

SENATE No. 1379

The Commonwealth of Massachusetts

PRESENTED BY:

Susan C. Tucker

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act to Stabilize Neighborhoods.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Susan C. Tucker	Second Essex and Middlesex
Bruce E. Tarr	First Essex and Middlesex
Patricia D. Jehlen	Second Middlesex
James B. Eldridge	Middlesex and Worcester
Colleen M. Garry	36th Middlesex
Denise Provost	27th Middlesex
Kay Khan	11th Middlesex
Timothy J. Toomey, Jr.	26th Middlesex
Karen E. Spilka	Second Middlesex and Norfolk
Barbara A. L'Italien	18th Essex
Ellen Story	3rd Hampshire
Anthony D. Galluccio	Middlesex, Suffolk and Essex
Gale D. Candaras	First Hampden and Hampshire
Mark C. Montigny	Second Bristol and Plymouth
William Lantigua	16th Essex
Linda Dean Campbell	15th Essex

The Commonwealth of Massachusetts

In the Year Two Thousand and Nine

AN ACT TO STABILIZE NEIGHBORHOODS.

Whereas, The deferred operation for this act would tend to defeat its purpose, which is forthwith to make which is to protect citizens of the Commonwealth, therefore it is hereby declared to be an emergency law, necessary for the immediate preservation of the public convenience.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 5 of chapter 59 of the general laws is hereby amended by inserting after
2 clause fifty-five the following clause:-

3 Fifty sixth. Real estate owned by or held in trust for a charitable organization for the purpose of creating
4 community housing, as defined in section 2 of chapter 44B, where the charitable organization purchased
5 said property from an entity that acquired the property pursuant to section 14 of chapter 244 of the general
6 laws, from the date of such real estate's acquisition by the charitable organization until such real estate is
7 leased, rented, or otherwise disposed of; provided said exemption for such real property shall not extend
8 beyond a total period of seven years . This clause shall take effect upon its acceptance by any city or
9 town.

10 SECTION 2. Section 13A of chapter 186 is hereby amended by inserting after the words "federal
11 law" the following:--

12 and the foreclosing entity shall assume the lease and rental subsidy contract with the rental subsidy
13 administrator.

14 SECTION 3. The general laws are hereby amended by adding after chapter 186, the following
15 new chapter:-

16 Chapter 186A. Tenant protections in foreclosed properties

17 Section1. As used in this chapter, the following words shall, unless the context clearly requires
18 otherwise, have the following meanings:

19 'Entity', a business organization, or any other kind of organization, including without limitation, a
20 corporation, partnership, trust, limited liability corporation, limited liability partnership, joint venture,
21 sole proprietorship, or any other category of organization, and any employee, agent, servant or other
22 representative of such entity.

23 'Eviction', any action, without limitation, by a foreclosing owner of a housing accommodation which is
24 intended to compel a tenant to vacate or to be constructively evicted from such housing accommodation.

25 "Foreclosing owner", an entity that holds title, in any capacity, directly or indirectly, without limitation,
26 whether in its own name, as trustee, or as beneficiary, to a housing accommodation that has been
27 foreclosed upon, and either (1) held or owned a mortgage or other security interest in the housing
28 accommodation at any point prior to the foreclosure of the housing accommodation or is the subsidiary,
29 parent, trustee, or agent of, or otherwise is related to any entity which held or owned the mortgage or
30 other security interest in the housing accommodation at any time prior to the foreclosure of the housing
31 accommodation; or (2) is an institutional mortgagee that acquires or holds title to the housing
32 accommodation within three years of the filing of a foreclosure deed on the housing accommodation.

33 'Foreclosure', a legal proceeding to terminate a mortgagor's interest in property, instituted by the
34 mortgagee, either to gain title or to force a sale in order to satisfy the unpaid debt secured by the property,

35 including, without limitation, foreclosure by auction, by bill in equity, by entry and continuation of
36 possession for three years, and by sale under the power of sale in a mortgage as described in chapter 244.

37 'Housing accommodation', any building or buildings, structure or structures, or part thereof or land
38 appurtenant thereto, or any other real or personal property used, rented or offered for rent for living or
39 dwelling purposes, together with all services connected with the use or occupancy of such property.

40 'Institutional mortgagee', any entity, or any entity which is the subsidiary, parent, trustee, or agent of, or
41 otherwise related to any such entity, that holds or owns mortgages or other security interest in three or
42 more housing accommodations, or acts as a mortgage servicer of three or more mortgages of housing
43 accommodations.

