

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 537 Session of
2001

INTRODUCED BY SCHWARTZ, COSTA, LAVALLE, STOUT, BODACK, MUSTO,
GERLACH, EARLL, KASUNIC, TOMLINSON, M. WHITE, TARTAGLIONE,
HUGHES, O'PAKE AND STACK, FEBRUARY 16, 2001

REFERRED TO BANKING AND INSURANCE, FEBRUARY 16, 2001

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 it by a

6 residential mortgage debtor for the purpose of paying or

7 guaranteeing payment of real estate taxes or property insurance

8 premiums, the lender shall pay compound interest on the sum so

9 held to the debtor. The interest on such amounts shall be on the

10 average yearly balance of the account at a rate not less than

11 the discount rate established by the Federal Reserve Bank of

12 Chicago on January 1 of each year. Such interest shall annually

13 be issued to the debtor or credited to the debtor's account,

14 except that upon termination of the account such interest shall

15 be issued to the debtor. In cases where escrowed funds are

16 insufficient to pay the insurance and taxes owed by the debtor,

17 interest payments may be applied by the lender to payment of

18 taxes and insurance.

19 (b) The lender shall annually issue to the debtor a written

20 statement containing the following:

21 (1) The amount the debtor paid into escrow that year.

22 (2) The rate of interest paid.

23 (3) The amount paid on behalf of the debtor for taxes and

24 insurance.

25 (4) The balance due to the debtor or being credited to the

26 debtor's account.

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