

# SENATE BILL No. 259

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 28-1-30.

**Synopsis:** Interest on escrow accounts. Requires a mortgage lender to pay interest on the balance in an escrow account. Provides that the interest paid may not be less than: (1) 2.5% per year on the average daily balance in the escrow account; or (2) a different minimum interest rate temporarily set by the department of financial institutions if the department determines that 2.5% is too high or too low in relation to the interest rate prevailing in the marketplace.

**Effective:** July 1, 1998.

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Dempsey

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January 7, 1998, read first time and referred to Committee on Financial Institutions.

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Introduced

Second Regular Session 110th General Assembly (1998)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1997 General Assembly.

## SENATE BILL No. 259

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A BILL FOR AN ACT to amend the Indiana Code concerning financial institutions.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 28-1-30 IS ADDED TO THE INDIANA CODE AS  
2 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 1998]:

4 **Chapter 30. Interest on Mortgage Escrow Accounts**

5 **Sec. 1. As used in this chapter, "escrow account" means an**  
6 **account:**

- 7 (1) that is maintained in connection with a mortgage loan;  
8 (2) into which payments made by the borrower are deposited;  
9 and  
10 (3) from which recurring expenses associated with the  
11 mortgaged property, such as real property taxes and property  
12 insurance premiums, are paid by the lender.

13 **Sec. 2. As used in this chapter, "lender" means a financial**  
14 **institution that is the lender of a mortgage loan.**

15 **Sec. 3. As used in this chapter, "mortgage loan" means a loan**  
16 **secured by a mortgage on real property on which a dwelling is**  
17 **located.**



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1           **Sec. 4. As used in this chapter, "mortgaged property" means the**  
 2 **real property that is subject to the mortgage securing a mortgage**  
 3 **loan.**  
 4           **Sec. 5. (a) A lender that requires the borrower of a mortgage**  
 5 **loan to make payments that are deposited into an escrow account**  
 6 **shall pay interest to the borrower on the balance in the escrow**  
 7 **account.**  
 8           **(b) The interest that a lender pays on the balance in an escrow**  
 9 **account under subsection (a) may not be less than:**  
 10           **(1) two and one-half percent (2.5%) per year on the average**  
 11 **daily balance in the account, compounded daily; or**  
 12           **(2) a different minimum interest rate temporarily set by the**  
 13 **department if the department determines that the rate**  
 14 **established by subdivision (1) is too high or too low in relation**  
 15 **to the interest rate prevailing in the marketplace.**  
 16           **Sec. 6. The department may, by a majority vote of the members,**  
 17 **adopt rules under IC 4-22-2 to implement this chapter.**

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