44 'Just Cause', at least one of the following: (a) the tenant has failed to pay the rent in effect prior to the
45 foreclosure or failed to pay use and occupancy charges, but only if the foreclosing owner notified the
46 tenant in writing of the amount of rent or use and occupancy that was to be paid and to whom it was to be
47 paid; provided that such failure to pay rent or use and occupancy charges shall not be deemed to be just
48 cause unless the foreclosing owner, within 30 days of the foreclosure, posted in a prominent location in
49 the building in which the rental housing unit is located a written notice stating the names, addresses,
50 telephone numbers and telephone contact information of the foreclosing owner, the building manager, or
51 other representative of the foreclosing owner responsible for the management of such building and stating
52 the address to which rent and use and occupancy charges must be sent; and provided further that the
53 foreclosing owner has delivered such written notice individually to each tenant of said building, and to the
54 inspection services department, or its equivalent, for the city or town in which the rental housing unit is
55 located (b) the tenant has violated an obligation or covenant of the tenancy or occupancy other than the
56 obligation to surrender possession upon proper notice and has failed to cure such violation within a
57 reasonable time after having received written notice thereof from the foreclosing owner; (c) the tenant is
58 committing or permitting to exist a nuisance in, or is causing substantial damage to, the unit, or is creating

59 a substantial interference with the quiet enjoyment of other occupants; (d) the tenant is convicted of using
60 or permitting the unit to be used for any illegal purpose; (e) the tenant who had a written lease or other
61 rental agreement which terminated on or after the effective date of this chapter, has refused, after written
62 request or demand by the foreclosing owner, to execute a written extension or renewal thereof for a
63 further term of like duration and in such terms that are not inconsistent with the provisions of this chapter;
64 (f) the tenant has refused the foreclosing owner reasonable access to the unit for the purpose of making
65 necessary repairs or improvement required by the laws of the United States, the Commonwealth or any
66 subdivision thereof, or for the purpose of inspection as permitted or required by agreement or by law or
67 for the purpose of showing the rental housing unit to a prospective purchaser or mortgagee provided that
68 none of the preceding events shall be deemed just cause unless the foreclosing owner has delivered to
69 each tenant at the time of the delivery of the aforementioned written notice specified in sub-clause (a)
70 above, a written disclosure of the tenant's right to a court hearing prior to eviction.

71 'Mortgagee', an entity to whom property is mortgaged; the mortgage creditor, or lender, including, but not
72 limited to, mortgage servicers, lenders in a mortgage agreement and any agent, servant, or employee of
73 the mortgagee, or any successor in interest or assignee of the mortgagee's rights, interests or obligations
74 under the mortgage agreement.

75 'Mortgage Servicer', an entity which administers or at any point administered the mortgage, including, but
76 not limited to, calculating principal and interest, collecting payments from the mortgagor, acting as an
77 escrow agent, and foreclosing in the event of a default.

78 'Tenant' any person or group of persons who at the time of foreclosure is entitled to occupy a housing
79 accommodation pursuant to a written lease or tenancy at will. Any person who moves into the housing
80 accommodation owned by the foreclosing owner following the filing of the foreclosure deed without the
81 express written permission of the owner shall not be considered a tenant under this statute.

82 'Unit' or 'residential unit', the room or group of rooms within a housing accommodation which is used or
83 intended for use as a residence by one household.

84 Section 2. Notwithstanding any other special or general law to the contrary, a foreclosing owner shall not
85 evict a tenant except for just cause, or in the event that there is a binding purchase and sale agreement for
86 a bona fide third party to purchase said housing accommodation from a foreclosing owner, a foreclosing
87 owner may provide the tenant with a notice to quit and serve the tenant with a summary process
88 summons and complaint tenant to evict said tenant within 45 days of the closing date of said agreement.

89 Section 3. In the event that a foreclosing owner disagrees with the amount of rent and/or use and
90 occupancy rates that the tenant-at-will or lessee pays to the foreclosing owner, the foreclosing owner may
91 bring a claim in district or superior courts, or the housing court to claim that the rent is unreasonable and
92 set a new use and occupancy rate. A lease between the foreclosed upon owner and the lessee or proof of
93 rental payment to the foreclosed-upon owner shall have a presumption of reasonableness.

