

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 903

DATE: March 26, 2009

Version: First engrossment

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Subject: Regulation of foreclosure consultants

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Overview

This bill makes changes in existing laws regulating contracts between consumers and foreclosure consultants. Foreclosure consultants are people who enter into a contract with a homeowner to help them avoid or mitigate a mortgage foreclosure. Minnesota law started regulating those contracts in 2004. All of the changes involve the definition of “foreclosure consultant,” and involve contracts in which a person claims to be able to negotiate with a mortgage lender to get changes in an existing mortgage loan. This bill adds those people to the definition when they do that.

Section

- 1** **Definitions.** (a)(9) Adds negotiating changes in an existing residential mortgage to the list of promises that make a person fit the definition of a foreclosure consultant.
- (b)(8) Limits a current exemption that applies to people licensed as mortgage originators or servicers, to say that one regulation does apply to them if they negotiate or offer to negotiate changes in an existing residential mortgage. That regulation is that they must fully perform the services they promise to perform as a foreclosure consultant before collecting a fee.
- (b)(9) Continues an existing exemption for nonprofit agencies that offer foreclosure counseling or advice, but requires them to comply with a provision requiring them to charge a fee only after completing performance of whatever they promise to do. Clarifies that the exemption applies only to nonprofits that have been approved by the Internal Revenue Service as a charitable organization under section 501(c)(3) of the Internal Revenue Code.
- (e)(3) Amends the definition of “service” to include contacting creditors or mortgage servicers to negotiate or offer to negotiate changes in an existing mortgage loan.