

SENATE BILL REPORT

HB 2245

AS OF FEBRUARY 23, 1994

Brief Description: Providing for bond call notification.

SPONSORS: Representatives Padden, Zellinsky, Mielke, Horn, Dyer and Long

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Catherine Mele (786-7470)

Hearing Dates: February 24, 1994

BACKGROUND:

A bond is a debt obligation used to raise funds for the issuer of the bond. The bond issuer pays interest to the bondholder periodically until the bond maturity date. Occasionally bond issuers redeem or "call" the bond earlier than the bond maturity date. When an issuer desires to call a bond, the issuer notifies the bondholder by regular mail. When a bondholder fails to submit a bond for redemption when early call occurs, the bondholder ceases receiving interest on the bond.

SUMMARY:

When a bond issuer decides to redeem bonds early, the issuer must send notice to the bondholder in a timely manner. The issuer must send a second notice by registered mail if the bondholder does not submit the bond for redemption within 30 days of the redemption date.

A bond issuer who fails to provide the required notices is liable for interest due the bondholder. The issuer is liable for the interest due from the redemption date until proper notice is given or until the maturity date of the bond, whichever is earlier.

Appropriation: none

Revenue: none

Fiscal Note: requested