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Md. Lawmakers Pass Bill to Block Use of Eminent Domain for 2 Years.

State lawmakers approved a bill Monday that bars the state from using eminent domain to seize mortgages or deeds of trust for a two-year period.

The move, sponsored by State Senator Joan Carter Conway, pre-emptively blocks municipalities from enacting a program pioneered in Richmond, Calif. designed to spur refinancing of underwater mortgages, in which a home is worth less than the original loan.

Baltimore City Councilman Bill Henry, who is campaigning for Conway's seat, had asked the city last year to look at the idea, which would establish a municipal authority to offer to buy underwater loans from lenders and, if refused, seize them for refinancing using the home's current value.

The program targets mortgages sold as private label securitizations to multiple investors, which can be particularly difficult to refinance.

Banks and others have staunchly opposed the plan. Under eminent domain, property must be acquired for "fair market value" which means the city could force the mortgage-owner to take a loss on the face value of the loan.

The General Assembly also voted to reduce the amount of time homeowners are liable for mortgage debt not expunged by a short sale or foreclosure auction.

Lenders must file within three years to collect the remaining debt – the difference between the value of the sale and the value of the original loan.

Previously, banks had up to 12 years to file a deficiency judgment. State law places a three-year statute of limitations on most civil suits.

Advocates had originally pushed the assembly to cut the statute of limitations from 12 years to six months. They argued that the extended timeline made it difficult for families to resolve their financial troubles in one-go, exposing them to greater uncertainty and risk.

Maryland Consumer Rights Coalition Executive Director Marceline White, who had lobbied for the change, praised the progress.

"The new law gives families who've struggled through foreclosures a better chance to rebuild their lives – without having a huge debt hanging over their heads for years and years," she said in a statement.

The governor must sign the bills for them to become law.

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http://www.baltimoresun.com/business/real-estate/wonk/bal-housing-measures-pass-general-assembly-20140408,0,3895961.story#ixzz2yVWhyax3

By Natalie Sherman 1:00 p.m. EDT, April 8, 2014

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