

SENATE BILL 16

Introduced by Kennedy

12/23	Introduced
12/23	Referred to Business & Industry
1/04	First Reading
1/07	Tabled in Committee

SENATE BILL NO. 16

INTRODUCED BY KENNEDY

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING PAYMENT OF INTEREST ON RESERVE FUNDS TO BORROWERS PURCHASING REAL PROPERTY CONTAINING A ONE-TO-FOUR FAMILY RESIDENCE; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1.** Payment of interest on reserve

funds. (1) (a) A financial institution that makes a loan secured by real property located in this state and containing a one-to-four family residence or that purchases an obligation secured by the property shall pay interest to the borrower on the amount received in advance for the payment of taxes and assessments on the property, for insurance, or for other purposes relating to the property.

(b) The interest must be the greater of:

(i) a rate of 2% simple interest a year; or

(ii) a rate equal to the equivalent coupon issue yield,

as published by the federal reserve bank of Minneapolis, of the average rate for 26-week treasury bills, as determined at the first bill market auction conducted during the calendar month immediately preceding the establishment of

the interest rate by written agreement of the parties to the contract.

(c) The interest must be credited to the borrower's account annually or upon termination of the account, whichever is earlier.

(2) A financial institution subject to the provisions of this section may not impose a fee or charge in connection with the maintenance or disbursement of money under subsection (1)(a) that results in the payment of an interest rate less than that agreed to by the parties in their contract.

(3) For the purposes of this section, "financial institution" means a bank, a savings and loan association, a credit union chartered under the laws of this state or the United States, or any other person or organization making or purchasing loans secured by real property containing a one-to-four family residence.

NEW SECTION. **Section 2.** Codification instruction.

[Section 1] is intended to be codified as an integral part of Title 71, chapter 1, part 1, and the provisions of Title 71, chapter 1, part 1, apply to [section 1].

NEW SECTION. **Section 3.** Applicability. [This act]

applies to all loans executed or renewed on or after January 1, 1994.

NEW SECTION. **Section 4.** Effective date. [This act] is

SB 0016/01

1 effective January 1, 1994.

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