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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 3942

03/15/2018 Authored by Theis, Rarick and Howe
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 financial institutions; prohibiting lenders from issuing loans for new
1.3 and remodeled construction without verification that the work is done by a licensed
1.4 contractor; amending Minnesota Statutes 2016, section 47.20, subdivision 6a.

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

1.6 Section 1. Minnesota Statutes 2016, section 47.20, subdivision 6a, is amended to read:

1.7 Subd. 6a. **Loan assumptions.** (a) If the purpose of a conventional loan, or loan made
1.8 pursuant to the authority granted in subdivision 1, clause (3) or (4), is to enable a borrower
1.9 to purchase a one to four family dwelling for the borrower's primary residence, the lender
1.10 shall consent to the subsequent transfer of the real estate and shall release the existing
1.11 borrower from all obligations under the loan instruments, if the transferee (1) meets the
1.12 standards of credit worthiness normally used by persons in the business of making
1.13 conventional loans, including but not limited to the ability of the transferee to make the loan
1.14 payments and satisfactorily maintain the real estate used as collateral, (2) executes an
1.15 agreement in writing with the lender whereby the transferee assumes the obligations of the
1.16 existing borrower under the loan instruments, and (3) executes an agreement in writing to
1.17 pay interest on the remaining obligation at a new interest rate not to exceed the lender's
1.18 current market rate of interest on similar loans at the time of the transfer, the most recently
1.19 published monthly index of the Federal Home Loan Mortgage Corporation auction yields
1.20 or the existing interest rate provided for by the terms of the note, whichever is greater. Any
1.21 such agreement shall not affect the priority, validity or enforceability of any loan instrument.

1.22 (b) If the purpose of a conventional loan is to enable a borrower to purchase a newly
1.23 constructed home or for a home improvement project, the borrower must provide the lender
1.24 with the current license number of the residential building contractor or residential remodeler

- 2.1 under section 326B.802, subdivisions 11 and 12. The lender must verify the license number
- 2.2 on the commissioner of labor and industry's contractor license verification Web site under
- 2.3 section 326B.701, subdivision 4.