

Massachusetts Alliance Against Predatory Lending

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AN ACT RELATIVE TO THE RELIEF OF MORTGAGE DEBT: FACT SHEET

Senate XXXXX, Main Sponsor: Senator DiDomenico
House XXXXXX, Main Sponsor: Representative Malia

What Does This Bill Do?

This legislation will bring state tax law in line with federal tax law. Federal representatives in response to the burgeoning foreclosure crisis created an exemption to taxation on unearned “profits” from a foreclosure sell.

If you own a property that was valued at \$500,000 for the purpose of your mortgage, and it is foreclosed on at \$350,000, there’s a \$150,000 loss. The foreclosing lender sends the former homeowner/borrower a tax form claiming that the homeowner gained \$150,000 by the devaluing of the loan even though they never got \$150,000 at the sale and lost their primary residence as well.

When the IRS is notified of that foreclosing lender’s tax generated form there’s a special form the homeowner fills out showing that it was a foreclosure and that the homeowner does not owe any tax liability on money that actually did not materialize.

We are asking the state to follow the federal exemption that was renewed just this January. Thus, people who lose their homes are not additionally burdened with a huge tax bill for profits that were never realized.

Three other bills have been filed:

Facilitating Alternatives to Foreclosure, Preventing Unnecessary Vacancies in Foreclosed Homes, Judicial Foreclosure

Why Do Homeowners Still Need Financial Protection from Foreclosures?

The cumulative impact of foreclosures continues to grow and while foreclosure auctions have stalled, petitions to foreclose have increased 2009 levels in fall 2012 – an avalanche waiting to fall, and increasing geographic spread: this increases the negative impacts on Massachusetts families, communities and our economy with an estimated loss of up to \$4.1B per month to our state economy. Foreclosures now occur statewide including in rural communities such as Winchendon and Athol and high income suburbs. National Consumer Law Center affirmed national projections in early 2012 – projecting almost 100 thousand more foreclosures in Massachusetts before crisis ends.

MAAPL MEMBERS/SUPPORTING ORGANIZATIONS: Action for Boston Community Development, Inc., Action for Regional Equity, Alliance of Providers of Legal Services to Individuals Facing Foreclosure, ARISE for Social Justice, Arlington Community Trabajando, Boston Tenants Coalition, Brazilian Women's Group, Brockton Interfaith Community, Carpenters Local 40, Carpenters Local 107, Charles Hamilton Houston Institute For Race & Justice, Chelsea Collaborative, Chinese Progressive Association, City Life/Vida Urbana, Coalition for Social Justice, Community Economic Development Ctr of S.E. MA, Community Labor United, Democratic Socialists of America, Dorchester People for Peace, Era Key Realty Services, ESAC, Fair Housing Center of Greater Boston, Greater Boston Legal Services, Greater Four Corners Action Coalition, Green-Rainbow Party of MA, Harvard Legal Aid Bureau, Homeowner Options for MA Elders, Jewish Alliance for Law and Social Action, Lawrence Community Works, Lawyers' Committee for Civil Rights Under Law, Lynn United for Change, Legal Assistance Corporation of Central Mass, Mass Advocates for Children, Mass AFL-CIO, Mass Coalition for the Homeless, Mass Community Action Network, Massachusetts Fair Housing Center, Mass Jobs With Justice, Mass Law Reform Institute, Mass Welfare Rights Union, Merrimack Valley Labor Council, NAACP N.E. Area Council, National Community Reinvestment Coalition, National Consumer Law Center, National Lawyers Guild, Neighbor-to-Neighbor, Neighborhood Legal Services, New England United for Justice, North Shore Labor Council, ζOiste?, Organization for a New Equality, Painters

District Council 35, Pleasant St. Neighborhood Network Center, Southbridge Community Connections, Springfield No One Leaves Coalition, Survivors Inc., Tri-City Community Action Program, UE Northeast Region, Union of Minority Neighborhoods, United Auto Workers Mass CAP, United Food & Commercial Workers 1445, United For a Fair Economy, United Steel Workers Local 5696, Volunteer Lawyers Project, Worcester Anti-Foreclosure Team.

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