



New Changes to Michigan Foreclosure Law

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Foster Swift Banking, Finance & Real Estate E-News

August 12, 2013

A series of house and senate bills that amend Michigan's foreclosure law were signed into law on July 31st. The current foreclosure law expired on June 30th, and the new bill package is designed to extend the current sunset date in addition to making a few key changes.

Under HB 4765 (now PA 105'13), the expiration date of the current foreclosure law is extended from June 30th to January 9, 2014. Beginning January 10, the changes to the law take effect. The first change is a repeal of sections 3205a to 3205d, the provisions pertaining to notice, face-to-face meetings with the lender, and offers to modify the loan. Lenders seeking to avail themselves of these provisions must provide the notice required under section 3208 by January 9, 2014. Sections 3205a to 3205d will be repealed entirely on June 30, 2014.

The changes described above do not apply to the five large servicers in the state. Under SB 380 (now PA 103'12) and HB 4766 (now PA 106'13), the servicers that were a party to the *United States v. Bank of America* case are still required to give notice to borrowers and offer a meeting to propose modifications to the mortgage in an attempt to avoid foreclosure.

Finally, SB 383 (now PA 104'13) modifies the 6 month redemption period under the current law. The new law retains the 6 month redemption period, but allows a purchaser to shorten that period under certain situations. This portion of the law was the most controversial, with many worried that shortening the redemption period would not allow homeowners enough time to keep their homes. On the other hand, a longer foreclosure period also increases the chance of abandoned homes and blighted property. The new law is designed to balance these interests. The redemption period is still 6 months, but the bank is allowed to inspect the property periodically. MCL 600.3240 If the property is abandoned, damaged, or about to be damaged, the bank may file proceedings for possession. If a judge grants possession to the bank, then the redemption period is extinguished early. Importantly, if a damaged property is repaired before the possession

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hearing, the judge cannot grant possession to the bank.