

March 8, 2016

**To: Members of the Banking Committee**

**Fr: Connecticut Bankers Association**

**Contacts: Tom Mongellow, Fritz Conway**

**RE: SB 404: An Act Concerning Money Transmissions in the State and The Fiduciary Duties of Mortgage Servicers**

**POSITION: Oppose, as Presently Drafted**

This bill would, among other things, impose new requirements on institutions that establish and administer mortgage escrow accounts. This is an area that is already highly regulated under state and federal laws and regulations, and we believe the bill as presently drafted would create confusion and unnecessary burden.

Among other things, the bill would require institutions to deposit escrow funds into "one or more separate *trust accounts*". The establishment of actual "*trust accounts*" would involve cumbersome logistical steps (currently escrowed funds are typically maintained in traditional deposit accounts – typically with the bank that holds the mortgage). Not all banks have trust powers. This bill would force a bank that does not have trust powers to engage the services of another bank that has trust powers (i.e., to establish the requisite "trust account").

The bill would also require the servicer to "reconcile" each trust account on a monthly basis "*in accordance with generally accepted accounting principles*" ("*GAAP*"). Escrow accounts *are currently* governed by their own detailed set of accounting rules, as set forth in the Real Estate Settlement Procedures Act ("*RESPA*"). Those RESPA rules go well beyond the requirements of GAAP, both in terms of accounting methodologies and in terms of consumer protection. And the RESPA escrow accounting rules are already a part of Connecticut law by virtue of legislation sponsored by this Committee and enacted last year.

Respectfully, this legislation, as presently drafted, would simply add unnecessary burden to banks servicing mortgages and confusion to an already comprehensive regulatory scheme.