

M&T BANK SETTLES SUIT ON MORTGAGE ESCROW ACCOUNTS

M&T Bank is the latest financial institution doing business in Western New York to settle a class action lawsuit regarding mortgage escrow accounts.

The three-year-old suit, which still must pass final muster with U.S. District Court in Illinois next month, would result in M&T refunding \$115,000 to roughly 125,000 former and current mortgagors whose loans were or are serviced by M&T.

The average rebate per account is about 90 cents, according to M&T spokesperson Nancy Brock.

"Unlike a lot of financial institutions which waited to change their practices, we immediately made changes and sent out rebate checks in April 1995 (the escrow changes went into effect in October 1994), Ms. Brock said. "That's why our total outlay in the suit only is about \$225,000."

The amount Ms. Brock referred to includes the \$115,000 in rebates and \$110,000 the bank has agreed to pay toward the plaintiff's attorney's fees.

The lawsuit alleges that M&T's escrow practices violated the stated amounts the institution was allowed to keep in escrow using a practice called single-item analysis.

The changes in the Real Estate Settlement Procedures Act, or RESPA, which became law nearly two years ago, mandated that financial institutions use a blended type of escrow account, which generally means less escrow is needed to handle loan servicing.

M&T denied any wrongdoing in its practices, but to avoid further expense, inconvenience and interference with its operations, agreed to settle the litigation.

Under terms of the agreement, M&T has agreed to alter its escrow practices, with the total amount held per month equal to one-twelfth of the estimated amount needed to cover escrow account disbursements. That total can climb to one-sixth of the amount needed for Federal Housing Administration and Veterans Administration mortgages.

Any amount over the mandated low point, if totaling more than \$50, will be refunded to the mortgagor. If the excess is less than \$50, M&T has the option to reduce a mortgagor's monthly payment to reduce the overage amount.

Changes in escrow practices involving current mortgagors must be put into practice within one year of the settlement date of Oct. 14, or Oct. 14, 1997.

M&T joins a number of fellow mortgagees that have settled lawsuits induced by alleged problems with escrow accounts.

Within the last year, PHH Mortgage Services, Chase Manhattan Bank and OnBank settled suits, while Fleet Mortgage settled one in 1993 and GMAC Mortgage in 1992.