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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

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A N A C T

RELATING TO PROPERTY -- MORTGAGE FORECLOSURE AND SALE

Introduced By: Representatives Cruz, Kislak, Felix, and Dawson

Date Introduced: March 05, 2024

Referred To: House Judiciary

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 34-27 of the General Laws entitled "Mortgage Foreclosure and Sale"

2 is hereby amended by adding thereto the following section:

3 **34-27-9. Foreclosure bundling prohibited.**

4 (a) The purpose and intent of this section is to:

5 (1) Allow for prospective owner-occupants and eligible bidders to have the first
6 opportunity to purchase properties that have been acquired through the foreclosure process by an
7 entity that annually forecloses on twenty-five (25) or more residential real properties in Rhode
8 Island.

9 (2) Promote owner occupancy by enacting legislation that provides owner-occupants and
10 affordable housing providers an opportunity for their offers to be considered on foreclosed
11 properties prior to other offers.

12 (3) Ensure that the requirements of this section are consistent with the goal to expand home
13 ownership opportunities, strengthen neighborhoods and communities, while also providing that
14 sellers are required to respond to offers received during the first look period before accepting or
15 considering investor offers to purchase single-family homes.

16 (b) For purpose of this section:

17 (1) "Bundled sale" means the sale of two (2) or more parcels of real property containing
18 one to four (4) residential dwelling units, inclusive, at least two (2) of which have been acquired
19 through foreclosure under a mortgage.

1 (2) "Eligible bidder" means any of the following:
2 (i) A prospective owner-occupant.
3 (ii) A nonprofit corporation that meets all of the following requirements:
4 (A) The nonprofit corporation has a determination letter from the Internal Revenue Service
5 affirming its tax-exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code and is
6 not a private foundation as that term is defined in Section 509 of the Internal Revenue Code;
7 (B) The nonprofit corporation is based in Rhode Island;
8 (C) All of the board members of the nonprofit corporation have their primary residence in
9 Rhode Island; and
10 (D) The primary activity of the nonprofit corporation is the development and preservation
11 of affordable rental or home ownership housing in Rhode Island;
12 (iii) Any public land trust based in Rhode Island.
13 (iv) The state, or any city, town, public authority, public agency, and any other political
14 subdivision or public corporation located in the state.
15 (3) "Institution" means any of the following, if that person or entity, during its immediately
16 preceding annual reporting period, as established with its primary regulator, foreclosed on twenty-
17 five (25) or more residential real properties, containing no more than four (4) dwelling units:
18 (i) A depository institution chartered under state or federal law; and
19 (ii) Any person or institution licensed pursuant to § 19-14-2 that provides consumer or
20 commercial loans.
21 (4) "Prospective owner-occupant" means a natural person whose affidavit or declaration
22 under subsection (c)(2) of this section states all of the following:
23 (i) They will occupy the property as their primary residence within sixty (60) days of the
24 foreclosure deed being recorded;
25 (ii) They will maintain their occupancy for at least one year; and
26 (iii) They are not any of the following:
27 (A) The mortgagor;
28 (B) The child, spouse, or parent of the mortgagor;
29 (C) The grantor of a living trust that was named in the title to the property when the notice
30 of default was recorded;
31 (D) An employee, officer, or member of the mortgagor; or
32 (E) A person with an ownership interest in the mortgagor, unless the mortgagor is a publicly
33 traded company.
34 (iv) They are not acting as the agent of any other person or entity in purchasing the real

1 property.

2 (c) All of the following shall apply to sales of real property containing one to four (4)
3 residential dwelling units, inclusive, that is acquired through foreclosure under a mortgage by an
4 institution or that is acquired at a foreclosure sale by an institution:

5 (1) During the first thirty (30) days after the property is listed for sale, the institution shall
6 only accept offers from eligible bidders;

7 (2) An eligible bidder shall submit with their offer to the institution an affidavit or
8 declaration, that states they are either of the following:

9 (i) An eligible bidder pursuant to subsection (b)(2)(ii) through (iv) of this section; or

10 (ii) A prospective owner-occupant purchasing the property as a primary residence pursuant
11 to this subsection.

12 (3) Any fraudulent statements may be subject to criminal or civil liability;

13 (4) The institution shall respond, in writing, to all offers received from eligible bidders
14 during the first thirty (30) days after the property is listed for sale before considering any other
15 offers; and

16 (5) Notwithstanding any other general or public law to the contrary, an institution shall not
17 conduct a bundled sale.

18 SECTION 2. This act shall take effect on January 1, 2025.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO PROPERTY -- MORTGAGE FORECLOSURE AND SALE

- 1 This act would provide prospective owner-occupants a first opportunity to purchase
- 2 properties acquired through foreclosure and would prohibit bundled foreclosure sales.
- 3 This act would take effect on January 1, 2025.

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