

MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 2060

7 H.P. 1558

House of Representatives, February 8, 1984

8 Submitted by the Department of Business, Occupational and Professional
9 Regulation pursuant to Joint Rule 24.

10 Reference to the Committee on Business Legislation. Sent up for
concurrency and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative Racine of Biddeford.

11 Cosponsors: Representative Brannigan of Portland, Representative
Stevens of Bangor and Representative Kane of So. Portland.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-FOUR
16

17 AN ACT to Require Mortgagees to Pay
18 Interest on Escrow Accounts.
19

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

22 Sec. 1. 9-A MRSA §3-312 is enacted to read

23 §3-312. Interest to be paid on funds held in escrow

24 A supervised lender, including any of its assign-
25 ees, that makes loans secured by a mortgage on real
26 estate and which, as a condition of making the loan,
27 requires the mortgagor to pay funds for anticipated
28 taxes and insurance premiums into an escrow account
29 shall pay interest on those funds in accordance with
30 Title 9-B, section 429.

31 Sec. 2. 9-B MRSA §429, as enacted by PL 1979, c.
32 426, is repealed and the following enacted in its
33 place:

1 §429. Residential mortgage escrow accounts

2 1. Definition. As used in this section, unless
3 the context indicates otherwise, the following terms
4 have the following meanings.

5 A. "Escrow account" means any account estab-
6 lished by agreement between a mortgagor and mort-
7 gagee under which the mortgagor pays to the mort-
8 gagee sums to be used to pay taxes or insurance
9 premiums.

10 B. "Mortgagee" means any state bank and trust
11 company, national banking association, state or
12 federally chartered savings and loan association,
13 state or federally chartered savings bank, state
14 or federally chartered credit union or supervised
15 lender, as that term is defined in Title 9-A,
16 section 1-301, subsection 39, and their assign-
17 ees.

18 2. Payment of interest or dividends. Each mort-
19 gagee holding funds of a mortgagor in an escrow ac-
20 count for the payment of taxes and insurance premiums
21 with respect to mortgaged property located in this
22 State shall pay the mortgagor quarterly dividends or
23 interest on the account at a rate of not less than
24 the discount rate charged on loans to depository in-
25 stitutions by the New York Federal Reserve Bank on
26 the first day of each calendar year. The dividends
27 or interest paid under this subsection may not be re-
28 duced by any charge for service or maintenance of the
29 account.

30 3. Computing and crediting interest. Under sub-
31 section 2, interest shall be computed on the daily
32 balances in the account from the date of receipt to
33 the date of disbursement and shall be credited to the
34 account as of the last business day of each quarter
35 of a calendar or fiscal year. If the account is
36 closed or discontinued before the last business day
37 of a quarter of a calendar or fiscal year, interest
38 shall be computed and credited as of the day the ac-
39 count is closed or discontinued. For purposes of this
40 section, the mortgagee may take into account debit
41 balances resulting from advances and may elect to
42 compute interest on the basis of the actual number of

1 days in each quarter and year, or on the basis of a
2 30-day month and a 360-day year. At least once a
3 year, the mortgagee shall give the mortgagor a state-
4 ment showing the interest credited on the account
5 during the period which the statement covers.

6 4. Scope. The requirements of this section ap-
7 ply only to mortgages on owner-occupied residential
8 property consisting of not more than 4 dwelling
9 units, located in this State.

10 5. Exemptions. This section does not apply to
11 mortgage transactions under which the payment of in-
12 terest on escrow accounts is prohibited by federal
13 law.

14 STATEMENT OF FACT

15 The purpose of this bill is to require mortga-
16 gees, such as banks, savings and loan associations
17 and finance companies, to pay consumers interest on
18 money placed in escrow with them to cover future pay-
19 ment of taxes and insurance premiums. Customarily,
20 consumers are required to make monthly payments to
21 the bank or other institution holding their mortgage
22 to cover property taxes, casualty insurance and mort-
23 gage insurance. These institutions, in turn, pay the
24 taxes or insurance premiums when due, usually annual-
25 ly or semiannually. In the interim, these institu-
26 tions are free to use that escrowed money at no cost
27 and of late, some institutions have been dramatically
28 increasing the amount of money consumers must pay in-
29 to escrow. Such a practice is unfair to consumers.
30 This bill imposes on mortgagees the obligation to pay
31 consumers interest on these funds at the discount
32 rate charged on loans made by the New York Federal
33 Reserve Bank to depository institutions.

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