

HB55 ENGROSSED



1 HB55
2 EJWTT2C-2
3 By Representative Hollis
4 RFD: Financial Services
5 First Read: 13-Jan-26
6 PFD: 05-Nov-25



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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 mortgage loan and set aside in an escrow account to cover future expenses, including property taxes and homeowners insurance.
- (4) ESCROW ANALYSIS. The accounting that a financial institution conducts pursuant to 12 C.F.R. § 1024.17 to determine the appropriate target balances, compute the



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29 borrower's monthly payments or deposits needed for the next
30 year, and determine whether escrow shortages exist.

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

33 (6) MORTGAGOR. A person that borrows money by granting
34 a mortgage or a successor in ownership of the real property
35 described in the mortgage.

36 (7) PRINCIPAL. The outstanding balance of the original
37 mortgage loan granted by the mortgage servicer, exclusive of
38 interest.

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

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

42 (1) Make biweekly mortgage payments, in which any
43 amount paid in excess of the total annual contractual mortgage
44 payments due shall be applied to the mortgage loan principal;
45 or

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

48 (c) If allowed by the mortgage servicer, the mortgagor
49 may elect to submit a payment to the mortgage servicer to
50 reduce or eliminate any escrow shortage. A mortgagor that
51 elects to make additional mortgage payments pursuant to this
52 subsection shall notify the mortgage servicer of his or her
53 intent to make the payments in a manner prescribed by the
54 mortgage servicer. The payments shall be treated separately
55 and independent of payments applied to the mortgage loan
56 principal pursuant to subsection (b).



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

60 (e) (1) This section shall apply only to consumer
61 mortgages that are secured by real property located in this
62 state and that are originated after the effective date of this
63 act.

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

66 (3) This section shall not apply to any mortgage
67 servicer that allows mortgagors to make biweekly or
68 semi-monthly mortgage payments without penalty or that offer a
69 closed-end mortgage product that allows a mortgagor to make
70 biweekly or semi-monthly mortgage payments without penalty.

71 Section 2. This act shall become effective on October
72 1, 2026.



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House of Representatives

Read for the first time and referred13-Jan-26
to the House of Representatives
committee on Financial Services

Read for the second time and placed25-Feb-26
on the calendar:
0 amendments

Read for the third time and passed03-Mar-26
as amended
Yeas 104
Nays 0
Abstains 0

John Treadwell
Clerk