

Chairs Koegel and O'Driscoll and Members of the House Commerce Committee

On behalf of BankIn Minnesota and the community banks we represent across the state, we appreciate the committee's work on H.F. 704 and the opportunity to provide input. Community banks support timely mortgage satisfaction, clear payoff disclosures, and efficient real estate transactions. However, several provisions in the bill create unintended operational and legal consequences that may increase risk, cost, and administrative burden without improving outcomes for borrowers.

Mortgage Satisfaction Filing Requirements

The bill requires a mortgage satisfaction to both be recorded and delivered to the borrower. While this represents a procedural change, community banks generally support the expectation that lenders record satisfactions. Historically, some institutions mailed satisfactions to customers to record themselves, which has occasionally resulted in unrecorded releases and future title complications. Recording by the lender can help avoid these issues. However, the statute should clarify that recording satisfies the lender's legal obligation, and delivery should not create additional liability exposure.

Payoff Statement Reliance

The proposed reliance provisions create expanded lender liability for inaccurate payoff statements. Community banks recognize the importance of accurate payoffs and agree that lenders should be accountable for errors. However, the bill introduces an unclear legal standard regarding third-party reliance. Subdivisions 3(b) and 3(c) currently use inconsistent language. We recommend aligning the provisions so that a lender cannot dispute a payoff amount only when a party reasonably and detrimentally relied on the payoff without a reasonable opportunity to receive and act upon a corrected statement.

We also note that subdivision 3(d) appropriately allows a lender to pursue the borrower for any remaining deficiency even when a release is required. This provision should remain unchanged.



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45-Day Satisfaction Penalty

The bill imposes penalties if a mortgage is not satisfied within 45 days of payoff. Community banks generally meet this timeframe; however, the bill does not reflect how modern closings operate. When a title company closes a transaction and relies on a payoff statement to complete the closing, the title company effectively controls the payoff process. Under those circumstances, it is inconsistent to place full liability on the lender if the satisfaction is not recorded.

We recommend modifying the statute so that when a title company relies on a payoff statement to close a transaction, the responsibility for ensuring the mortgage is satisfied within the statutory timeframe is shared or assigned to the closing agent. This change would better align legal responsibility with the party administering the closing.

BankIn Minnesota supports policies that protect borrowers while maintaining practical and workable operational standards. We respectfully request that the committee amend H.F. 704 to clarify liability standards, align payoff reliance provisions, and ensure responsibilities are appropriately allocated among lenders and closing agents. We welcome the opportunity to work with legislators, regulators, and industry partners to develop a balanced approach.

Sincerely,

Richard C. Jones
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