

STATE OF TENNESSEE  
DEPARTMENT OF FINANCIAL INSTITUTIONS



# BULLETIN

NO: B-95-2

TO: Chief Executive Officers  
All State Chartered Banks  
All Licensees and Registrants under the Residential Lending,  
Brokerage & Servicing Act

RE: Escrow Accounting Procedures

DATE: May 19, 1995

This is in response to numerous recent inquiries stemming from amendments to regulations promulgated by the Department of Housing and Urban Development (HUD) under the Real Estate Settlement Procedures Act (RESPA). In general, the amended federal regulations allow a mortgage servicer to maintain up to a two (2) months cushion for escrow accounts unless a particular state's law is more restrictive. This department does not view Tennessee law as being more restrictive.

T.C.A. §45-13-109(d) provides in pertinent part that "the estimated payment amount required by the licensee or registrant shall be such that the sum total of these payments collected for each category during the tax or other period will approximate the actual tax or other payment when due." It has been the historical position of the department that the "will approximate" language authorizes a mortgage loan servicer to maintain no more than a two month cushion in the escrow account. The new Real Estate Settlement Procedures Act concerning escrow accounting procedures shall satisfy the requirements of T.C.A. §45-13-109(d) and a servicer may maintain up to a two month cushion in the escrow account.

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Talmadge B. Gilley, CFE  
Commissioner

TBG:TGM:BSM