
HOUSE BILL 1874

State of Washington 52nd Legislature 1991 Regular Session

By Representatives Braddock, Ebersole, Dellwo, Cole, Belcher, Spanel, Sprenkle and Anderson.

Read first time February 13, 1991. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to interest on mortgage impound accounts; and
2 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.** Lenders earn significant interest from
5 funds of mortgage customers held in impound accounts for the purpose of
6 paying taxes, insurance, and other obligations of the mortgage customer
7 in relation to residential mortgage loans. It is the intent of the
8 legislature to require lenders to allow their mortgage customers to
9 choose how the interest on mortgage impound accounts should be spent.

10 NEW SECTION. **Sec. 2.** Unless the context clearly requires
11 otherwise, the definitions in this section apply throughout this
12 chapter.

13 (1) "Lender" means any person doing business under the laws of this
14 state or the United States relating to banks, bank holding companies,

1 mutual savings banks, trust companies, savings and loan associations,
2 credit unions, consumer finance companies, industrial loan companies,
3 insurance companies, or real estate investment trusts as defined in 26
4 U.S.C. Sec. 856, and the affiliates, subsidiaries, and service
5 corporations thereof.

6 (2) "Residential mortgage loan" means any loan primarily for
7 personal, family, or household use secured by a mortgage or deed of
8 trust on residential real estate upon which is constructed or intended
9 to be constructed a single-family dwelling or multiple-family dwelling
10 of four or fewer units.

11 NEW SECTION. **Sec. 3.** (1) Lenders shall provide, to all
12 persons acquiring a residential mortgage loan, written notification
13 that the interest earned on any impound account created in conjunction
14 with the loan will be distributed in one of the following ways, at the
15 option of the mortgage customer:

16 (a) Paid to the mortgage customer in a lump sum annually;

17 (b) Applied to the loan principal; or

18 (c) Retained by the lender.

19 (2) The lender's costs for administration of the impound account
20 are limited to an amount equal to costs charged to holders of passbook
21 savings accounts.

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