

Proposed law provides that an insurance company can pay the borrower-payee directly for additional living expenses or contents insurance coverage if the mortgagee or mortgage servicer has no security interest in the contents.

Present law provides that once the property is replaced or repaired to the satisfaction of the claimant and the person holding the mortgage, then any funds remaining in escrow shall be paid to the claimant with any interest accrued while in escrow. Present law further provides that the holder of the mortgage on the property is required to cooperate fully with the claimant and his insurer in releasing funds in a timely manner for such replacement or repair of the damaged property.

Proposed law provides that once the property is replaced or repaired to the satisfaction of the borrower-payee and mortgagee or mortgage servicer, then any funds remaining in a segregated account shall be paid to the borrower-payee with any interest that accrued while the funds were in the segregated account. Proposed law removes the requirement that the holder of the mortgage on the property is required to cooperate fully with the claimant and his insurer in releasing funds in a timely manner for such replacement or repair of the damaged property.

Present law defines "settlement proceeds" to be funds of \$25,000 or more paid on insurance claims for damage to residential immovable property as a result of Hurricane Katrina or Hurricane Rita which are held in interest-bearing accounts for 60 days or more by the lender or loan servicer. Present law further provides that interest shall accrue on settlement proceeds after being held in escrow for more than 30 days.

Proposed law provides that interest shall accrue on insurance settlement proceeds that is \$25,000 or more, after being held by the mortgagee or mortgage servicer segregated account for more than 30 days. Proposed law deletes the definition of "settlement proceeds" under present law.

Present law provides that compliance with Fannie Mae or Freddie Mac servicing guidelines for payment of interest on property damage claim funds held in escrow by the lender or loan servicer constitutes compliance. Proposed law retains this provision.

Present law provides that if a mortgage holder is presented with a jointly payable insurance proceed check or draft, that is endorsed by mortgagor and related to residential damage to immovable property resulting from Hurricane Katrina or Hurricane Rita, or both, and the mortgage holder receives a written request from the borrower to release excess funds then the mortgage holder shall have 30 days to return excess funds.

Proposed law retains present law but removes the provision that the damage must be a result of Hurricane Katrina or Hurricane Rita.

Present law defines "excess funds" and provides that the mortgage holder holding funds in escrow shall return all funds considered to be excess funds. Proposed law retains present law and replaces the term "mortgage holder" with "mortgagee or mortgage servicer".

Effective August 1, 2022.

(Amends R.S. 6:337 and 338(A), (B), and (C))