



Maine Credit Union League

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Written Testimony from the Maine Credit Union League

In Support of LD 101, An Act to Return to the Former Owner any Excess Funds Remaining After
the Sale of Foreclosed Property

February 7, 2023

Senator Grohoski, Representative Perry, and Distinguished Members of the Joint Committee on
Taxation,

My name is Robert Caverly and I serve as the Vice President of Advocacy & Outreach at the
Maine Credit Union League. The League proudly represents Maine's 50 credit unions and more
than 720,000 members statewide. Please accept our testimony in support of LD 101; An Act to
Return to the Former Owner any Excess Funds Remaining After the Sale of Foreclosed Property.

As member-owned cooperative financial institutions, credit unions in the State of Maine have a
vested interest in ensuring that individuals who undergo municipal foreclosure have excess
funds returned to them following the repayment of owed property taxes. Maine is currently
one of only 12 states that do not currently require this, and current practice can financially
harm the most vulnerable in our population. The Supreme Court has recently granted a writ of
certiorari to hear *Tyler v. Hennepin County, Minnesota*. The appellant asserts that the law in
Minnesota, like current Maine law, where a municipality takes and sells a debt and then
reserves the surplus is an impermissible violation of the Fifth Amendment's takings clause.¹ The
case also considers whether the windfall is a violation of the Eighth Amendment for excessive
fines. While the Supreme Court will not hear the case until April and a decision is unlikely to be
rendered before June, enacting this bill would help the state avoid similar challenges.

Additionally, we would support an amendment to distribute excess funds from municipally
foreclosed property to subsequent lienholders, where any exist. In the current system, credit
unions and other mortgage holders will usually pay off the municipal tax lien and then
commence foreclosure proceedings against the homeowner given the breach of their mortgage
agreement. We believe that returning proceeds from municipal foreclosure is an equitable
practice and would ask that in addition, this bill be amended so that additional liens on the
property be included in the disbursement of funds to offset the loss of the property for credit
unions. This would avoid the need for further court proceedings after the property has been
sold to seek the funds associated with the subsequent lien.

¹ "94-year-old grandmother fights home equity theft in Minnesota"
https://pacificlegal.org/case/mn_home_equity_theft/

It is important to remember that because of the cooperative structure of credit unions, any financial loss incurred by the credit union impacts all its members, not just the bottom line of a select few shareholders.

It is never easy to have your home seized due to uncollected taxes. However, in those situations LD 101 could mitigate the damage to families and communities. We urge this committee to amend and pass LD 101.

Thank you for your consideration.