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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 3012

04/23/2012 Authored by Mullery

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform

1.1 A bill for an act
1.2 relating to mortgage foreclosures; requiring certain calculations; requiring
1.3 reduction in the mortgage loan balance under certain circumstances; proposing
1.4 coding for new law in Minnesota Statutes, chapter 582.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[582.33] REDUCTION OF MORTGAGE AMOUNT TO REFLECT**
1.7 **NET BENEFIT OF FORECLOSURE TO LENDER.**

1.8 (a) Before beginning a mortgage foreclosure, a mortgagee or mortgage servicer shall
1.9 determine the exact amount or reasonable estimates of the following dollar amounts:

1.10 (1) the amount owing on the mortgage loan;

1.11 (2) all costs of completing a foreclosure and selling the property, including costs
1.12 reasonably expected to be incurred during the redemption period, costs of maintaining the
1.13 property and preparing it for sale, payment of delinquent real estate taxes, and the real
1.14 estate commissions to be incurred in selling the property;

1.15 (3) the market value of the property at the end of the redemption period; and

1.16 (4) the expected value of foreclosure to the lender, consisting of clause (3) minus
1.17 clause (2).

1.18 (b) Prior to beginning a foreclosure on the property referenced in paragraph (a),
1.19 the mortgagee shall offer in writing to the owner the opportunity to replace the existing
1.20 mortgage loan with a new mortgage loan in an amount equal to the amount determined
1.21 under paragraph (a), clause (4), with a rate of interest at the current market rate but no
1.22 higher than the existing mortgage loan and with a 30-year amortization period unless the
1.23 borrower requests a shorter amortization.

2.1 (c) After receiving the offer required under paragraph (b), the owner shall have 60
2.2 days to decide whether to accept the offer. The mortgagee and owner may agree on a
2.3 different arrangement. The owner may also obtain a loan from another source to pay the
2.4 lender the amount specified in this paragraph.

2.5 **EFFECTIVE DATE.** This section is effective for mortgage foreclosures
2.6 commenced on or after August 1, 2012.