

**RHODE ISLAND GOVERNMENT REGISTER
PUBLIC NOTICE OF PROPOSED RULEMAKING**

HOUSING AND MORTGAGE FINANCE CORPORATION

Title of Rule: Sale of Foreclosed Properties and Disbursement of Surplus Funds Pursuant to Madeline Walker Act

Rule Identifier: 825-RICR-40-00-2

Rulemaking Action: Proposed Adoption

Important Dates:

Date of Public Notice: April 1, 2025

End of Public Comment: May 2, 2025

Rulemaking Authority:

R.I. Gen. Laws § 44-9-8.3

R.I. Gen. Laws § 42-35-2(a)

R.I. Gen. Laws § 42-55-5(5)

Summary of Rulemaking Action:

RIHousing has proposed the adoption of 825 RICR-40-00-2 to formalize a procedure for disbursement of surplus funds in the event that RIHousing sells a property acquired at tax sale pursuant to the Madeline Walker Act (R.I. Gen. Laws 44-9-8.3). This proposed rule would establish a more efficient internal procedure and simplify the claims process.

Additional Information and Public Comments:

All interested parties are invited to request additional information or submit written or oral comments concerning the proposed adoption until May 2, 2025 by contacting the appropriate party at the address listed below:

Margaret Chung
Housing and Mortgage Finance Corporation
44 Washington Street
Providence, RI 02903
mchung@rihousing.com

In accordance with R.I. Gen. Laws § 42-35-2.8, an oral hearing will be granted if requested by twenty-five (25) persons, by a governmental agency or by an association having at least twenty-five (25) members. A request for an oral hearing must be made within ten (10) days of the publication of this notice.

Regulatory Analysis Summary and Supporting Documentation:

Under the authority conferred by R.I. Gen. Laws 42-55-5(5) and 44-9-8.3(a), RIHousing has the authority to develop regulations to effectuate the operation of the Madeline Walker program. There is currently no provision within the Madeline Walker Act regarding the disbursement of surplus funds to the homeowner, and RIHousing is charged with developing regulations within the program, so there is no reasonable range of regulatory alternatives. As such, no other state regulation overlaps or duplicates the proposed rule.

Under the proposed rule, homeowners can mitigate losses when a property is sold at fair market value following foreclosure of a right of redemption. Homeowners can receive surplus funds, if eligible, after costs for the following are deducted from the sale: the amount paid by RIHousing for original and intervening tax liens, outstanding statutory interest on original and intervening tax liens, the amount of taxes advanced by RIHousing, all fees and costs paid by RIHousing associated with maintaining the property, all fees and costs associated with the foreclosure, all fees and costs associated with the public auction and sale, and all fees and costs associated with the distribution of surplus funds. Other than actual costs associated with RIHousing's payment of taxes, tax liens, property maintenance, foreclosure services, auction, and sale of the property, homeowners participating in the Madeline Walker program will not be charged separate fees in order to recoup any surplus funds due to them.

RIHousing has undergone an internal review process pursuant to the guidance in EO 15-07 and R.I. Gen. Laws 42-35-2.9. The costs associated with the proposed rule will be incurred solely by RIHousing within the agency's operating budget. No funding is sought from either state or federal resources to enact or effectuate the proposed rule. Costs attributable to homeowners would only be incurred if an individual were to submit a valid claim for surplus funds as defined in the proposed rule.

For full regulatory analysis or supporting documentation contact the agency staffperson listed above.