

**State of Vermont
Department of Financial Regulation**

**Banking Bulletin No. 48
(January 24, 2018)
(This Bulletin Supersedes and Replaces Banking Bulletin No. 40)**

Home Loan Escrow Accounts

This Bulletin is issued pursuant to 8 V.S.A. §10404, which governs home loan escrow accounts in Vermont. For purposes of this Bulletin and 8 V.S.A. §10404, an “escrow account” means an account into which a borrower is obligated under the terms of a residential real estate loan agreement to make periodic payments of property taxes, insurance premiums, or other similar charges.” 8 V.S.A. §10404 (a)(2).

Section 10404 (e) requires that lenders maintain escrow account funds in a federally insured depository institution. Section 10404 (b) generally requires that lenders pay interest on the funds deposited into an escrow account under the same conditions as their regular savings account, if offered, and otherwise at a rate not less than the rate offered in the lender’s local market area. Lenders who are not federally insured depository institutions are advised to document their local prevailing market rates, and to pay interest accordingly.

Section 10404 (c) was amended to conform to federal law, and now permits up to a two-month cushion on escrow accounts. 8 V.S.A. §10404 (c) (1)

In addition to requiring a new escrow account analysis at least annually, Section 10404 (g) now requires that, upon receipt of a revised property tax bill, the lender shall review the property tax bill and, upon verifying that it has been reduced since the date of the last escrow account analysis, the lender shall, within 30 days of receiving the bill, conduct a new escrow account analysis, recalculate the borrower's monthly escrow payment, and notify the borrower of any change. The borrower or municipality may provide the revised property tax bill at any time. 8 V.S.A. §10404 (g) (1) & (2).

Lenders are now required to at least annually, and whenever an escrow account analysis is conducted or upon request of the borrower, provide to the borrower financial statements relating to the borrower's escrow account in a manner and on a form consistent with the federal Real Estate Settlement Procedures Act. 8 V.S.A. §10404 (g) (3)

All lenders making loans secured by Vermont residential real estate must comply with the requirements of 8 V.S.A. §10404, and this Bulletin if the lender requires that the borrower maintain an escrow account. This applies to all lenders regardless of the source of funds.

Lenders are directed to the Vermont Home Loan Escrow Account statute (currently found at 8 V.S.A. §10404) for additional information and restrictions regarding escrow accounts.

Dated this 24th day of January 2018



Michael S. Pieciak
Commissioner