

House Bill 2528

Sponsored by Representative HOLVEY (Pre-session filed.)

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**.

Removes cap on amount in real estate loan agreement that is subject to requirement to pay interest to borrower on funds that lender collects for lender's security protection provision.

A BILL FOR AN ACT

1
2 Relating to paying interest on amounts collected in lender's security protection provision; amending
3 ORS 86.205.

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

5 **SECTION 1.** ORS 86.205 is amended to read:

6 86.205. As used in ORS 86.205 to 86.275:

7 (1) "Borrower" means any person who becomes obligated on a real estate loan agreement, either
8 directly or indirectly, and includes, but is not limited to, mortgagors, grantors under trust deeds,
9 vendees under conditional land sales contracts, and persons who purchase real property [*securing*]
10 **that secures** a real estate loan agreement, whether the persons assume the loan or purchase the
11 property subject to the loan.

12 (2) "Direct reduction provision" or "capitalization provision" means any provision [*which*] **that**
13 is part of a real estate loan agreement, whether incorporated into the agreement or as part of a
14 separately executed document, [*whereby*] **under the terms of which** the borrower makes periodic
15 prepayment of property taxes, insurance premiums and similar charges to the lender or the designee
16 of the lender, who applies [*such*] **the** prepayments first to accrued interest and then to the principal
17 amount of the loan, and upon [*payment of such*] **paying the** charges, adds the amount of [*such*] **the**
18 payment to the principal amount of the loan.

19 (3) "Escrow account" means any account [*which*] **that** is a part of a real estate loan agreement,
20 whether incorporated into the agreement or as part of a separately executed document, [*whereby*]
21 **into which** the borrower makes periodic prepayment to the lender or the designee of the lender of
22 taxes, insurance premiums, and similar charges, and **out of which** the lender or the designee of the
23 lender pays the charges [*out of the account*] at the due dates.

24 (4) "Lender" means any person who makes, extends, or holds a real estate loan agreement and
25 includes, but is not limited to, mortgagees, beneficiaries under trust deeds, and vendors under con-
26 ditional land sales contracts.

27 (5) "Lender's security protection provision" means any provision [*which*] **that** is a part of a real
28 estate loan agreement, whether incorporated into the agreement or as part of a separately executed
29 document, [*whereby*] **under the terms of which** the borrower prepays, pledges or otherwise com-
30 mits cash or other assets [*owned by*] the borrower **owns** in advance of due dates for payments of
31 property taxes, insurance premiums and similar charges relating to the property securing the loan

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.

1 in order to *[assure]* **ensure** timely payment of the charges and protect the lender’s security interest
 2 in the property, and includes, but is not limited to, escrow accounts, direct reduction provisions,
 3 capitalization provisions, and pledges of savings accounts.

4 (6) “Person” means *[individuals, corporations, associations and partnerships,]* **an individual, a**
 5 **corporation, an association or a partnership** and includes, but is not limited to, **a** financial *[in-*
 6 *stitutions]* **institution** as defined in ORS 706.008, **an** investment *[companies]* **company, an** insurance
 7 *[companies]* **company, a** pension *[funds]* **fund, [and] or a** mortgage *[companies]* **company.**

8 (7) “Real estate loan agreement” or “real estate loan” means any agreement *[providing]* **that**
 9 **provides** for a loan on residential property, including multifamily **property, [occupied by] that** the
 10 borrower **occupies** *[in the amount of \$100,000 or less,]* **and that is** secured in whole or in part by
 11 real property, or any interest *[therein]* **in real property, that is** located in this state, and includes,
 12 but is not limited to, *[mortgages, trust deeds and conditional land sales contracts]* **a mortgage, a**
 13 **trust deed or a conditional land sale contract.**

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