

SENATE, No. 1194

STATE OF NEW JERSEY

INTRODUCED MAY 30, 1996

By Senator KOSCO

1 AN ACT concerning mortgage escrow accounts and amending and
2 supplementing P.L.1990, c.69

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4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

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7 1. Section 7 of P.L.1990, c.69 (C.17:16F-21) is amended to read
8 as follows:

9 7. a. A mortgagee or servicing organization which requires a
10 mortgagor to pay into a mortgage escrow account shall furnish to the
11 mortgagor, within 45 days after the end of each calendar year, a
12 written statement providing: the balance of the account at the
13 beginning of the calendar year; total payments credited to the account
14 during the calendar year, including interest credited to the account, if
15 any; an itemized statement of all expenditures from the account during
16 the calendar year; the average daily balance in the account for each
17 calendar quarter of a calendar year; and the balance in the account at
18 the end of the calendar year. The mortgagor shall be entitled to
19 receive one written statement for each calendar year without charge.

20 b. The annual statement provided for in subsection a. of this section
21 is not required if the mortgagor is provided with at least a monthly
22 statement or mortgagor passbook which provides the balance in the
23 escrow account and an itemized record of disbursements from the
24 account, and the mortgagor is provided with the average daily balance
25 in the account for each calendar quarter of the calendar year.

26 (cf: P.L.1990, c.69, s.7)

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28 2. (New section) a. Each mortgagee or its servicing organization
29 which requires a mortgagor to make payments into a mortgage escrow
30 account shall pay interest to the mortgagor on the amount in the
31 mortgagor's escrow account. Interest shall be calculated quarterly on
32 the average daily balance in the mortgage escrow account for the
33 calendar quarter and shall be credited to the escrow account within 30
34 days of the end of that calendar quarter. The rate of interest to be

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 paid on mortgage escrow account balances shall be determined
2 biannually by the Commissioner of Banking and shall reflect the
3 average rate of interest paid during the most recent preceding six
4 months by insured commercial banks for savings deposits.

5 b. No mortgagee or its servicing organization subject to the
6 provisions of subsection a. of this section shall impose any fee or
7 charge on a mortgagor in connection with establishing and servicing
8 a mortgage escrow account.

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10 3. (New section) The Commissioner of Banking shall promulgate
11 regulations pursuant to the "Administrative Procedure Act," P.L.1968,
12 c.410 (C.52:14B-1 et seq.), necessary to effectuate the provisions of
13 this 1996 amendatory and supplementary act.

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15 4. This act shall take effect on the 90th day after enactment.

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18 STATEMENT

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20 This bill requires a mortgagee or its servicing agent to pay interest
21 on the average daily balance in a mortgage escrow account on a
22 quarterly basis at a rate set on an biannual basis by the Commissioner
23 of Banking and provides the mortgagor with information regarding the
24 average daily balance in the mortgagor's escrow account for each
25 quarter in a calendar year. In addition, the bill prohibits a mortgagee
26 or its servicing organization from imposing any fee or charge on a
27 mortgagor in connection with establishing and servicing a mortgage
28 escrow account.

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33 Requires payment of interest on mortgage escrow accounts.