

HB55 INTRODUCED



1 HB55
2 3PW4RZV-1
3 By Representative Hollis
4 RFD: Financial Services
5 First Read: 13-Jan-26
6 PFD: 05-Nov-25



SYNOPSIS:

This bill would require financial institutions to allow mortgagors to make mortgage payments biweekly or semi-monthly and allow mortgagors to make additional payments to the mortgage principal.

A BILL
TO BE ENTITLED
AN ACT

Relating to financial institutions; to require financial institutions to allow mortgagors to make biweekly or semi-monthly mortgage payments and additional payments to the mortgage principal.

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 financial institution pursuant to a



HB55 INTRODUCED

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

(5) FINANCIAL INSTITUTION. Any bank, savings and loans association, or credit union operating in Alabama which is chartered under federal or state law.

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

(7) PRINCIPAL. The outstanding balance of the original mortgage loan granted by the mortgagor, exclusive of interest.

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

(b) A financial institution shall allow a mortgagor who is in good standing on his or her mortgage to:

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

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

(c) A financial institution shall allow any mortgagor to pay additional amounts to the mortgage loan principal, without the imposition of any penalty.



HB55 INTRODUCED

(d) If at the time that the financial institution performs an escrow analysis the analysis projects an escrow shortage or otherwise results in an increase to escrow amount payments the financial institution shall:

(1) Notify the mortgagor of the new contractual mortgage payment pursuant to 12 C.F.R. Part 1005 or 1024 and adjust the amount of the mortgagor's recurring payment amount, if any, in accordance with the payment change resulting from the escrow analysis; and

(2) Apply any additional amounts paid by the mortgagor first to any unsatisfied escrow payments and then to the mortgage loan principal, without the imposition of any penalty.

(e) The mortgagor may elect to submit a payment or payments to the financial institution to reduce or eliminate any projected escrow shortage. A mortgagor that elects to make additional escrow payments pursuant to this subsection shall notify the financial institution of his or her intent to make the payments. The payments shall be treated separately and independent of payments applied to the mortgage loan principal pursuant to subsection (c).

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