

**TESTIMONY BEFORE THE PENNSYLVANIA HOUSE FINANCE COMMITTEE
ON HOUSE BILL NO. 2091**

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First American Real Estate Tax Service, Inc.

Thank you for the opportunity to testify today in support of House Bill No. 2091. This bill would amend the tax law to authorize escrow agents to remit payment to Pennsylvania Taxing authorities, ensuring the same guidelines as if the payment had been directly received from the homeowners.

First American provides real estate tax reporting and payment services throughout the United States for its customers, which are banks, mortgage companies and other lending institutions. First American also pays taxes to taxing authorities from escrowed accounts maintained by the lending institutions, which are First American's customers, for the benefit of the lending institutions' borrowers.

First American services over 22.5 million escrow loans nationwide and reports and coordinates payment on over 930,000 tax bills in the Commonwealth of Pennsylvania alone. I have worked in the industry and with First American for nearly 15 years and currently hold the position of Area Manager for the Philadelphia Office which services the state of Pennsylvania including Northumberland Borough.

I have not previously experienced a situation where a taxing authority has refused payment submitted when all of their specified guidelines have been met, and an original tax statement included, simply as a result of the fact that payment is being issued from the lender or escrow agent on behalf of the taxpayer, rather than from the taxpayer directly.

As you are aware, Mr. Snyder sent a letter on or about July 1, 2007 to homeowners in Shikellamy School District and Northumberland Borough, notifying them that he would refuse any payments from escrow agents. The letter stated as follows:

Effective immediately this office will not accept Real Estate Tax payments from Escrow Agents. If your taxes are held in Escrow it will be your responsibility to get your money from your Escrow Agent to pay your taxes. Payments remitted must have the Remittance Copy Included with your payment.

Mr. Snyder did in fact ultimately accept the bulk payment for the 2007 school taxes from First American, stating he accepted the payment to spare the taxpayers undue hardship, however individual payments remitted directly were in fact refused. After several months of working with Mr. Sinopoli at the School District, First American was ultimately forced to request our lenders to forward payment, now in penalty through their homeowners. This was done to ensure acceptance of the payment prior to the end of the year so the delinquent taxes were not turned over to the county tax claim office.

However, these rules were imposed again during the borough tax cycle, and again nearly all of the tax payments made by lending institutions from their escrow accounts in 2008 have been rejected and returned. First American and our lenders received a copy of a letter with each individually rejected payment which read:

Payments from Escrow Agents should be made payable to the Tax Collector and mailed to the property owner who will make the payment to the Tax Collector and receive a stamped receipt for same. Thank you. *Face amount is now due!*

These actions have interfered with First American's contractual duty to perform services for its customers and homeowners in Northumberland Borough.

It is undeniable that there are damaging consequences to First American, the lending institutions, the homeowners and the public interest. As mentioned previously, lending institutions and First American provide escrow services by releasing funds from the escrow accounts to taxing authorities. These funds belong to the homeowners and these entities are merely facilitating payments for them. Refusal to accept payments from these entities causes undue hardship for the homeowners.

Additionally, Mr. Snyder's refusal to accept tax payments impacts a lender's interest in a secured loan. Lenders require borrowers to establish escrow accounts to ensure that taxes are fully paid on a timely basis, and to protect their security from tax liens and foreclosures. Thus, escrow accounts protect the lender and serve a public interest by facilitating timely tax payments to taxing authorities. Accordingly, these actions violate public policy.

Moreover, tax payments from escrow accounts increase efficiency for taxing authorities. Escrow payments ease the workload for tax collectors since taxes are paid in bulk, often through a single check, for multiple homeowners. Thus, tax collectors are able to process multiple tax payments simultaneously, saving time and resources.

To conclude, Northumberland Boro is the only taxing authority in Pennsylvania to reject payments primarily because of the payment being presented from an escrow agent. These actions are especially damaging to First American since we service nearly 150 escrow loans within this area. Accordingly, First American requests your approval of house bill 2091 to amend the local tax collection law to require the acceptance of tax payments from escrow agents.

Thank you.

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