



CONNECTICUT BANKERS ASSOCIATION

March 15, 2012

To: Members of the Banks Committee

Fr: Connecticut Bankers Association
Contacts: Tom Mongellow, Fritz Conway

**Re: H.B. No. 5414 (RAISED) AN ACT CONCERNING THE ELIMINATION OF THE
INTEREST RATE FLOOR FOR TAX AND INSURANCE ESCROW ACCOUNTS**

POSITION: SUPPORT

This bill would repeal the State mandated price control on the minimum amount of interest that must be paid on tax and insurance escrow accounts associated with consumer mortgages.

The existing law is unfair to state chartered institutions because federal law (12 CFR 34.4(6)) clearly preempts any state law's ability to implement price controls on this service for federal banks. This means that only state chartered banks and credit unions are mandated to pay this very high minimum interest rate.

The average market rate is determined each year by the Department of Banking and this year it is .16%. With the price control floor of 1.5%, that means that state chartered banks have to pay almost *ten times* more than the current market interest rate currently is.

The legislature addressed this issue last year for the Landlords across the State, when a bill was passed that changed the interest rate on Landlord/Tenant Security Deposits to that market rate, and the interest rate floor was removed.

The industry proposes that the interest rate floor of one and one-half percent on tax and insurance escrow accounts be repealed, and that the law's existing average market rate of interest be used in place of it.

We urge the committee to provide relief for State Chartered banks from this price control by supporting House bill 5414.