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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

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A N A C T

RELATING TO TOWNS AND CITIES -- FORECLOSED PROPERTY UPKEEP ACT

Introduced By: Representatives Lima, O'Grady, Diaz, and Slater

Date Introduced: January 27, 2017

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.**

6 This chapter shall be known as the "Rhode Island Foreclosed Property Upkeep Act."

7 **45-24.6-2. Legislative findings.**

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

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

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

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

19 (e) The presence of neglected foreclosed properties is detrimental to the public's health,

1 safety, and welfare.

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

5 **45-24.6-3. Foreclosed property upkeep bond.**

6 (a) A financial institution or other business entity that purchases by foreclosure a
7 residential property upon which that financial institution or other business entity holds a mortgage
8 shall maintain the property in compliance with chapter 24.3 of title 45, the Rhode Island housing
9 maintenance and occupancy code, or in compliance with a municipal ordinance enacted pursuant
10 to chapter 24.2 of title 45.

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

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

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

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

34 **45-24.6-4. Foreclosed property – Agent for service.**

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

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO TOWNS AND CITIES -- FORECLOSED PROPERTY UPKEEP ACT

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 by posting a bond in
3 accordance with the Rhode Island housing and maintenance and occupancy code, and also to
4 identify an agent in Rhode Island for service of process.

5 This act would take effect upon passage.

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