94 Section 4. Any foreclosing owner that evicts a tenant in violation of any provisions of this Act, or any
95 ordinance or by-law adopted pursuant to this Act, shall be punished by a fine of not less than ten thousand
96 dollars. Each eviction done in violation of this Act constitutes a separate offense.

97 The district and superior courts, and the housing courts in the Commonwealth, shall have jurisdiction over
98 an action arising from any violation of this Act, or any ordinance, or by-law adopted pursuant to this Act,
99 and shall have jurisdiction in equity to restrain any such violation. It shall be a defense to eviction that
100 the foreclosing owner attempted to evict a tenant in violation of any provision of this Act, or any
101 ordinance or by-law adopted pursuant to this Act.

102 SECTION 4. Section 35A of chapter 244 of the general laws is hereby amended by deleting the
103 word "90 days" and inserting in its place the following:- "150 days, unless a lender certifies that the
104 lender and the homeowner were not successful in resolving their dispute, having engaged in a good faith
105 effort to mediate their dispute that involved at least one mediation session where the homeowner

106 participated in person, using the services of a mediator approved by the Trial Court, whose services were
107 paid for by the lender, or that the lender has offered to engage in such a mediation and the homeowner has
108 declined or failed to respond within 30 days of the offer to mediate, in which case the right to cure shall
109 be not less than 90 days ”

110 SECTION 5. Chapter 266 is amended by inserting after Section 35 the following new section:

111 SECTION 35A. Residential Mortgage Fraud

112 Any person who intentionally:

113 (1) Makes or causes to be made any material statement that is false or any statement that
114 contains a material omission, knowing the same to be false or to contain a material omission, during
115 or in connection with the mortgage lending process, with the intention that said statement be relied
116 on by a mortgage lender, borrower, or any other party to the mortgage lending process;

117 (2) Uses or facilitates the use of any material statement that is false or any statement that
118 contains a material omission, knowing the same to be false or to contain a material omission, during
119 or in connection with the mortgage lending process, with the intention that said statement be relied
120 on by a mortgage lender, borrower, or any other party to the mortgage lending process;

121 (3) Receives any proceeds or any other funds in connection with a residential mortgage
122 closing knowing said proceeds or funds to have resulted from a violation of paragraph (1) or (2) of
123 this section;

124 (4) Files or causes to be filed with the official registrar of deeds of any county of this
125 commonwealth any document that contains a material statement that is false or a material omission,
126 knowing such document to contain a material statement that is false or a material omission;

127 (5) coerces or induces a real estate appraiser to inflate the value of real property used as
128 collateral for a residential mortgage loan;

129 (6) represents or implies that a real estate appraiser will not be selected to conduct an
130 appraisal of the real property or selected for future appraisal work unless the appraiser agrees in
131 advance to a value, range of values, or a minimum value for the real property;

132 (7) represents or implies that a real estate appraiser will not be paid for an appraisal unless
133 the appraiser agrees in advance to a value, range of values, or a minimum value for the real estate;

134 (8) conspires to violate any of the provisions of paragraphs (1) through (7) of this
135 subsection shall be punished by imprisonment in the state prison for not more than five years or by
136 imprisonment in the house of correction for not more than two and one-half years or by a fine of not
137 more than \$10,000 in the case of a natural person or not more than \$100,000 in the case of any other
138 person, or by both such fine and imprisonment. Any person who engages in a pattern of residential
139 mortgage fraud shall be punished by imprisonment in the state prison for not more than fifteen years
140 or by a fine of not more than \$50,000 in the case of a natural person or not more than \$500,000 in the
141 case of any other person, or by both such fine and imprisonment.

142 As used in this section:

143 (a) "Funds" shall include but not be limited to a commission, fee, yield spread premium, or
144 compensation in any form.

145 (b) "Material omission" means the omission or concealment of a material fact necessary in
146 order to make the statement made, in the light of the circumstances under which it is made, not
147 misleading.

148 (c) "Mortgage lending process" means the process through which a person seeks or obtains a
149 residential mortgage loan including, but not limited to, solicitation, application, or origination,
150 negotiation of terms, third-party provider services, underwriting, signing and closing, and funding of
151 the loan. Documents involved in the mortgage lending process include, but are not limited to,
152 uniform residential loan applications or other loan applications; appraisal reports; HUD-1 settlement
153 statements; supporting personal documentation for loan applications such as W-2 forms, verifications
154 of income and employment, bank statements, tax returns, and payroll stubs; and any required
155 disclosures;

156 (d) "Pattern of residential mortgage fraud" means the violation of paragraph (1), (2), (3), or
157 (4) of this section in connection with three or more residential properties;

158 (e) "Person" means a natural person, corporation, company, limited liability company,
159 partnership, real estate trust, association, or any other entity;

160 (f) "Residential mortgage loan" means a loan or agreement to extend credit made to a
161 person, which loan is secured by a mortgage, security interest, deed to secure debt, deed of trust, or
162 other document representing a security interest or lien upon any interest in an owner occupied one-to-
163 four family residential property located in Massachusetts, including the renewal or refinancing of any
164 such loan.

