

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 937

H.P. 694

House of Representatives, February 25, 2003

An Act To Require the Net Proceeds from the Sale of a Foreclosed Property To Be Returned to the Former Owner

Reference to the Committee on Business, Research and Economic Development suggested
and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative TWOMEY of Biddeford.
Cosponsored by Representatives: ADAMS of Portland, COLLINS of Wells, HATCH of
Skowhegan, MAILHOT of Lewiston, SAVIELLO of Wilton.

2 **Be it enacted by the People of the State of Maine as follows:**

4 **Sec. 1. 36 MRSA §949** is enacted to read:

6 **§949. Disbursement of excess funds**

8 A municipality that obtains title to residential real estate under the operation of this article shall disburse to the former owner the excess of any funds as provided in this section.

10 **1. Definitions.** As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

12 **A. "Excess of any funds"** means the amount obtained for the disposition of the real estate less:

14 (1) All tax liens imposed on the real estate by the municipality, including interest;

16 (2) Fees for recordation and discharge of the lien as established by Title 33, section 751, plus \$13;

18 (3) The fee established in section 943 for sending a notice if the notice is actually sent, including certified mail, return receipt requested fees;

20 (4) Any court costs; and

22 (5) All expenses incurred in disposing of the real estate.

24 **B. "Former owner"** means the party named on the tax lien mortgage at the time of the levy of the tax lien or that party's successors, heirs or assigns.

26 **2. Time and form of return; notice.** Within 30 days of the disposition of the real estate or 180 days of foreclosure, whichever is earlier, the municipality shall mail by certified mail, return receipt requested, to the former owner's last known address, notice of the excess of any funds. The notice must include an itemized statement showing the amount for which the real estate was sold and all deductions made from that amount. The notice also must include directions for the redemption of the excess of any funds, including the hours of the operation of the clerk of the municipality.

28 **3. Escrow: failure to redeem.** The municipality shall hold the excess of any funds in escrow for 36 months for the benefit of the former owner. The municipality shall pay immediately the

2 excess of any funds upon the personal appearance of the former
3 owner or a legal representative of the former owner. If the
4 former owner or a legal representative of the former owner fails
5 to appear personally within 36 months, the excess of any funds
6 must be paid to the Treasurer of State to be credited to the
7 General Fund until the excess of any funds becomes abandoned
8 under the Uniform Unclaimed Property Act, at which point it must
9 be reported and paid to the State in accordance with that Act.

10 4. Failure to dispose of real estate. If the municipality
11 does not dispose of the real estate within 180 days of
12 foreclosure, the excess of any funds is determined by subtracting
13 from the fair market value of the real estate at the time of
14 foreclosure, as determined by an independent appraisal, the costs
15 specified in subsection 1, paragraph A and the cost of the
16 appraisal performed pursuant to this subsection.

17 **Sec. 2. Retroactivity.** This Act applies retroactively to
18 January 1, 2000.
19

22 SUMMARY

23 Under current law, if a municipality forecloses on a parcel
24 of real estate for failure to pay taxes owed on that real estate,
25 the municipality is under no obligation to return any funds that
26 exceed the amount owed in taxes after the sale of the property.
27

28 This bill, modeled on the foreclosure proceedings initiated
29 by a mortgagee, requires a municipality that forecloses on
30 residential real estate to return the excess funds, after
31 subtracting the tax lien, interest, fees for recording the lien,
32 costs of mailing notice, court costs and any other expenses
33 incurred in disposing the real estate. Notice of the
34 availability of the excess funds must be provided to the former
35 owner within 30 days of sale of the real estate or 180 days of
36 the foreclosure, whichever is sooner. If the former owner fails
37 to claim the excess funds within 36 months, the municipality must
38 remit the excess funds to the Treasurer of State for credit to
39 the General Fund.
40

41 This bill applies retroactively to January 1, 2000, thus
42 requiring any municipality that has availed itself of the tax
43 lien foreclosure process since that date to return any excess
44 funds to the former owner.