

House Bill 3403

Sponsored by Representative RILEY

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires that automated transaction payments in excess of twice amount due under loan agreement secured by mortgage or trust deed on real property must be applied toward reduction of loan principal.

A BILL FOR AN ACT

1
2 Relating to prepayments of loan principal.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. (1) As used in this section, "automated transaction" has the meaning given**
5 **that term in ORS 84.004.**

6 **(2) A lender that issues a loan agreement secured by a mortgage or trust deed on real**
7 **property and accepts periodic payments under the loan agreement by means of an automated**
8 **transaction may not:**

9 **(a) Prohibit prepayments of principal described in subsection (3) of this section;**

10 **(b) Require that a prepayment of principal described in subsection (3) of this section be**
11 **in an amount equal to the principal portion of one or more of the earliest unmatured**
12 **monthly installments; or**

13 **(c) Require that a prepayment of principal occur on a day other than a day on which the**
14 **periodic payment may be made.**

15 **(3) If the borrower on a loan agreement secured by a mortgage or trust deed on real**
16 **property uses an automated transaction to pay an amount that is more than twice the pe-**
17 **riodic payment due under the loan agreement, and the borrower is not in arrears under the**
18 **loan agreement at the time of the automated transaction, except as provided in subsection**
19 **(4) of this section the lender shall treat the portion of the payment that is more than twice**
20 **the periodic payment due as a prepayment of loan principal. This subsection does not prohibit**
21 **a lender from treating a greater portion of the payment as a prepayment of principal.**

22 **(4) Unless the borrower agrees otherwise, subsection (3) of this section does not apply if**
23 **the portion of the payment that would be treated as a prepayment of principal would be less**
24 **than the applicable prepayment privilege penalty.**

25 **SECTION 2. Section 1 of this 2007 Act applies to loan agreements entered into, extended,**
26 **modified or renegotiated on or after the effective date of this 2007 Act.**

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NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.