



Senate

General Assembly

File No. 72

February Session, 2004

Substitute Senate Bill No. 362

Senate, March 15, 2004

The Committee on Banks reported through SEN. FINCH of the 22nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING MORTGAGE PAYOFF STATEMENTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2004*) (a) If a mortgage lender or
2 the subsidiary, successor or assign of a mortgage lender, which is
3 holding funds of a mortgagor in escrow for the payment of taxes,
4 insurance or both with respect to mortgaged property located in this
5 state, disburses any such escrow funds for such purposes after the date
6 that a payoff statement is issued, and receives a mortgage payment
7 from the mortgagor after such disbursement, such lender, subsidiary,
8 successor or assign shall honor such mortgage payment and apply the
9 payment to the mortgage principal and interest. If such mortgagor, or
10 the agent or attorney of the mortgagor, requests such lender,
11 subsidiary, successor or assign to verify receipt of such mortgage
12 payment or verify application of such payment to the mortgage
13 principal and interest, the lender, subsidiary, successor or assign shall
14 respond in writing within two business days.

15 (b) If such lender, subsidiary, successor or assign does not apply a
16 mortgage payment to principal or interest or fails to respond to such a
17 request for verification of receipt or application of a mortgage
18 payment, as required under subsection (a) of this section, the mortgage
19 shall be deemed to be paid in full and the mortgagor may record an
20 affidavit on the land records of the municipality in which the mortgage
21 is recorded. Any such affidavit shall be sufficient to release the
22 mortgage.

This act shall take effect as follows:	
Section 1	July 1, 2004

BA Joint Favorable Subst.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Banking Dept.	BF - None	None	None

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill requires a mortgage lender to honor a mortgage payment and apply it to the mortgage principal and interest if the lender is holding the mortgagor's funds in escrow for payment of taxes, insurance, or both, and pays out any of the escrow funds for taxes or insurance after the date the payoff statement is issued. The bill also states that any person or entity that fails to comply shall be liable to any person aggrieved by such failure for damages in the amount of five hundred dollars for each day such noncompliance continues, plus costs and reasonable attorney's fees. These funds are not paid to the Banking Department; therefore there is no fiscal impact.

OLR Bill Analysis

sSB 362

AN ACT CONCERNING MORTGAGE PAYOFF STATEMENTS**SUMMARY:**

This bill requires a mortgage lender to honor a mortgage payment and apply it to the mortgage principal and interest if the lender or its subsidiary, successor, or assign is holding the mortgagor's funds in escrow for payment of taxes, insurance, or both, and pays out any of the escrow funds for taxes or insurance after the date the payoff statement (a statement showing the balance of unpaid principal remaining) is issued.

If the mortgagor or his agent or attorney requests verification of receipt of the mortgage payment or its application to the mortgage principal and interest, the bill requires the lender, subsidiary, successor, or assign to respond in writing within two business days. If these parties do not apply a mortgage payment to principal or interest or fail to respond to a request for verification, the bill deems the mortgage to be paid in full and allows the mortgagor to record an affidavit on the land records where the mortgage is recorded. The bill specifies that any such affidavit is sufficient to release the mortgage.

EFFECTIVE DATE: July 1, 2004

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 17 Nay 0