

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1465 Session of
1995

INTRODUCED BY KREBS, CORNELL, SATHER, TIGUE, CURRY, STETLER,
OLASZ, ROBINSON, BELARDI, CARONE, RAYMOND, BELFANTI,
HENNESSEY, PISTELLA AND STEELMAN, APRIL 26, 1995

REFERRED TO COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT,
APRIL 26, 1995

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),

1 referred to as the Loan Interest and Protection Law, is amended
2 by adding a section to read:

3 Section 409. Residential Mortgage Interest on Escrow.--(a)

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

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

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

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

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