

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND EIGHTH LEGISLATURE

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**Legislative Document**

**No. 1460**

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S. P. 419

In Senate, April 7, 1977

Referred to Committee on Business Legislation. Sent down for concurrence and 1,800 ordered printed.

MAY M. ROSS, Secretary

Presented by Senator Speers of Kennebec.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-SEVEN

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**AN ACT to Provide for the Payment of the Prime Rate of Interest on  
Mortgage Escrow Accounts.**

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

9-B MRSA § 432, sub-§ 3 is enacted to read:

3. **Mortgage escrow.** Any financial institution authorized to do business in this State which maintains an escrow account pursuant to a loan secured by a first mortgage on any one to 3 family residences occupied by the owner and located in this State shall, for each quarterly period in which the escrow account is established, credit the same with dividends or interest at a rate not less than the monthly average of the 90-day United States Treasury bill rate based on the average of the sums so paid for the average length of time on deposit. Such minimum rate shall be a net rate over and above any service charge that may be imposed by any such institution for maintaining an escrow account. No financial institution authorized to do business in this State shall impose a service charge in connection with the maintenance of an escrow account unless provision therefor was expressly made in a loan contract executed prior to the effective date of this Act.

The method of computing and crediting interest is as follows:

A. The term escrow account, for purposes of this section shall include any account established pursuant to an agreement between a mortgagor and a mortgagee where the mortgagee is a financial institution authorized to do business in this State whereby the mortgagor pays to the financial institution or its assignee amounts to be used for the payment of real estate taxes, insurance premiums or any similar charges.

**B.** Interest on a mortgage escrow account as required by this section shall be computed on the daily balances in the account from the date the funds are received to the date the funds are disbursed and shall be credited to the escrow account as of the last business day of each quarter of a calendar year or of each quarter of a fiscal year. In computing the interest to be credited, debit balances resulting from advances made by the financial institution may be taken into account. At least once each year the financial institution shall render a statement to the mortgagor specifically indicating the interest on the mortgage escrow account which has been credited during the period covered by the statement.

**C.** In the event that a mortgage escrow account shall be closed or discontinued before the last business day of a calendar quarter, or the last business day of a fiscal quarter, interest shall be computed and credited from the day as of which interest was last credited through the day on which the account is closed or discontinued.

**D.** For the purposes of computing interest pursuant to paragraphs B and C, the financial institution shall take into account the actual number of days in each quarter, as well as the actual number of days in each calendar year.

#### STATEMENT OF FACT

The purpose of this bill is to require the payment of the prime rate of interest on mortgage escrow accounts.