The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Xavier I. Alexander.

DIGEST

SB 432 Original 2022 Regular Session Lambert

Present law requires that settlement proceeds paid in settlement of a damage claim on residential property on which another person holds a mortgage be placed in escrow and earn interest. Defines "settlement proceeds" to be funds equal to $25,000 or more paid on an insurance claim for damage to residential immovable property as a result of Hurricane Katrina or Hurricane Rita. Requires payment on escrow funds held for more than 30 days.

Proposed law retains these provisions but changes the term defined from "settlement proceeds" to "payment in settlement of a damage claim on residential property" and removes the $25,000 limitation and references that the funds be paid as a result of hurricanes Katrina and Rita.

Proposed law requires that while funds are in escrow, the mortgagee is prohibited from placing the mortgagor in default or initiating foreclosure proceedings. Requires suspension of interest accrual and mortgage payments due while the funds are in escrow. Requires the mortgagee to extend the term of the outstanding mortgage for the same period of time as the suspension.

Present law requires that when damaged property is replaced or repaired to the satisfaction of the mortgagee and the mortgagor, then the escrow balance is to be paid to the mortgagor with all accrued interest. Requires that the mortgagee cooperate fully with the mortgagor and his insurer in releasing the funds timely.

Proposed law retains these provisions but changes "claimant" to "mortgagor" and changes "person holding the mortgage" to "mortgagee". Provides that the mortgagee cooperate in good faith with the mortgagor in releasing the funds.

Proposed law requires payment of escrow funds after notification to the mortgagee, with sufficient proof, that the property has been replaced or the repair completed. Requires release of funds by the mortgagee within 30 days after receipt of sufficient proof that the property has been replaced or repaired. Provides that failure of the mortgagee to release the funds to the mortgagor within this 30-day period shall cause the mortgagee to be liable to the mortgagor for $2,500 in damages plus reasonable attorney fees and costs.

Effective August 1, 2022.

(Amends R.S. 6:337)