



North Dakota House of Representatives

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Good morning Chairman Warrey and fellow members of IBL. For the record, my name is Jorin Johnson, Representative of District 41 in S Fargo.

I'm here today to present House Bill 1378, to correct the inequity of homeowners providing interest free money to financial institutions via escrow accounts by requiring the interest earned be credited to the borrower.

You'll see on page 1, line 11 - "escrow account" means an account held by a lender or servicer used to collect and hold funds for the payment of property taxes, homeowner's insurance, and other related expenses associated with a residential mortgage.

Let's consider a 30-year \$100,000 mortgage at 7% for illustrative purposes. Anyone can do this with a quick internet search. Total interest paid is \$139,508; Total amount paid is \$239,508; monthly payment is \$665. Now that's just the loan. Let's say property taxes plus home insurance totals \$2,000/12 = \$166/month. Added to the monthly loan payment of \$665 = \$831 as the total monthly payment for the borrower. The bank sets aside the \$166 month to accumulate for the year and then pays the tax and insurance due at the end of the year. The lender has had use of the borrower's money throughout each one-year term.

In this example, a savings account paying $\frac{1}{2}$ of 1% would net just under \$6/year.

Given this is a home loan, many covering 30 years, a small number multiplied by a large number applies. Additionally, should the borrower elect to apply funds to the loan, the net effect would be to reduce the length of the loan.

This is made possible by allowing borrowers to earn interest from the funds provided for escrowing home mortgages.

Thank you for your time and consideration. I'll stand for any questions.