

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

H

1

HOUSE BILL 1125

Short Title: Interest on Escrow Accounts.

(Public)

Sponsors: Representatives Howard; Arnold, Balmer, Barnes, Berry, Brawley, J. Brown, Colton, Creech, Culp, Decker, Dickson, Ellis, Esposito, Fitch, Flaherty, Gamble, Gardner, Grady, Ives, Justus, Kinney, Lee, Luebke, Mavretic, Mitchell, J. Preston, Russell, Tallent, G. Thompson, R. Thompson, Weatherly, and Wood.

Referred to: Financial Institutions.

April 19, 1993

A BILL TO BE ENTITLED

AN ACT TO REQUIRE THAT FUNDS HELD FOR THE PAYMENT OF TAXES, INSURANCE, OR OTHER COSTS INCIDENT TO A FIRST MORTGAGE OR DEED OF TRUST ON RESIDENTIAL REAL PROPERTY EARN INTEREST OR BE CREDITED AGAINST PRINCIPAL UNTIL EXPENSES ARE PAID.

The General Assembly of North Carolina enacts:

Section 1. Article 5 of Chapter 45 of the General Statutes is amended by adding a new section to read:

"§ 45-45.3. Escrow accounts.

(a) All funds collected by a lender for the payment of escrow expenses, shall either be:

- (1) Deposited in an interest-bearing trust or escrow account in a federally insured bank, savings and loan association, credit union or savings bank authorized to do business in North Carolina, at an interest rate equal to or greater than that financial institution's passbook savings interest rate, with all interest to be credited to the benefit of the borrower and applied to the payment of the borrower's escrow expenses; or

- (2) Credited against the principal balance owed under the loan, with the lender having the right to debit the loan balance for the amounts paid

1 by the lender on behalf of the borrower for escrow expenses at the time
2 these expenses are paid.

3 As used in this section, 'lender' shall mean a bank, savings and loan association,
4 credit union, other lender, mortgagee or mortgage servicing company, and 'escrow
5 expenses' shall mean taxes, insurance, or other costs incident to a first mortgage or first
6 deed of trust on residential real property located in this State.

7 (b) Any lender who fails to comply with this section may be required to pay a
8 civil penalty of not more than one thousand dollars (\$1,000) in addition to reasonable
9 attorneys' fees and any other damages awarded by the court to the borrower."

10 Sec. 2. This act becomes effective January 1, 1994, and applies to all funds
11 held or collected on or after that date.