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February 21, 2025

To: The Honorable William C. Smith, Jr.  
Chair, Judicial Proceedings Committee

From: Kira Wilpone-Welborn, Assistant Attorney General  
Consumer Protection Division

Re: Senate Bill 682 – Real Property – Residential Foreclosures – Materially Delinquent  
Mortgages (SUPPORT)

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The Consumer Protection Division of the Office of the Attorney General (the “Division”) supports Senate Bill 682 sponsored by Senator Nick Charles. Senate Bill 682 seeks to prevent surprise foreclosures of zombie mortgages by requiring lenders to provide correspondence regarding the loan in each billing cycle for the previous 24 months. Senate Bill 682 also expressly permits consumers to raise a defense of laches when a lender seeks to foreclose on a material delinquent mortgage.

Zombie mortgages are loans that a borrower believed, rightly or wrongly, was written off by the initial lender, but were in fact sold to debt collectors for future collection. Often with zombie mortgages, consumers have received no communication regarding the loan balance or that the loan will be sold or serviced by another party. As a result, when the new servicer or debt collector seeks to foreclose on the defaulted mortgage, consumers are surprised. Additionally, zombie mortgages have often been in default for years accruing interest and fees that balloon the balance. As a result, the surprise foreclosure proceedings and large balances can prevent borrowers from modifying the loan or paying off the balance and remaining housed. Senate Bill 682 seeks to prevent these surprise foreclosures by requiring additional communication with consumers as a condition precedent to filing a foreclosure, and by providing borrowers with the explicit defense of laches.

For these reasons, the Division requests that the Judicial Proceedings Committee give Senate Bill 682 a favorable report.

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cc: The Honorable Nick Charles  
Members, Judicial Proceedings Committee