



**House
Legislative
Analysis
Section**

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FORECLOSURE NOTICE TO STATE INTEREST

House Bill 4165 as introduced
First Analysis (3-15-89)

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APR 17 1989

Sponsor: Rep. Roland G. Niederstadt
Committee: Judiciary

Mich. State Law Library

THE APPARENT PROBLEM:

After the sale of foreclosed property, there is a period (from one month to a year, depending on circumstances) during which the mortgagor (that is, the defaulting borrower) may redeem the property by paying the amount bid at sale, together with amounts owed for interest. Commonly, the local register of deeds determines this sum and accepts the payment on behalf of the buyer. When the mortgagor pays the register of deeds rather than the buyer, he or she must also pay a fee of \$3 for the care and custody of the redemption money. Registers of deeds criticize two aspects of this arrangement: first, it is occasionally difficult to get interest rate information from the lender involved. In addition, the \$3 fee, unchanged for some time, is inconsistent with other register of deeds fees, many of which have been increased to \$5 within the past few years. It has been suggested that foreclosure notices bear a statement of the interest rate that is to apply during the redemption period, and that the care and custody fee be raised to \$5.

THE CONTENT OF THE BILL:

The bill would amend Chapter 32 of the Revised Judicature Act to require every notice of foreclosure by sale to specify the interest rate (or the formula used to determine the interest rate) that would apply during the redemption period. (The law states that this interest is to be charged from the time of sale at the rate percent borne by the mortgage.)

In addition, the bill would raise from \$3 to \$5 the fee paid to a register of deeds upon redemption of a mortgage.

The bill would take effect July 1, 1989.

MCL 600.3212 and 600.3240

FISCAL IMPLICATIONS:

Fiscal information is not available. (3-14-89)

ARGUMENTS:

For:

By requiring foreclosure notices to disclose the interest to be paid during the redemption period on foreclosed property that is subsequently redeemed, the bill would minimize any difficulty that mortgagors and registers of deeds may have in obtaining the information necessary to calculate the sum necessary to redeem the property. In addition, the bill would increase the redemption fee paid to a register of deeds to an amount that is consistent with other statutes.

Against:

Some adjustable rate mortgage formulas evidently can be lengthy enough to make their insertion in the foreclosure notice an unwieldy proposition.

POSITIONS:

The Michigan Association of Registers of Deeds supports the bill. (3-14-89)

The Michigan Bankers' Association does not oppose the bill. (3-14-89)

H.B. 4165 (3-15-89)