

SENATE BILL 2562

By Ketron

AN ACT to amend Tennessee Code Annotated, Title 45 and Title 47, relative to release of funds received by financial institutions from insurance companies for repairs to a residence.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 45, Chapter 2, Part 17, is amended by adding the following language as a new section:

45-2-1721

(a) As used in this section, the term "financial institution" means a bank, savings and loan association, industrial loan and thrift company, credit union, mortgage broker, mortgage banker, or leasing company which makes or arranges loans.

(b)

(1) It is unlawful, and a violation of the consumer protection act, compiled in title 47, chapter 18, for a financial institution to withhold disbursing sufficient funds to begin making repairs on damages caused to the residence of a debtor on a loan or mortgage held by the financial institution if:

(A) Such funds are from an insurance check received by the financial institution made payable to both such financial institution and the name of the debtor; and

(B) The difference between the amount of the damages estimated by the insurance adjuster and a contractor's estimated cost to make the repairs is less than ten percent (10%) of the amount of the insurance adjuster's estimate.

(2) It is further unlawful, and a violation of the consumer protection act, for the financial institution, without just cause, to fail to release additional funds up to but not exceeding the balance of the insurance check for the repairs being made based on satisfactory progress of such repairs.

(c) Any officer, employee or director of a financial institution commits a Class A misdemeanor, subject to a fine only, for withholding such funds in violation of subsection (b).

SECTION 2. This act shall take effect July 1, 2012, the public welfare requiring it.