

AL 98-15

Subject: Real Estate Settlement Procedures Act (RESPA),
Escrow Accounts

Date: September 24, 1998

TO: Chief Executive Officers and Compliance Officers of
all National Banks, Department and Division Heads,
and all Examining Personnel

The Real Estate Settlement Procedures Act (RESPA) and its implementing regulation require a mortgage servicer to make disbursements from a customer's escrow account in a timely manner so long as the borrower's payment is not more than 30 days overdue. The regulation defines "disbursements in a timely manner" to mean "on or before the deadline to avoid a penalty." (12 USC 2605(g) and 24 CFR 3500.17(k)).

It has come to our attention that some servicers have not made timely payments for real estate taxes as required by RESPA. These servicers have also inappropriately charged the escrow account for late fees and/or interest imposed by the taxing jurisdiction.

These practices expose a lender and servicer to civil liability and reputation risk. Please review your payment procedures and ensure disbursements are made in a timely manner and customers are not inappropriately charged late fees and interest. The OCC will take supervisory action to ensure bank customers are not inappropriately charged late fees and interest.

Questions concerning this advisory should be directed to the Community and Consumer Policy Division at (202) 874-4428.

Stephen M. Cross
Deputy Comptroller for Community
and Consumer Policy