

2011 -- H 5902

LC02035

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2011

A N A C T

RELATING TO TOWNS AND CITIES

Introduced By: Representatives Lima, and Costa

Date Introduced: March 09, 2011

Referred To: House Judiciary

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 45 of the General Laws entitled "TOWNS AND CITIES" is hereby
2 amended by adding thereto the following chapter:

3 CHAPTER 24.6

4 FORECLOSED PROPERTY UPKEEP ACT

5 **45-24.6-1. Short title.** -- This chapter shall be known and may be cited as the "Rhode
6 Island Foreclosed Property Upkeep Act."

7 **45-24.6-2. Legislative findings.** -- (a) The number of mortgage foreclosures in Rhode
8 Island has increased dramatically, and as a consequence, the upkeep of many foreclosed
9 residential properties has been neglected. These neglected properties have a detrimental effect on
10 the neighborhoods and the municipalities in which they are located.

11 (b) Neglected properties are often occupied by individuals for illicit purposes subjecting
12 the neighborhood to increased crime and a host of other social ills.

13 (c) As a foreclosed property falls deeper into disrepair, the value of nearby property
14 decreases.

15 (d) Municipalities are required to spend an excessive and disproportionate amount of
16 public funds for police protection, fire protection, code enforcement, and other purposes directly
17 and indirectly related to the presence of neglected foreclosed properties.

18 (e) The presence of neglected foreclosed properties is detrimental to the public's health,
19 safety, and welfare.

1 (f) Enactment and enforcement of this chapter is therefore declared to be essential to the
2 protection and preservation of the public's health, safety, and welfare. It is intended that the
3 provisions of this chapter be liberally construed to effectuate its stated purposes.

4 **45-24.6-3. Foreclosed property upkeep bond. --** (a) A financial institution or other
5 business entity that purchases, by foreclosure, a residential property upon which that financial
6 institution or other business entity holds a mortgage shall maintain the property in compliance
7 with chapter 45-24.3, the Rhode Island housing maintenance and occupancy code, or in
8 compliance with a municipal ordinance enacted pursuant to chapter 45-24.2.

9 (b) A financial institution or business entity that purchases, by foreclosure, a residential
10 property upon which that financial institution or business entity holds a mortgage shall post with
11 the municipality in which the foreclosed property is located, a bond in the amount of twenty-five
12 percent (25%) of the assessed value of the property. The bond shall be in a form approved by the
13 municipality. A document evidencing the posting of the bond shall be recorded together with the
14 foreclosure deed, and no recorder of deeds shall accept a foreclosure deed for recording that is not
15 accompanied by such a document.

16 (c) If the municipality determines that the foreclosed property is in violation of chapter
17 45-24.3, or in violation of any municipal ordinance enacted pursuant to chapter 45-24.2, and the
18 violation is not abated within thirty (30) days of the date the financial institution or other business
19 entity receives written notice of the violation, the bond posted for that property shall be forfeited,
20 and the municipality shall have the right to use any part of the proceeds to correct the violation.

21 (d) If the municipality uses the entire proceeds of the bond to correct the violation, it shall
22 notify the financial institution or other business entity by certified mail, and the financial
23 institution or other business entity shall post another bond in the same amount as the original
24 bond within ten (10) days of the receipt of such a notice. If the financial institution or other
25 business entity fails to post the replacement bond within (10) days of the receipt of the notice, the
26 municipality shall have the right to sell the property by public auction for the amount of the bond
27 not posted according to the procedure required by chapter 44-9 for tax sales.

28 (e) Upon transfer of ownership of the property by the financial institution or other
29 business entity, the municipality shall release the bond, or return any unused portion of the bond
30 proceeds to the entity that posted the bond.

31 **45-24.6-4. Foreclosed property – Agent for service. –** A financial institution or other
32 business entity that purchases by foreclosure a residential property upon which that financial
33 institution or other business entity holds a mortgage shall record in the land evidence records of
34 the municipality in which the property is located, a document identifying an agent in Rhode

1 [Island to accept service of any process, notice, or demand.](#)

2 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
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- 1 This act would establish the Rhode Island foreclosed property upkeep act and would
- 2 require a purchaser of foreclosed property to maintain the property in accordance with 45-24.3
- 3 and also to identify an agent in Rhode Island for service of process.
- 4 This act would take effect upon passage.

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