

**State of Vermont
Department of Financial Regulation**

**Banking Bulletin No. 40
(December 9, 2013)
(This Bulletin Supersedes and Replaces Banking Bulletin No. 17)**

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 required 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 (b) generally requires that lenders pay interest on the funds deposited into an escrow account.

Section 10404 (g) provides that, “the lender shall provide annually, or upon request of the borrower, financial statements relating to the borrower’s escrow account *in a manner and on a form approved by the commissioner.*” (emphasis added)

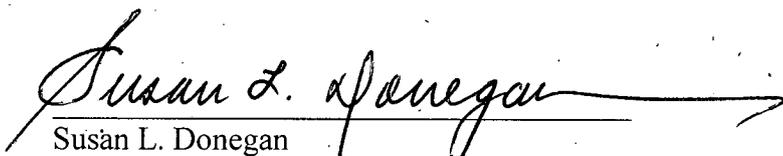
Lenders that use a form of Annual Escrow Account Disclosure Statement as set forth in the federal Real Estate Settlement Procedures Act (“RESPA”) and its applicable regulations will be deemed to have issued an escrow account financial statement in a manner and form approved by the commissioner, provided the statement includes interest, if any, paid into the escrow account.

Lenders are reminded that current Vermont law only permits a one month cushion on escrow accounts, not the two month cushion under RESPA. 8 V.S.A. §10404 (c).

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 the 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 9th day of December 2013


Susan L. Donegan
Commissioner