

**7-17-3 Lender to pay interest -- Exceptions -- Service charges prohibited.**

- (1) Except as provided in Subsection (2), each lender requiring the establishment or continuance of a reserve account in connection with an existing or future real estate loan shall, on a yearly basis as of December 31, calculate and credit to the account interest on the average daily balance of funds deposited in the account at a rate equal to:
  - (a) 5-1/2%;
  - (b) the average of the 11th District monthly weighted average cost of funds index as calculated and published by the Federal Home Loan Bank of San Francisco during the calendar year, less 1-1/2 percentage points; or
  - (c) the statement savings rate or share account rate offered to the public for accounts of like size by the depository institution holding the reserve account.
- (2) Subsection (1) does not apply to:
  - (a) a reserve account required by a governmental insurer or guarantor of the loan as a condition of insurance or guaranty;
  - (b) a reserve account maintained in connection with a real estate loan in an original principal amount exceeding 80% of the lender's appraised value of the property at the time the loan is made, until the principal balance of the loan is paid down to 80% of the lender's appraised value at the time of the loan; or
  - (c) payment of interest or other compensation to the borrower if this payment is prohibited by federal law or regulations.
- (3) A lender may not require or impose a service charge for the administration of a reserve account.

Amended by Chapter 182, 1996 General Session