

**§429. Residential mortgage escrow accounts**

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

A. "Escrow account" means any account established by agreement between a mortgagor and mortgagee under which the mortgagor pays to the mortgagee sums to be used to pay taxes or insurance premiums. [PL 1983, c. 679, §2 (RPR).]

B. "Mortgagee" means any financial institution authorized to do business in this State, as defined in section 131, subsection 17-A, any credit union authorized to do business in this State, as defined in section 131, subsection 12-A, any supervised lender, as that term is defined in Title 9-A, section 1-301, subsection 39, and their assignees. [PL 1983, c. 679, §2 (RPR).]  
[PL 1983, c. 679, §2 (RPR).]

**2. Payment of interest or dividends.** Each mortgagee holding funds of a mortgagor in a required escrow account on behalf of itself or another mortgagee for the payment of taxes or insurance premiums with respect to mortgaged property located in this State shall pay the mortgagor, at least quarterly, dividends or interest on the account at a rate of not less than 50% of the 1-year Treasury Note rate or rate of a comparable instrument if the 1-year Treasury Note is not offered, as published in a financial newspaper of national circulation, as of the first business day of the year in which the quarterly interest or dividend is paid. The dividends or interest paid under this subsection may not be reduced by any charge for service or maintenance of the account.  
[PL 2003, c. 263, §2 (AMD).]

**3. Computing and crediting interest.** Under subsection 2, interest must be computed on the daily balances in the account from the date of receipt to the date of disbursement and must be credited to the account as of the last business day of each quarter of a calendar or fiscal year. If such an account is closed or discontinued before the last business day of a quarter of a calendar or fiscal year, interest must be computed and credited as of the day the account is closed or discontinued. For the purposes of calculating interest under subsection 2, the mortgagee 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 mortgagee shall give the mortgagor a statement showing the interest credited on the escrow account during the period that the statement covers.  
[PL 2003, c. 263, §2 (AMD).]

**4. Scope.** The requirements of this section apply only to mortgages on owner-occupied residential property consisting of not more than 4 dwelling units, located in this State.  
[PL 1983, c. 679, §2 (RPR).]

**5. Exemptions.** This section does not apply to mortgage transactions under which the payment of interest on escrow accounts is prohibited by federal law.  
[PL 1983, c. 679, §2 (RPR).]

**6. Application.** The requirements of this section shall apply to any funds in an escrow account on October 1, 1985, and to any funds deposited in an escrow account after that date.  
[PL 1985, c. 327 (AMD).]

**SECTION HISTORY**

PL 1979, c. 426 (NEW). PL 1983, c. 679, §2 (RPR). PL 1985, c. 327 (AMD). PL 2003, c. 263, §2 (AMD).

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