

MAINE STATE LEGISLATURE

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(New Title)
New Draft of H. P. 725, L. D. 912
FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 1633

H. P. 1426

House of Representatives, May 23, 1979

Reported by Mr. Brannigan from the Committee on Business Legislation.

Printed under Joint Rules No. 2.

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-NINE

**AN ACT to Require Financial Institutions Either to Pay Taxes from Mortgage
Escrow Accounts or to Pay Interest on Escrowed Sums.**

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

9-B MRSA § 429, is enacted to read:

§ 429. Residential mortgage escrow accounts

1. Definition. For purposes of this section, an “escrow account” means any account established by agreement between a mortgagor and a financial institution acting as a mortgagee under which the mortgagor pays to the institution or its assignee sums to be used to pay taxes.

2. Payment of interest or taxes. If a financial institution maintains an escrow account in connection with a first purchase money mortgage on a dwelling of 4 or fewer living units located in this State, the financial institution shall:

A. Pay the mortgagor quarterly dividends or interest on the account at a rate at least $\frac{1}{2}$ the highest annual interest rate paid on regular savings accounts at that institution. The dividends or interest paid under this section may not be reduced by any charge for service or maintenance of the account; or

B. To the extent of the account, pay the taxes for which the account is maintained directly to the appropriate taxing authority when the taxes are due.

3. Computing and crediting interest. Under subsection 2, paragraph A, interest shall be computed on the daily balances in the account from the date of receipt to the date of disbursement, and shall be credited to the account as of the last business day of each quarter of a calendar or fiscal year. If the account is closed or discontinued before the last business day of a quarter of a calendar or fiscal year, interest shall be computed and credited as of the day the account is closed or discontinued. For purposes of this section, the financial institution may take into account debit balances resulting from advances, and may elect to compute interest on the basis of the actual number of days in each quarter and year or on the basis of a 30-day month and a 360-day year. At least once a year, the financial institution shall give the mortgagor a statement showing the interest credited on the account during the period which the statement covers.

STATEMENT OF FACT

The purpose of this bill is to compel financial institutions either to pay interest on home mortgage escrow accounts or to pay taxes directly from the account to the taxing authority.