

1 H.666

2 An act relating to escrow deposit bonds

3 It is hereby enacted by the General Assembly of the State of Vermont:

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

5 § 4-110. ESCROW OF DEPOSITS

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

14 (1) delivered to the declarant at closing;

15 (2) delivered to the declarant after the purchaser's default under a  
16 contract to purchase; or

17 (3) refunded to the purchaser.

18 (b)(1) If the agreement for purchase or reservation of a unit provides that  
19 deposit funds may be used for construction costs, the declarant obtains and  
20 maintains a surety bond as required by this subsection, and the declarant  
21 provides the purchaser with a copy of the surety bond under which the  
22 purchaser's deposit is protected, the declarant may withdraw escrow funds for

1 purposes of construction. The funds shall only be used for actual building and  
2 construction costs of the project in which the unit is located.

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5 amount of the deposit to be withdrawn.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

15 Sec. 2. EFFECTIVE DATE

16 This act shall take effect on passage.