

BUREAU OF BANKING

Department of Professional and Financial Regulation

State of Maine

January 2, 1985

BULLETIN #35 INTEREST ON ESCROW ACCOUNTS

To the Chief Executive Officer Addressed:

Under Title 9-B M.R.S.A. § 429, each mortgagee holding funds for a mortgagor in an escrow account for the payment of taxes and insurance premiums shall pay dividends or interest on that account.

Some confusion has arisen as to the scope of § 429 with regard to insurance premiums. The Bureaus of Banking and Consumer Credit Protection have interpreted § 429 as covering any prepayment of an insurance premium which is required by agreement between the mortgagor and mortgagee as a condition to granting of the mortgage. Traditionally, such types of insurance have been limited to fire and casualty insurance coverage on the mortgaged property as well as insurance issued by a mortgage insurance company (such as Mortgage Guarantee Insurance Corporation or Investors Mortgage Insurance Corporation) to compensate for a lack of sufficient equity on the part of the mortgagor in the mortgaged property. To the extent that any additional insurance, including but not limited to, credit life and/or health is also required as a condition of the mortgage and prepayment of this insurance is required by the mortgagee (as by requiring monthly payments by the mortgagor when the insurance company requires less frequent payments), it is the position of the Bureaus of Banking and Consumer Credit Protection that dividends or interest must be paid on these prepaid premiums pursuant to § 429 of the Banking Code. Conversely, insurance which may be offered by or through the mortgagee which is not required as a condition of obtaining the mortgage is not covered by § 429 whether or not the premiums thereon are escrowed.

/s/ H. Donald DeMatteis
Superintendent