \$10,000 or 2.5 percent of the liability per occurrence.

(b) Reports. In connection with its fidelity and mortgage errors and omissions coverage, the Servicer must

- obtain evidence of the insurer's agreement to notify Freddie Mac 30 days or more before canceling, reducing, not renewing, or restrictively modifying any coverage for any reason;
- promptly advise Freddie Mac of any embezzlement, fraud, dishonesty, errors, or omissions within its organization, whether Freddie Mac's funds are involved or a claim is filed with the insurer, if the ensuing loss exceeds the deductible amounts allowed in sections 6402-6403.

6404

General property insurance requirements

The Servicer must ensure that the mortgaged premises are covered by insurance meeting the requirements in this and subsequent sections.

(a) Licensing of insurer. All insurers and reinsurers must be licensed, or otherwise authorized by law, to conduct business in the jurisdictions where the mortgaged premises are located.

(b) Assessments. Insurance contracts must provide that no assessment may be made against the Servicer or Freddie Mac and that any assessment made against others may not become a lien on the mortgaged premises superior to the outstanding liens.

(c) Rating of insurer. The required insurance must be underwritten by an insurer currently rated B/VI or better in Best's Insurance Reports. The following alternatives are acceptable:

- the insurer has a rating of A/V or better;
- the insurer is reinsured by a company rated B/VI or better. In this case, both the insurer and reinsurer must execute an Assumption of Liability Agreement or a similar endorsement providing for 100 percent reinsurance of the insurer's policy and requiring the reinsurer to give the borrower, Servicer, and insurer 90-day written notice before cancelling or otherwise terminating the reinsurance (this agreement must be attached to the insurance policy); or
- the coverage is underwritten by Lloyd's of London or by a Fair Access to Insurance Requirements (FAIR) or beach and windstorm plan.

6405

Hazard insurance

(a) 1-4 family properties. At a minimum, the mortgaged premises must be protected against loss or damage from fire and other perils covered within the scope of standard extended coverage. Insurance must at least equal the lesser of 100 percent of the insurable value of the improvements or the unpaid balance of the mortgage. For a HIL, insurance must be at least equal to the

lesser of 100 percent of the insurable value of the improvements or the aggregate unpaid balance of the HIL and all outstanding superior liens on the mortgaged premises. The insurance may not be less, however, than the minimum amount required under the terms of coverage to fully compensate for any damage or loss on a replacement cost basis. The Servicer must ensure that the mortgaged premises are adequately covered even when vacant and, where necessary and available, must obtain a vacancy permit endorsement.

Deductibles may not exceed the lower of \$1,000 or 1 percent of the applicable amount of coverage.

(b) Planned unit developments. Requirements for 1-4 family and multifamily properties apply to similar residential properties within a planned unit development (PUD).

If the individual units are covered by insurance purchased by their respective owners, the PUD homeowners' association must maintain "all risk" coverage for common areas and property for 100 percent of their insurable value and providing for loss or damage settlement on a replacement cost basis. The association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location, and use, including the following where applicable and available:

- agreed amount
- demolition cost
- increased cost of construction
- boiler and machinery

The insurer's minimum liability per accident under boiler and machinery coverage must equal the insurable value of the building housing such boiler or machinery or \$2 million, whichever is less.

Deductibles may not exceed the lower of \$10,000 or 1 percent of the applicable amount of coverage. Funds for such deductibles must be included in the association's reserves and be so designated.

Freddie Mac will also accept blanket insurance covering all units in the PUD as well as insurable common areas and property, if called for in the PUD's constituent documents. Such coverage must meet the requirements applicable to each PUD unit and those applicable to insurable common areas and property. Deductibles are allowed under this blanket coverage provided that the deductible for losses to an individual unit does not exceed the lower of \$1,000 or 1 percent of the unit's insurable value. Funds for any deductibles must be included in the association's reserves and be so designated.

The PUD's insurance policy must name the insured in substantially the same language indicated below:

"Association of Owners of the ... Planned Unit Development for the use and benefit of the individual owners (designated by name, if required by law or the constituent documents)."

(c) Condominiums. The condominium owners' association must maintain blanket "all risk" coverage for the following:

- general and limited common elements within the condominium;
- fixtures, machinery, equipment, and supplies maintained for the service of the condominium;
- fixtures, improvements, alterations, and equipment within the individual units.

Coverage must be for 100 percent of the insurable value of the common elements or property described above and provide for loss or damage settlement on a replacement cost basis.

The additional coverages required of PUD homeowners' associations are also required of condominium owners' associations where applicable and available.

Deductibles may not exceed the lower of \$10,000 or 1 percent of the applicable amount of coverage. Funds for such deductibles must be included in the association's reserves and be so designated.

