

**STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION  
DIVISION OF BANKING  
233 RICHMOND STREET, SUITE 231  
PROVIDENCE, RHODE ISLAND 02903**

**BANKING REGULATION 98-9**

**INTEREST ON ESCROW ACCOUNTS**

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**98-9-1. AUTHORITY.**

This regulation is promulgated pursuant to the authority granted in Section 2 of Chapter 9 of Title 19 of the General Laws of Rhode Island.

**98-9-2. PURPOSE.**

The purpose of this regulation is to set forth procedures to carry out the provisions of Section 19-9-2 of the General Laws of Rhode Island entitled "Escrow accounts - Interest". The actions and information required by this regulation are hereby declared to be necessary and appropriate in the public interest.

**98-9-3. SEVERABILITY.**

If any provision of this regulation or the application thereof to any person or circumstances is held invalid or unconstitutional, the invalidity or unconstitutionality shall not

affect other provisions or applications of this regulation which can be given effect without the invalid or unconstitutional provision or application, and to this end the provisions of this regulation are severable.

**98-9-4. DEFINITIONS.**

Unless otherwise provided by this regulation or unless the context clearly requires otherwise, terms used in this regulation shall have the same meaning as the terms as defined in Title 19.

Escrow account, for purposes of this regulation, is any account in which a mortgagee holds funds of a mortgagor in escrow for the payment of taxes and insurance premiums with respect to mortgaged property located in this state.

Annual tax service fee, for purposes of this regulation, is an annual fee imposed upon the mortgagor after the closing of the mortgage transaction to enable the mortgagee to determine whether taxes have been paid in accordance with the loan agreement or mortgage. A one-time charge to pay the cost of a tax reporting service, paid by the mortgagor prior to or at the time of closing of the mortgage transaction, is not an annual tax service fee.

**98-9-5. PROVISIONS.**

Each mortgagee required to pay interest on escrow accounts shall credit such interest at the rate provided for in Section 19-9-2 of the General Laws of Rhode Island as amended. Interest on the escrow account shall be computed based on the aggregate average daily balance in the escrow account as computed by the mortgagee in its usual course of business. Interest on the escrow account shall be credited annually on December 31 of each year. If the mortgage

debt is paid in full prior to December 31 in any year, the interest to the date of payment shall be paid to the mortgagor.

Each mortgagee shall provide notice to the mortgagor of the amount of such interest credit. Such notice may take the form of notice as required by the Internal Revenue Service (i.e. Form 1099 -INT) or a substantially similar form.

**98-9-6. APPLICABILITY.**

This regulation and the provisions of the R.I.Gen. Laws § 19-9-2 apply to mortgages executed on or after June 20, 1995. With respect to mortgages in existence as of June 20, 1995, which were executed on or after July 1, 1979, compliance with this regulation and the provisions of R.I.Gen. Laws § 19-9-2 is mandatory as of June 20, 1995.

**98-9-7. EFFECTIVE DATE.**

Effective date: August 9, 1998

Refiled date: December 19, 2001

