

- (I) TO REDUCE THE PRINCIPAL; OR
- (II) TO PAY INTEREST OR OTHER LOAN CHARGES.

(2) IF THERE IS PERIODICALLY A BALANCE IN THE ESCROW ACCOUNT MAINTAINED BY A CREDIT GRANTOR ON BEHALF OF A CONSUMER BORROWER WHICH EXCEEDS THE AMOUNT STATED IN THE AGREEMENT, NOTE, OR OTHER EVIDENCE OF THE LOAN, THE CONSUMER BORROWER SHALL BE GIVEN AT LEAST ANNUALLY THE OPTION OF:

- (I) RECEIVING A REFUND OF THE EXCESS AMOUNT;
- (II) APPLYING THE EXCESS AMOUNT TO THE PAYMENT OF PRINCIPAL AND INTEREST; OR
- (III) LEAVING THE EXCESS AMOUNT IN THE ESCROW ACCOUNT.

(3) A REFUND OF ANY EXCESS AMOUNT SHALL BE MADE:

(I) WITHIN 60 DAYS AFTER THE RECEIPT BY THE CREDIT GRANTOR OF THE CONSUMER BORROWER'S REQUEST FOR A REFUND; OR

(II) IF THE CONSUMER BORROWER HAS NOT NOTIFIED THE CREDIT GRANTOR OF THE OPTION CHOSEN BY THE CONSUMER BORROWER, WITHIN 60 DAYS AFTER THE DATE THE CREDIT GRANTOR MAILED NOTICE OF AN EXCESS AMOUNT.

(D) (1) FUNDS IN ANY ESCROW ACCOUNT SHALL BE KEPT SEPARATE FROM AND MAY NOT BE COMMINGLED WITH THE FUNDS OF THE CREDIT GRANTOR.

(2) A CREDIT GRANTOR MAY PLACE ESCROW FUNDS RECEIVED IN CONNECTION WITH MORE THAN ONE LOAN INTO A SINGLE ESCROW ACCOUNT.

(3) IN THE EVENT OF THE BANKRUPTCY OF THE CREDIT GRANTOR, ANY ESCROW FUNDS PLACED IN ANY ESCROW ACCOUNT MAY NOT BE CONSIDERED TO BE PART OF THE BANKRUPT ESTATE OF THE CREDIT GRANTOR.

(E) A CREDIT GRANTOR MAY NOT IMPOSE A COLLECTION FEE OR SERVICE CHARGE ON THE MAINTENANCE OF AN ESCROW ACCOUNT ON A FIRST MORTGAGE OR FIRST DEED OF TRUST.

12-1027.

(A) IN THIS SECTION, "LENDER'S INSPECTION FEE" MEANS A FEE IMPOSED BY A CREDIT GRANTOR TO PAY FOR A VISUAL INSPECTION OF RESIDENTIAL REAL PROPERTY.

(B) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, A CREDIT GRANTOR MAY NOT IMPOSE A LENDER'S INSPECTION FEE IN CONNECTION WITH A LOAN MADE TO A CONSUMER BORROWER THAT IS SECURED BY RESIDENTIAL REAL PROPERTY.

(C) A LENDER'S INSPECTION FEE MAY BE IMPOSED ON A CONSUMER BORROWER IF THE INSPECTION IS NEEDED TO ASCERTAIN COMPLETION OF: