



Bankers Advisory

COMPLIANCE MONITOR

May 14, 2014

Maryland Revises Statutes Regarding Interest on Escrow Accounts and Savings Accounts Created for a Specific Purpose

By Paul McSheffrey

With Senate Bill 583, the Maryland legislature has revised commercial and financial statutes relating to escrow accounts created in connection with loans secured by a first mortgage or deed of trust on residential property. Section 12-109(b)(1) now contains a new minimum interest rate payable to borrowers with such escrow accounts.

A lending institution doing business in Maryland must now pay interest on the funds in the escrow account at an annual rate of no less than the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year.

The previously referenced index in the statute was the six month average dealer bid rate on nationally traded certificates of deposit. Additionally, Senate Bill 583 uses the same minimum interest rate for consumer borrowers with escrow accounts in 12-1026(b)(1), and the interest rate payable for accounts created for a specific purpose in 5-302(b).

This act takes effect on June 1, 2014. However, the act applies retroactively to escrow accounts and savings accounts in existence on or after January 1, 2014.



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