The insurance policy of the condominium owners' association must name the insured in substantially the same language indicated below:

"Association of Owners of the ... Condominium for the use and benefit of the individual owners (designated by name, if required by law or the constituent documents)."

(d) Multifamily properties. At a minimum, the mortgaged premises must be protected against loss or damage from fire and other perils covered within the scope of standard extended coverage. Insurance must at least equal the lesser of 100 percent of the insurable value of the improvements or the unpaid balance of the mortgage. The insurance may not be less, however, than the minimum amount required under the terms of coverage to fully compensate for any damage or loss on a replacement cost basis.

Deductibles may not exceed the lower of \$10,000 or 1 percent of the applicable amount of coverage.

The additional coverages required of PUD and condominium owners' associations are also required for multifamily properties.

Further, rent loss coverage must be in force, providing for insurer's liability in an amount equal to the gross rentals for at least 6 months for buildings not more than three stories high and at least 12 months for buildings higher than three stories.

Flood Insurance

If the area where the mortgaged premises are located has been identified by the Secretary of Housing and Urban Development (HUD) or the Director of the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area, the Servicer must ensure that flood insurance is maintained and that it provides coverage at least equivalent to that provided under the National Flood Insurance Program (NFIP) in the amount specified later in this section.

The Servicer may waive the flood insurance requirement if

- the land or a portion of it is in a Special Flood Hazard Area but the dwelling is not; or
- the borrower has provided the Servicer with a Letter of Map Amendment from FEMA excluding the dwelling or the entire property from a Special Flood Hazard Area.

(a) **1-4 family properties.** Building coverage must be maintained in an amount at least equal to the least of the following:

- the maximum available under the NFIP's regular program;
- the maximum available under the NFIP's emergency program if the regular program is not yet in effect in the area where the mortgaged premises are located;
- the minimum amount required under the terms of coverage to compensate for any damage or loss on a replacement cost basis, or the unpaid balance of the mortgage (in the case of a HIL, the aggregate unpaid principal balance of the HIL and all outstanding superior liens on the mortgaged premises) if replacement cost compensation is not available for the type of building insured.

Deductibles may not exceed the lower of \$1,000 or 1 percent of the amount of coverage.

(b) **Individual PUD units.** Flood insurance requirements for 1-4 family and multifamily properties apply to similar residential properties within a PUD.

(c) **PUD homeowners' associations.** The PUD homeowners' association must maintain coverage on common areas and property for 100 percent of their insurable value. Deductibles may not exceed the lower of \$5,000 or 1 percent of the applicable amount of coverage. Funds for such deductibles must be included in the association's reserves and must be so designated.

(d) **Individual condominium units.** Flood insurance requirements for townhouses and rowhouses are those applicable to 1-4 family properties. Flood insurance is not required for individual units within a high-rise or vertical condominium.

(e) **Condominium owners' associations.** The condominium owners' association must maintain coverage for detached common elements and property for 100 percent of their insurable value.

If the condominium consists of high-rise or other vertical dwelling units, the condominium association must maintain coverage that meets the following requirements:

- The amount of buildings coverage must equal 100 percent of the insurable value of the common elements and property, including any machinery and equipment that are part of the buildings.
- The contents coverage must equal 100 percent of the insurable value of all contents, including machinery and equipment not part of the buildings, that are owned in common by the association members.
- Deductibles may not exceed the lower of \$5,000 or 1 percent of the applicable amount of coverage.
- Funds for such deductibles must be included in the association's reserves and be so designated.
- A separate condominium association endorsement is required if not already a part of the policy.

(f) Multifamily properties. If the entire property is in a Special Flood Hazard Area, the aggregate amount of flood insurance must equal, at a minimum, the lesser of the insurable value of all buildings or the unpaid balance of the mortgage.

If only part of the property is in a Special Flood Hazard Area, insurable buildings exposed to flood hazards must be covered by flood insurance in an aggregate amount equal, at a minimum, to the lesser of the insurable value of the exposed buildings or that prorated portion of the unpaid balance of the mortgage on the entire property determined by the ratio of the square foot area of the exposed buildings to the total square footage of all buildings comprising the property.

Deductibles may not exceed the lower of \$5,000 or 1 percent of the applicable amount of coverage.

6407

Liability Insurance requirements

(a) Planned unit developments and condominiums. The PUD or condominium owners' association must carry comprehensive general liability (CGL) insurance covering all common areas, common elements, commercial spaces, and public ways in the PUD or condominium.

If not already included in the terms of the CGL coverage, there must be a "severability of interest" endorsement precluding the insurer's denial of a unit owner's claim because of negligent acts by the association or other unit owners.

The association must also carry any additional coverage commonly required by private mortgage investors for developments similar in construction, location, and use, including the following where applicable and available:

- contingent liability from operation of building laws
- comprehensive automobile liability