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SYNOPSIS:

This bill would authorize mortgage servicers to allow mortgagors to make mortgage payments biweekly or semi-monthly and allow mortgagors to make additional payments to the mortgage principal without penalty.

A BILL
TO BE ENTITLED
AN ACT

Relating to financial institutions; to authorize mortgage servicers to allow mortgagors to make biweekly or semi-monthly mortgage payments and additional payments to the mortgage principal without penalty.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. (a) For purposes of this section, the following terms have the following meanings:

(1) BIWEEKLY. Occurring every two weeks.

(2) CONTRACTUAL MORTGAGE PAYMENT. The total amount of the monthly mortgage loan payment, comprised of the principal payment, interest payment, and any additional amounts being collected and held in an escrow account.

(3) ESCROW AMOUNT. The amount of any additional funds that are collected by a mortgage servicer pursuant to a



29 mortgage loan and set aside in an escrow account to cover
30 future expenses, including property taxes and homeowners
31 insurance.

32 (4) ESCROW ANALYSIS. The accounting that a financial
33 institution conducts pursuant to 12 C.F.R. § 1024.17 to
34 determine the appropriate target balances, compute the
35 borrower's monthly payments or deposits needed for the next
36 year, and determine whether escrow shortages exist.

37 (5) MORTGAGE SERVICER. A servicer as defined in 12
38 U.S.C. § 2605(i)(2).

39 (6) MORTGAGOR. A person that borrows money by granting
40 a mortgage or a successor in ownership of the real property
41 described in the mortgage.

42 (7) PRINCIPAL. The outstanding balance of the original
43 mortgage loan granted by the mortgage servicer, exclusive of
44 interest.

45 (8) SEMI-MONTHLY. Occurring twice each month.

46 (b) A mortgage servicer may allow a mortgagor, without
47 the imposition of any penalty, to:

48 (1) Make biweekly mortgage payments, in which any
49 amount paid in excess of the total annual contractual mortgage
50 payments due shall be applied to the mortgage loan principal;
51 or

52 (2) Make semi-monthly mortgage payments in the amount
53 of half of the total monthly contractual mortgage payment due.

54 (c) If allowed by the mortgage servicer, the mortgagor
55 may elect to submit a payment to the mortgage servicer to
56 reduce or eliminate any escrow shortage. A mortgagor that



57 elects to make additional mortgage payments pursuant to this
58 subsection shall notify the mortgage servicer of his or her
59 intent to make the payments in a manner prescribed by the
60 mortgage servicer. The payments shall be treated separately
61 and independent of payments applied to the mortgage loan
62 principal pursuant to subsection (b).

63 (d) A mortgage servicer shall not be precluded from
64 requiring mortgagors to opt-in to any payment structure
65 authorized by this section.

66 (e) (1) This section shall only to consumer mortgages
67 that are secured by real property located in this state and
68 that are originated after the effective date of this act.

69 (2) This section shall not apply to any open-end
70 mortgage or home equity products.

71 (3) This section shall not apply to any mortgage
72 servicer that allows mortgagors to make biweekly or
73 semi-monthly mortgage payments without penalty or that offer a
74 closed-end mortgage product that allows a mortgagor to make
75 biweekly or semi-monthly mortgage payments without penalty.

76 Section 2. This act shall become effective on October
77 1, 2026.