



AG REQUEST LEGISLATION – 2009 SESSION

## DRAFT - MORTGAGE LAW FIX

### BACKGROUND:

The Attorney General's Office worked with a bipartisan coalition in 2008 to pass legislation to help protect financially strapped homeowners from equity skimming and foreclosure rescue scams. The proposed bill was modeled after legislation enacted in Minnesota, Illinois, California and several other states.

The original bill draft, as written by the Attorney General's Office, focused solely on purchase agreements that permit the original homeowner to lease the home then either buy it back later or receive a portion of proceeds of any resale.

Last-minute changes revised the definition of a "distressed home" and added the term "distressed homeowner consultant" to the bill. These changes are generating questions and concerns among real estate professionals. Neither the Attorney General's Office nor the Washington Realtors had sufficient opportunity to comment on the revisions before the Legislature approved the law.

### THE PROBLEM:

Realtors are concerned about the unintended liability that may be placed on a buyer (or buyer's agent) of a home facing potential foreclosure. This perceived liability could chill the sales of the homes of distressed homeowners, possibly forcing them into foreclosure even when buyers are available. In other words, the bill as written might harm the very consumers it was intended to help.

### LEGISLATION:

The legislative fix exempts real estate brokers from the law (RCW 61.34.020) and allows those simply offering to buy the home within 20 days of foreclosure to make the purchase.