

1 S.178

2 Introduced by Senator Cummings

3 Referred to Committee on

4 Date:

5 Subject: Housing; construction; finance

6 Statement of purpose of bill as introduced: This bill proposes to permit

7 housing developers to finance construction costs with future resident deposits

8 by securing resident deposits with escrow deposit bonds.

9 An act relating to escrow deposit bonds

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

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

12 § 4-110. ESCROW OF DEPOSITS

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

1 (1) delivered to the declarant at closing;

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

4 (3) refunded to the purchaser.

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

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13 amount of the deposit to be withdrawn.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

20 Sec. 2. EFFECTIVE DATE

21 This act shall take effect on July 1, 2024.