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H.666

Introduced by Representatives Harrison of Chittenden, Burditt of West  
Rutland, Buss of Woodstock, Canfield of Fair Haven, Chesnut-  
Tangerman of Middletown Springs, Clifford of Rutland City,  
Dolan of Waitsfield, Howard of Rutland City, Jerome of  
Brandon, Maguire of Rutland City, McCoy of Poultney,  
Sammis of Castleton, and Shaw of Pittsford

Referred to Committee on

Date:

Subject: Housing; construction; finance

Statement of purpose of bill as introduced: This bill proposes to permit  
housing developers to finance construction costs with future resident deposits  
by securing resident deposits with escrow deposit bonds.

An act relating to escrow deposit bonds

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

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

~~§ 4-110. ESCROW OF DEPOSITS~~

~~(a) Any Except as provided in subsection (b) of this section, any deposit  
made in connection with the purchase or reservation of a unit from a person~~

1 ~~required to deliver a public offering statement pursuant to subsection 4-102(e)~~  
2 of this title shall be placed in escrow and held either in this state State or in the  
3 state where the unit is located in an account designated solely for that purpose  
4 by a licensed real estate broker, an attorney licensed in that state, or a banking  
5 institution the accounts of which are insured by an agency or instrumentality  
6 of the government until the deposit is:

7 (1) delivered to the declarant at closing;

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

10 (3) refunded to the purchaser.

11 (b)(1) If the agreement for purchase or reservation of a unit provides that  
12 deposit funds may be used for construction costs, and the declarant obtains and  
13 maintains a surety bond as required by this subsection, the declarant may  
14 withdraw escrow funds for purposes of construction. The funds shall only be  
15 used for actual building and construction costs of the project in which the unit  
16 is located.

17 (2) The bond shall be issued by a surety authorized to do business in the  
18 State of Vermont in favor of the purchaser in an amount adequate to cover the  
19 amount of the deposit to be withdrawn. The declarant shall not withdraw more  
20 than the face amount of the bond. The bond shall be payable to the purchaser  
21 if the purchaser obtains a final judgment against the declarant requiring the

1 ~~declarant to return the deposit pursuant to the agreement for purchase or~~  
2 reservation. The bond may be either in the form of an individual bond for  
3 each deposit accepted by the declarant or in the form of a blanket bond  
4 assuring the return of all deposits received by the declarant.

5 Sec. 2. EFFECTIVE DATE

6 ~~This act shall take effect on July 1, 2024.~~

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

*§ 4-110. ESCROW OF DEPOSITS*

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

*(1) delivered to the declarant at closing;*

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

*(3) refunded to the purchaser.*

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

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

*Sec. 2. EFFECTIVE DATE*

This act shall take effect on passage.