

SENATE BILL 850

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By: **Senator Conway**

Introduced and read first time: January 31, 2014

Assigned to: Judicial Proceedings

A BILL ENTITLED

AN ACT concerning

Real Property – Prohibition on Acquiring Mortgages or Deeds of Trust by Condemnation

FOR the purpose of prohibiting the State or any of its instrumentalities or political subdivisions from acquiring mortgages or deeds of trust by condemnation; and generally relating to condemnation.

BY repealing and reenacting, with amendments,
Article – Real Property
Section 12–101
Annotated Code of Maryland
(2010 Replacement Volume and 2013 Supplement)

Preamble

WHEREAS, Proposals have been made in Maryland and other states for local governments to use their powers of eminent domain to acquire mortgages at discounted values for the purpose of restructuring mortgage loan contracts and selling the loans at a premium; and

WHEREAS, The use of eminent domain to acquire mortgages undermines the sanctity of the contractual relationship between a borrower and a creditor; and

WHEREAS, The Federal Housing Finance Agency and the U.S. Department of Housing and Urban Development have expressed serious concerns that the use of eminent domain to acquire mortgages, including mortgages whose underlying collateral values are less than the principals of the loans secured by the mortgages, would create great uncertainty for lenders and investors in the mortgage market; and

WHEREAS, Such uncertainty in the mortgage market could result in increased costs of credit to borrowers seeking to become homeowners, a contraction in credit in

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



the communities where mortgages are acquired by eminent domain, and a reduced demand for housing that artificially depresses home values and lowers local tax bases; now, therefore,

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Real Property

12–101.

(A) All proceedings for the acquisition of private property for public use by condemnation are governed by the provisions of this title and of Title 12, Chapter 200 of the Maryland Rules.

(B) Nothing in this title prevents this State or any of its instrumentalities or political subdivisions, acting under statute or ordinance passed pursuant to Article III of the Maryland Constitution, from taking private property for public use immediately on making the required payment and giving any required security.

(C) [In addition, this] **THIS** title does not prevent the State Roads Commission from using the procedures set forth in Title 8, Subtitle 3 of the Transportation Article, or prevent Baltimore City from using the procedure set forth in the Charter of Baltimore City and §§ 21–12 through 21–22, inclusive, of the Public Local Laws of Baltimore City.

(D) **NOTWITHSTANDING ANY OTHER LAW, THE STATE OR ANY OF ITS INSTRUMENTALITIES OR POLITICAL SUBDIVISIONS MAY NOT ACQUIRE A MORTGAGE OR DEED OF TRUST BY CONDEMNATION.**

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2014.