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Payment of Interest on Funds in Escrow by Mortgagees

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Payment of Interest on Funds in Escrow by Mortgagees

Sec. 49-2b-1. Definitions

As used in sections 49-2b-1 to 49-2b-4, inclusive, of the Regulations of Connecticut State Agencies:

(1) “Annual rate” means the rate of interest used by a mortgagee to determine the amount owed to a mortgagor pursuant to subsection (a) of section 49-2a of the Connecticut General Statutes;

(2) “Insurance premiums” means premiums on a policy of fire, casualty, property liability, flood or other hazard insurance or homeowner’s insurance applicable with respect to mortgaged property located in this state;

(3) “Mortgaged property” means real property that is used as security for repayment of a loan or extension of credit;

(4) “Mortgagee” means any grantee of a mortgage, including the successors and assigns of such grantee, or any mortgage servicing company, required pursuant to section 49-2a of the Connecticut General Statutes to pay interest on funds of a mortgagor held in escrow for the payment of taxes and insurance premiums;

(5) “Mortgagor” means any individual who is a grantor of a mortgage encumbering property located within this state that is owner-occupied residential property consisting of not more than four living units and housing cooperatives occupied solely by the housing cooperative shareholders; and

(6) “Taxes” means property taxes on mortgaged property located in this state.

(Adopted effective March 30, 2007)

Sec. 49-2b-2. Minimum interest calculation

The minimum monthly amount of interest credited to funds of a mortgagor held in escrow by a mortgagee for payment of taxes and insurance premiums may be determined by multiplying either the actual average daily balance as of the day of the month corresponding to the date set by the mortgagee for the payment by the mortgagor of funds to be held in escrow by the mortgagee or the actual average daily balance for the month by the quotient obtained by dividing the annual rate by twelve. The annual rate shall not be less than the minimum required by section 49-2a of the Connecticut General Statutes. Any other method of computation may be employed as long as it does not result in less than the minimum monthly amount of interest determined in accordance with this section.

(Adopted effective March 30, 2007)

Sec. 49-2b-3. Payment of interest upon final repayment of mortgage

If the mortgage debt is paid prior to December thirty-first, the mortgagee shall promptly pay to the mortgagor any interest remaining as a credit to the escrow account of the mortgagor, computed to the date of final repayment of the mortgage debt.

(Adopted effective March 30, 2007)

Sec. 49-2b-4. Annual report of interest credited by mortgagee

Not more than thirty days after each December thirty-first, the mortgagee shall report to the mortgagor the amount of interest credited to the escrow account of the mortgagor during the year ending and including each December thirty-first. The mortgagee may use for this purpose the Department of Treasury Internal Revenue Service Form 1099-INT, which may be obtained by calling 1-800-TAX-FORM (1-800-829-3676) or by accessing the Internal Revenue Service’s web site at <http://www.irs.ustreas.gov/>. In the alternative, the mortgagee may use any acceptable

substitute form that complies with the requirements of 26 CFR 1.6049-6 and Internal Revenue Service Publication Form 1179.

(Adopted effective March 30, 2007)