165 Any violation of this section may be prosecuted and punished in the county in which the
166 residential property for which a mortgage loan is being sought is located, or in any county in which
167 any act was performed in furtherance of the violation, or in any county in which any person alleged
168 to have violated this section had control or possession of any proceeds of or other funds received as a
169 result of the violation, or in any county in which a closing on the mortgage loan occurred, or in any

170 county in which a document containing a deliberate misstatement, misrepresentation, or omission is
171 filed with the official registrar of deeds.

172 SECTION 6. Section 33 of Chapter 266 is amended by:

173 a. Striking the words “obtains credit from” and inserting in their place the words
174 “obtains credit for himself or for any other person from”; and

175 b. Inserting after the words “banking institution” the words “or any mortgage
176 lender as defined in Section 1 of Chapter 255E”; and

177 c. Inserting the following phrase after the word “larceny”: “, and, if the value of
178 the benefit described in clause (1) or dollar amount of credit obtained exceeds
179 two hundred and fifty dollars, shall be punished as if he had stolen property of
180 a value exceeding two hundred and fifty dollars as provided in Section 30(1)”

181 so that the statute as amended reads as follows:

182 Chapter 266, Section 33. Larceny; false pretences relating to contracts, banking transactions or
183 credit

184 (1) Whoever, with intent to defraud, obtains by a false pretence the making, acceptance or
185 endorsement of a bill of exchange or promissory note, the release or substitution of collateral or other
186 security, an extension of time for the payment of an obligation, or the release or alteration of the
187 obligation of a written contract, or (2) whoever, with intent to defraud, by a false statement in writing
188 respecting the financial condition, or means or ability to pay, of himself or of any other person,
189 obtains for himself or for any other person credit from any bank or trust company or any banking
190 institution or any mortgage lender as defined in Section 1 of Chapter 255E or any retail seller of
191 goods or services accustomed to give credit in any form whatsoever shall be guilty of larceny , and, if

192 the value of the benefit described in clause (1) or dollar amount of credit obtained exceeds two
193 hundred and fifty dollars, shall be punished as if he had stolen property of a value exceeding two
194 hundred and fifty dollars as provided in Section 30(1).

195 Section 34. Whoever, with intent to defraud and by a false pretence, induces another to part with
196 property of any kind or with any of the benefits described in section 33 shall be guilty of larceny.
197 Whoever violates this section shall be punished by imprisonment in jail for not more than 1 year
198 or by a fine of not more than \$300, or, if the value of the benefit obtained by a violation of clause
199 (1) or if the dollar amount of credit obtained by a violation of clause (2) exceeds \$250 shall be
200 punished by imprisonment in the state prison for not more than 5 years, or by a fine of not more
201 than \$25,000 and imprisonment in the house of correction for not more than 2 years.

202

203 SECTION 7. Section 34 of Chapter 266 is amended by:

- 204 a. Striking out the words “the preceding section” and inserting in their
205 place the words “Section 33”; and
- 206 b. Inserting the following phrase after the word “larceny”: “, and, if the
207 dollar amount of the credit or value of the benefit parted with exceeds
208 two hundred and fifty dollars, shall be punished as if he had stolen
209 property of a value exceeding two hundred and fifty dollars as
210 provided in Section 30(1)”

211 so that the statute as amended reads as follows:

212 Chapter 266: Section 34. Larceny; inducement to part with property

213 Whoever, with intent to defraud and by a false pretence, induces another to part with property
214 of any kind or with any of the benefits described in Section 33 shall be guilty of larceny, and, if the
215 dollar amount of the credit or value of the benefit parted with exceeds two hundred and fifty dollars,
216 shall be punished as if he had stolen property of a value exceeding two hundred and fifty dollars as
217 provided in Section 30(1).

218 SECTION 9. Sections 3 and 4 shall cease to have effect on December 31, 2013.