AN ACT

RELATING TO TOWNS AND CITIES

Introduced By: Representatives Lima, Carnevale, Diaz, DaSilva, and DeSimone

Date Introduced: March 22, 2012

Referred To: House Judiciary

It is enacted by the General Assembly as follows:

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

CHAPTER 24.6

FORECLOSED PROPERTY UPKEEP ACT

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

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

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

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

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

(e) The presence of neglected foreclosed properties is detrimental to the public's health, safety, and welfare.
(f) Enactment and enforcement of this chapter is therefore declared to be essential to the protection and preservation of the public’s health, safety, and welfare. It is intended that the provisions of this chapter be liberally construed to effectuate its stated purposes.

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

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

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

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

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

45-24.6-4. Foreclosed property – Agent for service. -- A financial institution or other business entity that purchases by foreclosure a residential property upon which that financial institution or other business entity holds a mortgage shall record in the land evidence records of the municipality in which the property is located, a document identifying an agent in Rhode
Island to accept service of any process, notice or demand.

SECTION 2. This act shall take effect upon passage.
EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO TOWNS AND CITIES

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1 This act would establish the Rhode Island Foreclosed Property Upkeep Act to require a
2 purchaser of a foreclosed property to maintain the property and also to identify an agent in Rhode
3 Island for service of process.
4 This act would take effect upon passage.

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