

---

HOUSE BILL 2697

---

State of Washington

56th Legislature

2000 Regular Session

By Representative Benson

Read first time . Referred to Committee on .

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.** (1) Beginning January 1, 2001, every lender  
5 who collects funds under a residential real estate loan agreement for  
6 deposit in a mortgage escrow account shall pay interest to the borrower  
7 at a rate not less than the discount rate. Interest shall be computed  
8 on the average monthly balance in the escrow account and shall be paid  
9 by crediting the escrow account the amount due at least quarterly.

10 (2) The discount rate shall be adjusted semiannually. These  
11 adjustments shall be calculated on May 15th and November 15th each  
12 year. Adjustments calculated on May 15th shall take effect on the  
13 following July 1st, and adjustments calculated on November 15th shall  
14 take effect on the following January 1st.

15 NEW SECTION. **Sec. 2.** For purposes of this chapter, unless the  
16 context clearly requires otherwise:

17 (1) "Discount rate" means the auction average rate on three-month  
18 United States treasury bills, as established by the most recent auction

1 of such treasury bills, as reported by the federal reserve, less one  
2 hundred basis points for reasonable expenses incurred by the lender or  
3 servicer. The discount rate shall be determined with reference to the  
4 most recent auction date before May 15th and November 15th each year,  
5 beginning November 15, 2000.

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

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

19 (4) "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, or 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, 2001, and all accounts created on or  
27 after January 1, 2001, except for mortgage escrow accounts where  
28 payment of interest on these accounts specifically violates federal law  
29 or regulation. For instance, if federal law or regulation does not  
30 specifically prohibit the payment of interest on mortgage escrow  
31 accounts by federally chartered or organized lenders, then this chapter  
32 applies to the federally chartered or organized lenders regarding  
33 mortgage escrow accounts.

34 NEW SECTION. **Sec. 4.** If any provision of this act or its  
35 application to any person or circumstance is held invalid, the  
36 remainder of the act or the application of the provision to other  
37 persons or circumstances is not affected.

1        NEW SECTION.   **Sec. 5.**   Sections 1 through 4 of this act constitute  
2   a new chapter in Title 19 RCW.

--- **END** ---