

SENATE BILL 850

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4lr2983
CF 4lr2984

By: **Senator Conway**

Introduced and read first time: January 31, 2014

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

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

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

7 BY repealing and reenacting, with amendments,
8 Article – Real Property
9 Section 12–101
10 Annotated Code of Maryland
11 (2010 Replacement Volume and 2013 Supplement)

12 Preamble

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

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

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

24 WHEREAS, Such uncertainty in the mortgage market could result in increased
25 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.



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

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

6 **Article – Real Property**

7 12–101.

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

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

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

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

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