

HB 1611 -- Real Estate Foreclosure Alternatives

Sponsor: Nasheed

This bill changes the laws regarding real estate foreclosure. In its main provisions, the bill:

- (1) Allows an owner-occupant facing nonjudicial foreclosure under a power of sale to elect to participate in dispute resolution or convert to judicial foreclosure;
- (2) Requires the foreclosing mortgagee to provide a defaulted debtor with a written notice of default and intention to foreclose that details the debtor's right to elect to participate in dispute resolution or convert to judicial foreclosure;
- (3) Requires the Division of Finance within the Department of Insurance, Financial Institutions and Professional Registration to establish a foreclosure dispute resolution program to provide a debtor facing foreclosure an opportunity to negotiate an agreement to avoid foreclosure or mitigating damages in cases when foreclosure is unavoidable. If a debtor elects to participate in the program, the division will open a dispute resolution case, assign a neutral party to oversee it, and submit a report detailing the outcome. All foreclosures are stayed during the process but can resume if the parties fail to reach an agreement. A fine of up to \$1,500 may be imposed on either party for unjustified noncompliance as determined by the neutral party;
- (4) Allows a debtor to convert a nonjudicial foreclosure to a judicial foreclosure by filing a petition evidencing his or her intent to do so with the circuit court where the property is situated; and
- (5) Specifies prohibited foreclosure practices including holding a flawed public sale, delaying delivery of records, and completing nonjudicial foreclosure during short sale escrows or during loan modification negotiations. Any foreclosing mortgagee violating the provisions of the bill will be deemed to have committed an unlawful merchandising practice under Section 407.020, RSMo.