

MAINE STATE LEGISLATURE

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ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 1179

S. P. 354

In Senate, March 28, 1977

Referred to the Committee on Business Legislation. Sent down for concurrence and ordered printed.

MAY M. ROSS, Secretary

Presented by Senator Farley of York.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-SEVEN

AN ACT to Require that Commercial Home Builders who Accept Earnest Money Deposits be Required to Maintain an Escrow Arrangement to Protect These Funds.

Be it enacted by the People of the State of Maine, as follows:

10 MRSA c. 107 is enacted to read:

CHAPTER 107

RESIDENTIAL BUILDING

§ 1001. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms shall have the following meanings:

1. Builder. "Builder" means any person, firm or corporation contracting within this State to build or construct a new residential unit.
2. Contracting party. "Contracting party" means a person, firm, corporation or other entity who has engaged the services of a builder to build or construct a new residential unit.
3. Residential unit. "Residential unit" means a building or structure intended to be used primarily as a residence or dwelling for 3 or fewer families.

No builder shall accept from a contracting party any sum of money representing a deposit, advance, down payment or earnest money pursuant to any contract or agreement concerning the construction of a residential unit, unless that sum is deposited by the builder in an escrow account in a banking institution in this State during the period of construction.

In the event that any sum of money deposited in an escrow account is, for any reason, returned to the contracting party, any interest earned by that sum while in the escrow account shall also be returned to the contracting party.

STATEMENT OF FACT

This bill would require builders constructing dwellings to deposit any advances, deposits, down payments or earnest money in an escrow account during the construction. There is presently no requirement that a builder maintain an escrow account for these funds and they are often comingled with the builder's own funds. If a builder experiences financial difficulties, it is often difficult for the homeowner to recover his downpayment.