

## CHAPTER 200

AN ACT

HB 2528

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

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

**SECTION 1.** ORS 86.205 is amended to read: 86.205. As used in ORS 86.205 to 86.275:

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

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

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

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

(5) "Lender's security protection provision" means any provision [*which*] **that** is a part of a real estate loan agreement, whether incorporated into the agreement or as part of a separately executed document, [*whereby*] **under the terms of which** the borrower prepays, pledges or otherwise commits cash or other assets [*owned by*] the borrower **owns** in advance of due dates for payments of property taxes, insurance premiums and similar charges relating to the property securing the loan in order to [*assure*] **ensure** timely payment of the charges and protect the lender's security interest in the property, and includes, but is not limited to, escrow accounts, direct reduction provisions, capitalization provisions, and pledges of savings accounts.

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

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

Approved by the Governor May 22, 2013

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