

HB55 ENROLLED



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



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1 Enrolled, An Act,

2

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

7 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

10 (1) BIWEEKLY. Occurring every two weeks.

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

15 (3) ESCROW AMOUNT. The amount of any additional funds
16 that are collected by a mortgage servicer pursuant to a
17 mortgage loan and set aside in an escrow account to cover
18 future expenses, including property taxes and homeowners
19 insurance.

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

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

27 (6) MORTGAGOR. A person that borrows money by granting
28 a mortgage or a successor in ownership of the real property



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29 described in the mortgage.

30 (7) PRINCIPAL. The outstanding balance of the original
31 mortgage loan granted by the mortgage servicer, exclusive of
32 interest.

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

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

36 (1) Make biweekly mortgage payments, in which any
37 amount paid in excess of the total annual contractual mortgage
38 payments due shall be applied to the mortgage loan principal;
39 or

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

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

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

54 (e) (1) This section shall apply only to consumer
55 mortgages that are secured by real property located in this
56 state and that are originated after the effective date of this



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57 act.

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

60 (3) This section shall not apply to any mortgage
61 servicer that allows mortgagors to make biweekly or
62 semi-monthly mortgage payments without penalty or that offer a
63 closed-end mortgage product that allows a mortgagor to make
64 biweekly or semi-monthly mortgage payments without penalty.

65 Section 2. This act shall become effective on October
66 1, 2026.

