



Michigan Foreclosure Task Force

February 12, 2014  
House Financial Services Committee  
Anderson House Office Building  
Lansing, MI

**Testimony on behalf of the Michigan Foreclosure Task Force (MFTF)  
House Bill 5277**

Thank you Chairman Callton and members of the House Financial Services Committee for the opportunity to speak to you today regarding House Bill 5277. My name is Tracie Coffman and I am the current coordinator of the Michigan Foreclosure Task Force, a broad based coalition brought together by the Community Economic Development Association of Michigan (CEDAM) in 2007 in response to the foreclosure crisis. Our membership consists of nearly 200 organizations that include housing counseling agencies, legal aid offices, local units of government, realtors, title companies, and statewide advocacy organizations. Additionally, for the last thirteen years I have been the program manager of a foreclosure prevention program at a non-profit housing counseling agency in Grand Rapids. I have watched this crisis unfold in our state and have sat face to face with the families living the foreclosure nightmare.

After thoughtful consideration, the MFTF and its members have decided to oppose the provisions in this bill which deal with interior inspections of properties during the redemption period, while remaining neutral on all other aspects of this legislation. We recognize and appreciate the effort that went into this bill to put some limitations on the inspections and increase homeowners' rights. However, the MFTF has consistently voiced its opposition to the interior inspections of properties during the redemption due to the significant invasion of privacy and the very real safety concerns created with this policy. It is for these reasons we felt it necessary to separate out the interior inspections from our neutral position.

The safety of homeowners is a legitimate concern with allowing interior inspections of properties. We have numerous examples of scams that have been established using public information for those in foreclosure. State law currently requires that all foreclosure sales be printed for four consecutive weeks in publications meeting certain circulation requirements. For some communities this is a local paper called the Legal News, while in other places it is the small town newspaper. Some of the information provided in these notices are; the name of the homeowners, their address, the foreclosing lender, the date of the foreclosure sale and the length of their redemption period. All of this is open to the public. Add this to the fact that large lenders already outsource their exterior inspections to third party companies, leading us to assume they would do the

same for interior inspections, and it does not seem out of reach that someone with no relationship to the mortgage company would have enough information to request entry to a home. The homeowner could have a difficult time verifying the person at their front door is who they say they are, since large lenders have hundreds of sub-contractors around the country. Leaving the homeowner to decide whether they allow this stranger to enter their home or risk immediate summary proceedings for possession due to an unreasonable refusal. We have seen scams all across this state taking advantage of homeowners in foreclosure. There are companies charging thousands of dollars promising modifications, while land contract companies from across the country offer to buy homes and have people enter into contracts under horrendous terms setting them up for future failure. Even with the additional notice requirements we still feel as though the safety concerns for families are too great to allow interior inspections.

There are some specific comments and concerns we have with various provisions that I would like to take a moment and address.

1. **Section 3238 (3):** We feel as though the language stating that if the “purchaser has reasonable cause to believe that damage to the property is imminent or has occurred” then the two prior subsections requiring notice to the homeowner and limiting the frequency of inspections do not apply; is too broad. This creates, in our opinion, a large loophole that would allow lenders to easily disregard the added homeowner protections that this bill is meant to instill.
2. **Section 3238 (5):** Seven days to make repairs does not seem reasonable. The bill language does not stipulate when the seven days begins (does it start when the homeowner receives the notice, or from the date on the letter they receive). This is too vague and given that a homeowner who has been foreclosed on is most likely facing financial hardship, seven days is not enough time.

Additionally, while the MFTF’s position is neutral on other provisions in this legislation we do have some concerns I would like to mention.

3. **Section 3278 (2):** This section requires that the homeowner provide notice to the purchaser if they intend to vacate the property. How is the notice required to be provided? How does the homeowner know which department, in which state they should contact to notify a large lender, like Chase for example, where the lender has multiple divisions across the country. Also, does this provision still apply if the homeowner moves after the redemption has ended? The language states “any time after the foreclosure sale”. This language is not clearly defined in the expectations of the homeowner, but has strong repercussions if it is not followed.
4. **Section 3278 (3-4):** These sections make the homeowner liable for damages without requiring proof that they were done intentionally post foreclosure. Also, the statement “fails to surrender control of the property in a manner that reasonably provides the purchaser with the opportunity to secure it”. What does this mean? Is the homeowner expected to provide keys to the home when they

leave? Or hand over possession in person to a lender representative? The expectations here are vague and need further defining.

In summary the Michigan Foreclosure Task Force, again appreciates the efforts of this legislation to provide additional homeowner protections, but does not feel as though it goes far enough. We continue our opposition to any allowance for interior inspections and respectfully submit our concerns regarding the additional provisions we have chosen to remain neutral on. Thank you for time and we look forward to continued work with this committee.

Respectfully,

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