

Introduced by Senator Calderon

February 21, 2013

An act to amend Section 2954.8 of the Civil Code, relating to banks.

LEGISLATIVE COUNSEL'S DIGEST

SB 526, as introduced, Calderon. Banks: mortgage loans: advance payments.

Existing state and federal law define and regulate banks. Existing state law requires a financial institution that makes loans secured by residential real property, as specified, that receives money in advance for payment of taxes and assessments on the property, for insurance, or for other purposes relating to the property, to pay interest on the amount held to the borrower.

This bill would make nonsubstantive, technical amendments to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 2954.8 of the Civil Code is amended to
- 2 read:
- 3 2954.8. (a) Every financial institution that makes loans upon
- 4 the security of real property containing only a one- to four-family
- 5 residence and located in this state, or purchases obligations secured
- 6 by ~~such~~ *the* property, and that receives money in advance for
- 7 payment of taxes and assessments on the property, for insurance,
- 8 or for other purposes relating to the property, shall pay interest on
- 9 the amount ~~so~~ held to the borrower. The interest on ~~such~~ *these*

1 amounts shall be at the rate of at least 2 percent simple interest per
2 annum.—~~Such~~ This interest shall be credited to the borrower’s
3 account annually or upon termination of—~~such~~ the account,
4 whichever is earlier.

5 (b) No financial institution subject to the provisions of this
6 section shall impose any fee or charge in connection with the
7 maintenance or disbursement of money received in advance for
8 the payment of taxes and assessments on real property securing
9 loans made by—~~such~~ the financial institution, or for the payment of
10 insurance, or for other purposes relating to such real property, that
11 will result in an interest rate of less than 2 percent per annum being
12 paid on the moneys so received.

13 (c) For the purposes of this section, “financial institution” means
14 a bank, savings and loan association or credit union chartered under
15 the laws of this state or the United States, or any other person or
16 organization making loans upon the security of real property
17 containing only a one- to four-family residence.

18 (d) The provisions of this section do not apply to any of the
19 following:

20 (1) Loans executed prior to the effective date of this section.

21 (2) Moneys—~~which~~ that are required by a state or federal
22 regulatory authority to be placed by a financial institution other
23 than a bank in a non-interest-bearing demand trust fund account
24 of a bank.

25 The amendment of this section made by the 1979–80 Regular
26 Session of the Legislature shall only apply to loans executed on
27 or after January 1, 1980.