

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 12-106—HB 5414**

*Banks Committee*

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

**SUMMARY:** Prior law required the interest rate on tax and insurance escrow accounts to be at least the average savings deposit interest rate paid by insured commercial banks published in the Federal Reserve Board Bulletin in November of the previous year (i.e., deposit index) but not less than 1.5%. This act retains the deposit index method for calculating the interest rate but eliminates the minimum 1.5% interest rate. (The 2012 deposit index is 0.16%.)

By law, state banks and trust companies, national banking associations, state or federally chartered savings and loan associations, savings banks, insurance companies, and other mortgagee or mortgage servicing companies must pay interest on these accounts.

EFFECTIVE DATE: October 1, 2012

OLR Tracking: KGD:JKL:PF:ts