

286.3-250 Operation of real estate mortgage investment fund.

- (1) To provide for losses that might occur in an investment fund established by a trust company or bank under KRS 286.3-240, such trust company or bank may reserve from the interest collected on the mortgages held in the fund, not over one-half of one percent (0.5%) per annum on the principal of such mortgages. The reserved amount shall be set aside in a separate reserved account, and used primarily for the purpose of covering any losses that might be sustained in connection with any of the mortgages, or in foreclosing any of the mortgages, or from actual outlays in connection with any mortgaged property or property acquired under any foreclosure proceedings. Such reserve account, or the balance thereof after the payment of any such losses, shall belong entirely to the beneficial owners of the investment fund.
- (2) All income earned by the investment fund, except that amount reserved in the manner and for the purposes set out in subsection (1), shall be periodically, and at least semiannually, distributed ratably to the holders of participation certificates issued against the investment fund. Principal cash that accumulates in the investment fund by reason of payments on mortgages may be used in the redemption and cancellation of participation certificates, or may be used in making further mortgage loans. The trust company or bank may advance cash to the investment fund to be used in making additional desirable mortgage loans in anticipation of trust funds becoming available for investment in participation certificates, but in no event shall the trust company or bank be entitled to any profit on any such transactions other than the interest earned on its advancements.
- (3) If any participation certificates issued under the provisions of KRS 286.3-240 should become distributable by reason of the termination or removal of a trust, the trust company or bank may at its option either distribute such certificates in kind, or redeem and cancel such certificates for the account of the investment fund, or purchase such certificates for the account of other trust estates in its hands.

Effective: October 1, 1942

History: Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 4706.

Formerly codified as KRS 287.250.

Legislative Research Commission Note (7/12/2006). In accordance with 2006 Ky. Acts ch. 247, secs. 38 and 39, this statute has been renumbered as a section of the Kentucky Financial Services Code, KRS Chapter 286, and KRS references within this statute have been adjusted to conform with the 2006 renumbering of that code.