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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-EIGHTH SESSION**

**H. F. No. 35**

01/10/2013 Authored by Mullery

The bill was read for the first time and referred to the Committee on Housing Finance and Policy

1.1 A bill for an act  
1.2 relating to real estate; regulating underwater mortgage loans; providing an  
1.3 opportunity to refinance; requiring transparency in loan modification criteria;  
1.4 proposing coding for new law in Minnesota Statutes, chapter 47.

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

1.6 Section 1. **[47.22] REFINANCING OPPORTUNITY REQUIRED; CERTAIN**  
1.7 **UNDERWATER HOME MORTGAGE LOANS.**

1.8 Subdivision 1. **Qualifications.** This section applies to:

1.9 (1) all mortgagees and their assignees and servicers; and

1.10 (2) a home mortgage loan customer of an entity described in clause (1) whose  
1.11 mortgage loan:

1.12 (i) was originated prior to January 1, 2009;

1.13 (ii) is current on payments;

1.14 (iii) had not been delinquent at any time within the preceding 12 months;

1.15 (iv) has a current interest rate of 5.25 percent or higher; and

1.16 (v) has a loan-to-value ratio in excess of 100 percent.

1.17 Subd. 2. **Opportunity to refinance.** An entity described in subdivision 1, clause

1.18 (1), must offer to an existing home mortgage loan customer described in subdivision 1,

1.19 clause (2), an opportunity to refinance the loan at a lower interest rate. The offer must not

1.20 be conditional upon the customer's payment of fees to the entity described in subdivision

1.21 1, clause (1), that exceed the cost actually and reasonably incurred in connection with the

1.22 refinancing. The offer to refinance must be made no later than 60 days after the date of

1.23 enactment of this act. The offer must remain available for acceptance by the borrower for

1.24 at least 60 days after the date the offer is communicated.

2.1            Subd. 3. **Consequence of noncompliance.** If an entity described in subdivision 1,  
 2.2 clause (1), does not comply with subdivision 2, and the entity begins foreclosure of the  
 2.3 mortgage, the redemption period is 12 months, notwithstanding a shorter period specified  
 2.4 in section 580.23.

2.5            **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.6            Sec. 2. **[47.221] TRANSPARENCY IN LOAN MODIFICATION CRITERIA.**

2.7            An entity described in section 47.22, subdivision 1, clause (1), shall provide to all of  
 2.8 its residential mortgage loan customers in writing the criteria the entity uses in determining  
 2.9 eligibility for a loan modification. The entity shall provide the criteria at least once per  
 2.10 year, within 30 days after each change in the criteria, and upon request. If the entity denies  
 2.11 an application for a loan modification, the entity shall notify the customer in writing within  
 2.12 five days of the decision and provide an explanation of how the customer failed to meet the  
 2.13 criteria. The entity must provide the customer with accurate information about the lender.

2.14            **EFFECTIVE DATE.** This section is effective the day following final enactment.