

SENATE No. 787

The Commonwealth of Massachusetts

PRESENTED BY:

Paul W. Mark

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act ensuring timely insurance loss-draft payouts for homeowners.

PETITION OF:

NAME:

Paul W. Mark

DISTRICT/ADDRESS:

*Berkshire, Hampden, Franklin and
Hampshire*

SENATE No. 787

By Mr. Mark, a petition (accompanied by bill, Senate, No. 787) of Paul W. Mark for legislation to establish protections for homeowners by regulating mortgage lenders' handling of insurance payouts (loss drafts) after property damage. Financial Services.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Fourth General Court
(2025-2026)**

An Act ensuring timely insurance loss-draft payouts for homeowners.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 183 of the General Laws as appearing in the 2022 Official Edition
2 is hereby amended by adding at the end after the following three sections:-

3 Section 70. Timeliness of Loss Draft Payments

4 For the purpose of this section 70 and the following sections 71 and section 72, “loss
5 draft” shall mean the insurance payout issued to a homeowner after property damage, such as
6 from a fire, flood, or storm, which may be held and disbursed by the mortgage lender to the
7 homeowner or contractors in stages as repairs are completed and “mortgage” shall refer
8 mortgage to contractual agreement between a lender (mortgagee) and a homeowner borrower in
9 which the homeowner pledges real property as security for a loan provided by the lender

10 (a) Upon a homeowner's notification to the mortgage lender (or “lender”) initiating a loss
11 draft, the lender shall not transfer the mortgage to another lender until all loss draft funds are
12 disbursed to the homeowner.

13 (b) Upon a homeowner's notification to the mortgage lender initiating a loss draft, the
14 homeowner shall have the option to choose their preferred method of receiving funds via direct
15 deposit or paper check or a mutually agreed upon method. Upon receipt of loss draft funds, the
16 lender shall provide the homeowner with notice of the expected timeline for disbursement of
17 funds.

18 (c) If the funds are retained by the lender for more than 30 days from the date the loss
19 draft funds are received by the lender, the homeowner shall be entitled to interest on those funds.
20 The interest shall be calculated at a fixed current annual percentage rate (APR) as of the 30th
21 day. At the conclusion of all loss draft payments to the homeowner for the particular instance,
22 the lender shall provide a summary report to the homeowners on the accrued interest. If not
23 disbursed to the homeowner, the accrued interest shall be applied to the homeowner's loan at the
24 conclusion of the current tax year.

25 Section 71: Disclosure of Loss Draft Processes

26 (a) All new mortgage documents shall include a dedicated section disclosing the lending
27 institution's individual process for loss draft claims, as well as the provisions of this law.

28 (b) In the event that the homeowner's mortgage is sold to another lender for property
29 located within the Commonwealth of Massachusetts, the homeowner must receive written
30 notification of the pending sale. Following the completion of the sale, the new mortgage
31 company shall also provide written disclosure of its loss draft processes and policies.

32 Section 72: Establishment of Zero-Interest Loan Fund and Penalties for Non-Compliance

33 (a) The Commonwealth of Massachusetts shall establish for homeowners whose claims
34 are pending due to delays in loss draft payments, a zero-interest loan fund to provide zero-
35 interest loans of up to fifteen thousand dollars (\$15,000) per resident for necessary home repairs.

36 (b) In the event of non-compliance with any provisions of Sections 70, 71, 72, the
37 mortgage lender shall be subject to penalties not to exceed five percent (5%) of the total value of
38 the loan for each violation. Each instance of non-compliance shall be treated as a separate
39 violation.

40 (c) The penalties collected under this section shall be deposited into the Commonwealth's
41 zero-interest loan fund established in subsection (a) to support additional funding for
42 homeowners requiring assistance with repairs.

43 SECTION 2. This act shall go into effect immediately upon its passage.