

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Commerce and Economic Development to which was
3 referred House Bill No. 666 entitled “An act relating to escrow deposit bonds”
4 respectfully reports that it has considered the same and recommends that the
5 bill be amended by striking out all after the enacting clause and inserting in
6 lieu thereof the following:

7 Sec. 1. 27A V.S.A. § 4-110 is amended to read:

8 § 4-110. ESCROW OF DEPOSITS

9 (a) ~~Any~~ Except as provided in subsection (b) of this section, any deposit
10 made in connection with the purchase or reservation of a unit from a person
11 required to deliver a public offering statement pursuant to subsection 4-102(c)
12 of this title shall be placed in escrow and held either in this ~~state~~ State or in the
13 state where the unit is located in an account designated solely for that purpose
14 by a licensed real estate broker, an attorney licensed in that state, or a banking
15 institution the accounts of which are insured by an agency or instrumentality of
16 the government until the deposit is:

17 (1) delivered to the declarant at closing;

18 (2) delivered to the declarant after the purchaser’s default under a
19 contract to purchase; or

20 (3) refunded to the purchaser.

1 (b)(1) If the agreement for purchase or reservation of a unit provides that
2 deposit funds may be used for construction costs, the declarant obtains and
3 maintains a surety bond as required by this subsection, and the declarant
4 discloses the identity of the issuer of the surety bond to the purchaser, the
5 declarant may withdraw escrow funds for purposes of construction. The funds
6 shall only be used for actual building and construction costs of the project in
7 which the unit is located.

8 (2) The bond shall be issued by a surety authorized to do business in the
9 State of Vermont in favor of the purchaser in an amount adequate to cover the
10 amount of the deposit to be withdrawn. The declarant shall not withdraw more
11 than the face amount of the bond. The bond shall be payable to the purchaser
12 if the purchaser obtains a determination by the issuer of the surety bond that a
13 claim is payable to the purchaser under the terms of the bond, which shall be
14 consistent with the terms of the agreement for purchase or reservation, or a
15 final judgment against the declarant requiring the declarant to return the
16 deposit pursuant to the agreement for purchase or reservation. The bond may
17 be either in the form of an individual bond for each deposit accepted by the
18 declarant or in the form of a blanket bond assuring the return of all deposits
19 received by the declarant.

20 Sec. 2. EFFECTIVE DATE

21 This act shall take effect on passage.

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7 (Committee vote: _____)

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Representative _____

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FOR THE COMMITTEE