

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

Senate Bill 854

(Senator Stone)

Finance

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**Credit Regulation – Escrow Accounts – Homeowners and Flood Insurance  
Premiums**

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This bill requires a lender or credit grantor, as long as a borrower's payment is not more than 30 days overdue, to pay disbursements by the deadline to avoid an insurer-payee from not issuing, not renewing, or canceling an insurance policy for nonpayment if the lender or credit grantor: (1) maintains an escrow account under the terms of a mortgage loan on residential real property or as an agreement with the borrower; and (2) the borrower pays money to an escrow account from which the lender or credit grantor pays disbursements for insurance. The bill requires a lender or credit grantor to advance funds to make the disbursement to pay the premiums. The lender or credit grantor may then seek reimbursement from the borrower. Violation of the bill entitles the borrower to seek damages directly resulting from the violation and reasonable attorney's fees.

The bill takes effect June 1, 2004.

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**Fiscal Summary**

**State Effect:** Enforcement could be handled with the existing resources of the Commissioner of Financial Regulation.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** Under federal law and regulation, if the terms of a federally related mortgage loan require the borrower to make payments to an escrow account, the loan servicer must pay disbursements for insurance premiums on or before the deadline to avoid a penalty, as long as the borrower's payment is not more than 30 days overdue. The loan servicer must advance funds to make disbursements as long as the borrower's payment is not more than 30 days overdue. Upon advancing funds to pay a disbursement, the servicer may seek repayment from the borrower for the deficiency. Federally related loans include loans guaranteed by federal programs or that may be purchased by federally chartered institutions. This bill would apply these same provisions to loans that are not federally related.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Insurance Administration; Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 5, 2004  
mam/mdr

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Analysis by: Ryan Wilson

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510