

January 16, 1976

CLERK: LB 502. The bill was introduced by Senator Barnett relating to loans and to establish provisions governing escrow accounts as prescribed.

PRESIDENT: Senator Barnett.

CLERK: Mr. President, there are...the bill was originally indefinitely postponed. It was then placed on General File notwithstanding the action of the Committee on April 2, 1975. There is now a DeCamp motion to amend and then there is a Barnett motion to amend. Then, Mr. President, I have an amendment to the Barnett amendment from Senator Murphy.

PRESIDENT: The Chair recognizes Senator Barnett.

SENATOR BARNETT: Mr. President, members of the Legislature, if you would turn to page 173 in the Journal, page 173, you will see the issue of which we are going to talk about on interest on escrow accounts. It is actually, at this point, and I am going to offer these amendments in place of the bill, it is what I would call an opportunity for this body to make a decision of two methods on escrow accounts, regarding escrow accounts. The bill as it stated asked for interest to be paid on the escrow. The amendment states that the financial institutions or the lenders shall pay or shall keep only the amount necessary to pay the taxes and insurance. I received letters and probably a lot of concern from people in my district and across the state when I introduced this bill that the biggest problem with the lending institutions, as far as they was concerned, was the surplus that they held beyond what was necessary to pay the taxes and the insurance. They did not pay interest on this money that was kept and many people thought it was unfair. I introduced this bill to have it made mandatory that they pay interest on this money that they keep in line with the payments so that they can pay your taxes and insurance for you. Needless to say, there was opposition from the financial institutions. They declared that it cuts into their profit. It also could possibly cause interest to increase. These are some of the arguments they give us and I have tried, and am trying, and will try to present this on a fair basis for both sides of the story and let you make the decision. The possibility of interest rates increasing if you have interest on escrow is there. Therefore, I thought the best thing to do to start with was to try to introduce state legislation that would agree with the federal legislation, which went into effect, I believe, in October or November, and therefore, I amended LB 502 to coincide with the federal guidelines. It still covers escrow accounts and the only thing that it does not do is pay interest on escrow and I am not so sure that that is not the most fair way to go because I appreciate the lending institutions taking a monthly payment and paying my taxes and insurance so that I don't have to worry about it. I do not agree with the fact that they should keep four, five, six hundred dollars in surplus and a thousand dollars in surplus and more and not pay me interest on that money.