



House Bill No. 5414

Public Act No. 12-106

AN ACT CONCERNING THE ELIMINATION OF THE INTEREST RATE FLOOR FOR TAX AND INSURANCE ESCROW ACCOUNTS.

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

Section 1. Subsection (a) of section 49-2a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2012*):

(a) On and after July 1, 1993, each state bank and trust company, national banking association, state or federally chartered savings and loan association, savings bank, insurance company and other mortgagee or mortgage servicing company holding funds of a mortgagor in escrow for the payment of taxes and insurance premiums with respect to mortgaged property located in this state shall pay interest on such funds, except as provided in section 49-2c, at a rate of not less than the average rate paid, as of December 30, 1992, on savings deposits by insured commercial banks as published in the Federal Reserve Board Bulletin and rounded to the nearest one-tenth of one percentage point, except in no event shall the rate be less than one and one-half per cent. On and after January 1, 1994, until September 30, 2012, the rate for each calendar year shall be not less than the deposit index as defined in subsection (c) of this section for that year and rounded to the nearest one-tenth of one percentage point, except in no

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event shall the rate be less than one and one-half per cent. On and after October 1, 2012, the rate for each calendar year shall be not less than the deposit index as defined in subsection (c) of this section for that year and rounded to the nearest one-tenth of one percentage point. Interest payments shall be credited on the thirty-first day of December annually toward the payment of taxes or insurance premiums as the case may be, on such mortgaged property in the ensuing year. If the mortgage debt is paid prior to December thirty-first in any year, the interest to the date of payment shall be paid to the mortgagor. The provisions of this section shall apply only with respect to mortgages on owner-occupied residential property consisting of not more than four living units and housing cooperatives occupied solely by the shareholders thereof. Any mortgagee or mortgage servicing company violating the provisions of this section shall be fined not more than one hundred dollars for each offense.