

NOTICE TO BORROWER OF REQUIREMENTS OF ILLINOIS MORTGAGE ESCROW ACCOUNT ACT

The Illinois Mortgage Escrow Account Act provides as follows:

Sec. 1. This Act shall be known as the "Mortgage Escrow Account Act".

Sec. 2. As used in this Act, unless the context requires otherwise:

- (a) "Escrow Account" means any account established by the mortgage lender in conjunction with a mortgage loan on a residence, into which the borrower is required to make regular periodic payments and out of which the lender pays the taxes on the property covered by the mortgage.
- (b) "Borrower" means the person obligated under the mortgage loan.
- (c) "Mortgage Lender" means any bank, savings and loan association, building and loan association, savings bank, credit union, mortgage bankers, or other institution, association, partnership, corporation or person who extends the loan of monies for the purpose of enabling another to purchase a residence or who services the loan, including successors in interest of the foregoing.
- (d) "Escrow-like Arrangement" means any arrangement, the intent of which is to serve the same purpose as an escrow account but which does not require the formal establishment of an account.

Sec. 3. Escrow Accounts or escrow-like arrangements established after the effective date of this Act in conjunction with mortgage agreements for single-family owner occupied residential property are hereby declared separate and distinct transactions from mortgages and, hence, subject to the laws and regulations of this State.

Sec. 4. On or after the effective date of this Act, each mortgage lender in conjunction with the granting or servicing of a mortgage on a single-family owner occupied residential property, shall comply with the provisions of this Act.

Sec. 5. When the mortgage is reduced to 65% of its original amount by payments of the borrower, timely made according to the provisions of the loan agreement secured by the mortgage, and the borrower is otherwise not in default on the loan agreement, the mortgage lender must notify the borrower that he or she may terminate such escrow account or that he or she may elect to continue it until the borrower requests a termination thereof, or until the mortgage is paid in full, whichever occurs first.

Sec. 6. In lieu of the mortgage lender establishing an escrow account or an escrow-like arrangement, a borrower may pledge an interest bearing time deposit with the mortgage lender in an amount sufficient to secure the payment of anticipated taxes.

Sec. 7. The borrower shall not have the right to terminate any such arrangement under Section 5 in conjunction with mortgages insured, guaranteed, supplemented, or assisted by the State of Illinois or the federal government that require an escrow arrangement for their continuation.

Sec. 8. If, after terminating an escrow arrangement under the conditions of this Act, the borrower does not furnish to the Lender sufficient evidence of payment of the tax when due on the residence covered by the mortgage with respect to which the escrow arrangement was established, the lender, after taking reasonably good faith steps to verify nonpayment, may, within thirty days after such payment is due, establish or reestablish an escrow arrangement notwithstanding the provisions of this Act.

Sec. 9. Failure of any mortgage lender operating within this State to comply with the provisions of this Act shall entitle the borrower to actual damages in a court action.

Sec. 10. The provisions of this Act shall not be applicable to a mortgage lender using the capitalization method of accounting for receipt for payments for taxes. The capitalization method shall mean crediting such tax payments directly to the loan principal upon receipt and increasing the loan balance when the taxes are paid.

Sec. 11. Notice of the requirements of this Act shall be furnished in writing to the borrower at the date of closing.

Sec. 12. This Act takes effect on January 1, 1976.

- THE UNDERSIGNED BORROWER HAVING READ THE FOREGOING STATUTORY PROVISIONS ELECTS TO PLEDGE A TIME DEPOSIT IN LIEU OF ESTABLISHING A REAL ESTATE TAX ESCROW ACCOUNT.
- THE UNDERSIGNED BORROWER HAVING READ THE FOREGOING STATUTORY PROVISIONS HEREBY ELECTS TO ESTABLISH A REAL ESTATE TAX ESCROW ACCOUNT.

DATED this _____ day of _____

Borrower(s)

