

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2452 Session of
1992

INTRODUCED BY KREBS, PESCI, M. N. WRIGHT, HARPER, GANNON,
SALOOM, HAYDEN, TIGUE, HARLEY, PISTELLA, FAJT, D. W. SNYDER,
VEON, BELARDI, JOHNSON, RICHARDSON AND JAMES, MARCH 10, 1992

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE, MARCH 10, 1992

AN ACT

1 Amending the act of January 30, 1974 (P.L.13, No.6), entitled
2 "An act regulating agreements for the loan or use of money;
3 establishing a maximum lawful interest rate in the
4 Commonwealth; providing for a legal rate of interest;
5 detailing exceptions to the maximum lawful interest rate for
6 residential mortgages and for any loans in the principal
7 amount of more than fifty thousand dollars and Federally
8 insured or guaranteed loans and unsecured, noncollateralized
9 loans in excess of thirty-five thousand dollars and business
10 loans in excess of ten thousand dollars; providing
11 protections to debtors to whom loans are made including the
12 provision for disclosure of facts relevant to the making of
13 residential mortgages, providing for notice of intention to
14 foreclose and establishment of a right to cure defaults on
15 residential mortgage obligations, provision for the payment
16 of attorney's fees with regard to residential mortgage
17 obligations and providing for certain interest rates by banks
18 and bank and trust companies; clarifying the substantive law
19 on the filing of and execution on a confessed judgment;
20 prohibiting waiver of provisions of this act, specifying
21 powers and duties of the Secretary of Banking, and
22 establishing remedies and providing penalties for violations
23 of this act," providing for the payment of interest by
24 residential mortgage lenders on certain amounts held in
25 escrow.

26 The General Assembly of the Commonwealth of Pennsylvania
27 hereby enacts as follows:

28 Section 1. The act of January 30, 1974 (P.L.13, No.6),
29 referred to as the Loan Interest and Protection Law, is amended

1 by adding a section to read:

2 Section 409. Residential Mortgage Interest on Escrow.--(a)
3 In the event any residential mortgage lender requires that a
4 sum, in addition to that necessary for the payment of interest
5 and the amortization of loan principal, be paid to him by a
6 residential mortgage debtor for the purpose of paying or
7 guaranteeing payment of real estate taxes and property insurance
8 premiums, interest shall be paid on the sum while held by the
9 lender pursuant to one of the following two options. The lender
10 may:

11 (1) Deposit the sum in an escrow account in a bank or
12 savings association regulated by the Department of Banking, the
13 Federal Reserve Board, the Federal Home Loan Bank Board or the
14 Comptroller of the Currency in an interest-bearing account. The
15 residential mortgage lender shall be entitled to receive, as
16 administrative expenses, a sum equivalent to two per cent per
17 annum upon the interest earned on the funds so deposited which
18 shall be in lieu of all other administrative and custodial
19 expenses. The balance of the interest shall be the property of
20 the residential mortgage debtor to be used as he directs.

21 (2) Pay interest on the additional sum being held at a rate
22 not less than three and one-half per cent per annum or the
23 discount rate established by the Federal Reserve Bank, whichever
24 is less, to the residential mortgage debtor payable annually on
25 the anniversary of the mortgage.

26 (b) For the purpose of this section, residential mortgages
27 to which these provisions apply shall not be subject to any
28 limitation otherwise applicable to this act.

29 (c) The requirements of this section shall not be applicable
30 to any residential mortgage lender who, on the effective date of

1 this act, already pays interest to all of his residential
2 mortgage debtors in one of the forms herein delineated. In the
3 event any residential mortgage lender, excluded from coverage
4 under subsection (a) by this subsection, discontinues the
5 payment of interest to any residential mortgage debtor, the
6 provisions of subsection (a) shall automatically take effect
7 against him on the date that action takes place.

8 Section 2. This act shall take effect in 60 days.