

BUREAU OF FINANCIAL INSTITUTIONS
Department of Professional and Financial Regulation
State of Maine

January 4, 2008

Bulletin #76

Interest on Escrow Accounts

To the CEO Addressed:

Title 9-B MRSA §429 as amended by PL 2003 c. 263 requires interest to be paid on escrow accounts held for loans secured by mortgages on owner-occupied residential property. Section 429 requires that the mortgagee pay interest on a mandatory escrow account 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."

According to United States Treasury auction schedule through January, 2008, the 1-Year Treasury Note will not be offered again this year. Therefore, the average yield on United States Treasury Securities, adjusted to a constant maturity of one year (1 – year Treasury Index) reported on the first business day of 2008, or January 2, 2008, is selected as the index upon which to base the calculation for interest paid on mandatory escrow accounts for calendar year 2008.

Bulletin #76 was originally issued December 9, 2003. In each subsequent year since that date, the 1-year Treasury Note has not been on the United States Treasury auction schedule. There is no indication that the 1-year Treasury Note will be offered in future auction schedules. As indicated in previous bulletins, and until further notice, the 1-year Treasury Index is selected by the Bureau as the index upon which to base the calculation for interest paid on mandatory escrow accounts. Should the United States Treasury offer the 1-year Treasury Note for auction on the first business day of any future calendar years, the Bureau will notify mortgagees of the index value at that time.

The 1 – Year Treasury Index as of the first business day of the calendar year is reported by the Federal Reserve System on its website at: <http://www.federalreserve.gov/releases/h15/update>. That index value will also be posted on the Bureau of Financial Institution's website at: <http://www.maine.gov/financialinstitutions>. In addition, the Bureau will, on the first business day of each calendar year, email notice to state-chartered financial

institutions of the value of the 1 – Year Treasury Index as reported by the Federal Reserve System. Mortgagees must use that index to calculate the rate of interest to be paid on mandatory escrow accounts for following calendar year.

If you have any questions regarding this Bulletin, please contact the Bureau.

A handwritten signature in black ink that reads "Lloyd P. LaFountain III". The signature is written in a cursive style with a small circle at the end of the last name.

Lloyd P. LaFountain III
Superintendent