

BASS FINANCIAL CORPORATION

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MORTGAGE ESCROW ACT

Sec 2. As used in this Act, unless the context requires otherwise:

- (a) "Escrow Account" means any account established by the mortgage lender in conjunction with a mortgage loan on a residence, into which the borrower is required to make regular periodic payments and out of which the lender pays he taxes on the property covered by the mortgage.
- (b) "Borrower" means the person obligated under the mortgage loan.
- (c) "Mortgage Lender" means any bank, savings and loan association, building and loan association or other institution, association corporation or person who extends the loan of monies for the purpose of enabling another to purchase a residence.
- (d) "Escrow-like Arrangement" means any arrangement the intent of which is to serve the same purpose as an escrow account but which does not require the formal establishment of an account.

Sec 3. Escrow Accounts or escrow-like arrangements established after the effective date of this Act in conjunction with mortgage agreements for single-family owner occupied residential property are hereby declared separate and distinct transactions from mortgage and hence, subject to the laws and regulations of this State.

Sec 4. On or after the effective date of this Act, each mortgage lender in conjunction with the granting of a mortgage on a single-family owner occupied residential property, shall comply with the provisions of this Act.

Sec 5. When the mortgage is reduced to 65% of its original amount by payments of the borrower, timely made according to the provisions of the loan agreement secured by the mortgage, and the borrower is otherwise

Sec 6. In lieu of mortgage lender establishing an escrow account or an escrow-like arrangement, a borrower may pledge an interest bearing savings account with the mortgage lender in an amount sufficient to secure the payment of anticipated taxes.

Sec 7. The borrower shall not have the right to terminate any such arrangement under Section 5 conjunction with mortgages I ensured, guaranteed, supplemented, or assisted by the State of Illinois or the federal government that require an escrow arrangement for their continuation.

Sec 8. If after terminating an escrow arrangement under the conditions of this Act, the borrower does not furnish to the lender sufficient evidence of payment of the taxes when due on the residence covered by the mortgage with respect to which the escrow arrangement was established, the lender, may, within thirty days after such payment is due, establish or reestablish an escrow arrangement notwithstanding the provisions of this Act.

Sec 9. Failure of any mortgage lender operating within this State to comply with the provisions of this Act shall entitle the borrower to actual damages in court action.

Sec 10. The provisions of this Act shall not be applicable to a mortgage lender using the capitalization method of accounting for receipt of payment for taxes. The capitalization method shall mean crediting such tax payments directly to the loan principal upon receipt and increasing the loan balance when the taxes are paid.

Sec 11. Notice of the requirement of the Act shall be furnished in writing to the borrower at the date of closing.

Sec 12. This act takes effect on January 1, 1976.

THE UNDERSIGNED, HAVING READ THE FOREGOING STATUTORY PROVISIONS HEREBY ELECTS TO PLEDGE A SAVINGS ACCOUNT IN LIEU OF ESTABLISHING A REAL ESTATE PROPERTY ESCROW ACCOUNT. YES _____ NO _____
(please check one)

Borrower **Date**

Borrower **Date**

Loan Officer **Date**
