

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 912

H. P. 725

House of Representatives, March 2, 1979

On Motion of Mr. Howe of South Portland, referred to the Committee on Business Legislation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. Howe of South Portland.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-NINE

**AN ACT to Require the Payment of Interest or Payment Services on Escrow
Accounts Used for Paying Municipal Taxes.**

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 escrows. 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 residential dwelling of 5 or less living units and located in this State shall either, for each quarterly period in which the escrow account is established, credit the same with dividends or interest at a rate not less than 1/2 the yearly rate of interest given for an average savings account at that financial institution based on the average of the sums so paid for the average length of time on deposit or, to the extent that sufficient funds are available in the escrow account, shall for each taxable year in which the account is maintained pay from the escrow account all real estate taxes assessed on the subject premises. The financial institution shall make such payment directly to the municipality to which such real estate taxes are due. The minimum interest 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.

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 or may elect to compute the interest on the basis of a 30-day month and 360-day year.

STATEMENT OF FACT

The purpose of this bill is to require either the payment of interest on mortgage escrow accounts or the payment from funds in the escrow account by the financial institution, of all property taxes assessed on the subject property.