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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1905 Session of  
1999

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INTRODUCED BY KIRKLAND, REINARD, PETRONE, ARGALL, BROWNE,  
CAPPABIANCA, CAWLEY, COY, DEMPSEY, FICHTER, HARHAI,  
HENNESSEY, LEH, MAHER, MARSICO, ORIE, RAMOS, READSHAW,  
ROBINSON, STABACK, E. Z. TAYLOR, THOMAS, WALKO, WOGAN AND  
WOJNAROSKI, OCTOBER 4, 1999

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REFERRED TO COMMITTEE ON URBAN AFFAIRS, OCTOBER 4, 1999

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AN ACT

1 Requiring certain mortgage lenders to be responsible for meeting  
2 all municipal housing and building codes on mortgaged  
3 property.

4 The General Assembly of the Commonwealth of Pennsylvania  
5 hereby enacts as follows:

6 Section 1. Short title.

7 This act shall be known and may be cited as the Mortgage  
8 Lenders Responsibility Act.

9 Section 2. Legislative intent.

10 It is the intent of this act to have all real properties meet  
11 municipal housing and building code standards when the owner of  
12 record has failed in this regard. This will be achieved by  
13 requiring that the mortgagee in possession be treated as owner  
14 and be held legally responsible and liable for all municipal  
15 housing, building and property code maintenance requirements.

16 Section 3. Definitions.

17 The following words and phrases when used in this act shall

1 have the meanings given to them in this section unless the  
2 context clearly indicates otherwise:

3 "Serious violations." Shall mean housing, building, property  
4 maintenance or fire safety code violations that pose an  
5 immediate threat to the health and safety of dwelling occupants  
6 or occupants in surrounding structures and passersby.

7 Section 4. Residential mortgages.

8 Entities that grant or Federal entities that insure  
9 residential mortgages or participate in related activities shall  
10 include, but not be limited to, the following:

11 (1) A State-chartered bank, bank and trust company,  
12 saving bank, private bank or national bank, a federally  
13 chartered or State-chartered savings and loan association, a  
14 federally chartered savings bank or a federally chartered or  
15 State-chartered credit union.

16 (2) An attorney authorized to practice law in this  
17 Commonwealth who acts as a mortgage broker in negotiating or  
18 placing a mortgage loan in the normal course of legal  
19 practice.

20 (3) A person licensed pursuant to the provisions of the  
21 act of February 19, 1980 (P.L.15, No.9), known as the Real  
22 Estate Licensing and Registration Act, who is principally  
23 engaged in a third-party real estate brokerage business, but  
24 only to the extent that he provides information, verbal or  
25 written, to or negotiates or places a mortgage loan for a  
26 buyer of real estate and is not compensated by the buyer or  
27 any other person for providing such information or  
28 negotiating or placing such mortgage loan. If he is  
29 compensated for providing the information or negotiating or  
30 placing such mortgage loan, he shall be subject to the

1 provisions of sections 8, 10, 11 and 14(b), excluding section  
2 8(a)(1), of the act of December 22, 1989 (P.L.687, No.90),  
3 known as the Mortgage Bankers and Brokers Act.

4 (4) A seller of a dwelling if he has resided in the  
5 dwelling at least one year and as part of the purchase price  
6 receives a first mortgage executed by the purchaser.

7 (5) A person who either originates or negotiates less  
8 than 12 mortgage loans in a calendar year in this  
9 Commonwealth.

10 (6) Builders, when obtaining mortgages for their own  
11 construction or for the sale of their own construction.

12 (7) Any agency or instrumentality of the Federal  
13 Government or a corporation otherwise created by an act of  
14 the United States Congress, including, but not limited to,  
15 the Federal National Mortgage Association, the Veterans'  
16 Administration, the Federal Home Loan Mortgage Corporation  
17 and the Federal Housing Administration.

18 (8) The Pennsylvania Housing Finance Agency.

19 (9) A licensee under the act of April 8, 1937 (P.L.262,  
20 No.66), known as the Consumer Discount Company Act, except  
21 that any such licensee who makes a mortgage loan other than  
22 the provisions of the Consumer Discount Company Act shall be  
23 subject to the provisions of sections 4(b)(2) and (3), 8, 10  
24 and 14(b) of the Mortgage Bankers and Brokers Act, excluding  
25 section 8(a)(1).

26 (10) Except for the licensees described in paragraph  
27 (9), subsidiaries and affiliates of the following  
28 institutions: State-chartered banks, bank and trust  
29 companies, savings banks, private banks, savings and loan  
30 associations and credit unions or national banks, federally

1 chartered savings and loan associations, federally chartered  
2 savings banks and federally chartered credit unions, except  
3 that such subsidiaries and affiliates of institutions  
4 enumerated in this paragraph shall:

5 (i) be subject to the provisions of sections 8,  
6 9(a)(3), 10 and 14(b) of the Mortgage Bankers and Brokers  
7 Act, excluding section 8(a)(1); and

8 (ii) deliver to the Department of Banking annually  
9 copies of financial reports made to all supervisory  
10 agencies.

11 (11) Employees of a licensee or excepted persons acting  
12 for their employers.

13 (12) An insurance company, association or exchange  
14 authorized to transact business in this Commonwealth under  
15 the act of May 17, 1921 (P.L.682, No.284), known as The  
16 Insurance Company Law of 1921, and any subsidiaries and  
17 affiliates thereof, except that such subsidiaries and  
18 affiliates shall:

19 (i) be subject to the provisions of sections 8,  
20 9(a)(3), 10 and 14(b) of the Mortgage Bankers and Brokers  
21 Act, excluding section 8(a)(1); and

22 (ii) deliver to the Insurance Department annually  
23 copies of financial reports made to all supervisory  
24 agencies.

25 Section 5. Business or commercial mortgages.

26 This act shall also apply to mortgage loans made for business  
27 or commercial purposes.

28 Section 6. Code compliance.

29 (a) Liability assumed.--Thirty days following the  
30 foreclosure of a property due to the owner of record's default

1 on a mortgage loan, the mortgage lender or Federal insurer in  
2 possession shall assume legal responsibility and liability as  
3 the owner of record for all exterior municipal housing, building  
4 and property maintenance code requirements representing:

- 5 (1) serious violations; and
- 6 (2) violations which contribute to blight in the  
7 neighborhood due to their negative effect on the aesthetic  
8 appearance of the structure.

9 (b) Time period.--The time period provided for in subsection  
10 (a) shall be extended to 120 days following the foreclosure of a  
11 property due to the owner of record's default on a mortgage loan  
12 in cases where the mortgage lender or Federal insurer has  
13 executed a contract to sell the property in question.

14 Section 7. Severability.

15 The provisions of this act are severable. If any provision of  
16 this act or its application to any person or circumstance is  
17 held invalid, the invalidity shall not affect other provisions  
18 or applications of this act which can be given effect without  
19 the invalid provision or application.

20 Section 8. Effective date.

21 This act shall take effect in 90 days.