
HOUSE BILL 2144

State of Washington 53rd Legislature 1994 1st Special Session

By Representatives Carlson, Long and Dyer

Read first time 01/10/94. Referred to Committee on Financial
Institutions & Insurance.

1 AN ACT Relating to payment of interest on mortgage escrow accounts;
2 and adding a new chapter to Title 19 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature finds that financial
5 institutions earn significant interest from funds of mortgage customers
6 held in escrow accounts for the purpose of paying property taxes,
7 hazard insurance, and other obligations of the residential real estate
8 loan customer in relation to residential real estate loans. It is the
9 intent of the legislature to require financial institutions to pay
10 interest on mortgage escrow accounts in fairness to consumers, who
11 generally are at a disadvantage when bargaining with the lender
12 regarding mortgage escrow accounts.

13 NEW SECTION. **Sec. 2.** (1) Beginning January 1, 1995, each lender
14 shall place all funds received from the residential real estate loan
15 customer and designated for the payment of property taxes and hazard
16 insurance on the residential real estate loan into an interest-bearing
17 mortgage escrow account. The interest accruing on this account, minus
18 reasonable and appropriate service charges or fees, shall be paid to

1 the residential real estate mortgage customer. Interest shall be
2 computed on the average monthly balance in the account and shall be
3 paid by crediting the escrow account the amount due at least annually.
4 The rate of interest accruing shall not be less than the typical rate
5 paid on passbook savings accounts in the state.

6 (2) For purposes of this section:

7 (a) "Residential real estate loan" means a loan secured by a first
8 mortgage, deed of trust, real estate contract, or other first lien on
9 the borrower's interest in a one-to-four family dwelling, including an
10 individual cooperative unit, or a loan for the construction of the
11 dwelling.

12 (b) "Lender" means any individual, corporation, association,
13 partnership, or trust doing business under the laws of this state or
14 the United States relating to banks, bank holding companies, mutual
15 savings banks, trust companies, savings and loan associations, credit
16 unions, consumer finance companies, investment companies, insurance
17 companies, mortgage companies, pension funds, or real estate investment
18 trusts, and affiliates, subsidiaries, and service corporations thereof.

19 (c) "Mortgage escrow account" means an account created in
20 conjunction with a residential real estate loan that is intended for
21 the placement of funds, on an incremental basis, for the purpose of
22 paying property taxes, hazard insurance, and other obligations of the
23 residential real estate loan customer in relation to the residential
24 real estate loan.

25 NEW SECTION. **Sec. 3.** This chapter applies to all mortgage escrow
26 accounts existing on January 1, 1995, and all accounts created on or
27 after January 1, 1995, except for mortgage escrow accounts where
28 payment of interest on these accounts specifically violates federal law
29 or regulation.

30 NEW SECTION. **Sec. 4.** The director of financial institutions may
31 enact rules necessary to carry out this chapter. These rules may
32 include periodically defining the minimum interest rate or maximum
33 service charge provided for under section 2(1) of this act.

34 NEW SECTION. **Sec. 5.** If any provision of this act or its
35 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other
2 persons or circumstances is not affected.

3 NEW SECTION. **Sec. 6.** Sections 1 through 4 of this act shall
4 constitute a new chapter in Title 19 RCW.

--- END ---