



Chairs Koegel and O’Driscoll and members of the House Commerce committee,

We’re writing today on behalf of the banks and credit unions in Minnesota to raise some serious concerns with H.F. 704. While our members support timely mortgage satisfaction and clear payoff disclosures, this bill goes too far by imposing rigid timelines, expanded liability, and new legal exposure that disproportionately burden community-based lenders – without improving outcomes for borrowers. In our view, H.F. 704 is a solution in search of a problem, and we would like to highlight three major issues for your consideration.

- **The bill imposes inflexible timelines that increase operational risk and compliance costs**

H.F. 704 replaces a request-based framework with a mandatory 45-day satisfaction filing requirement, regardless of loan complexity, payment method, or post-payoff reconciliation issues. For local banks and credit unions, many of which service loans in-house with lean compliance teams, this creates a one-size-fits-all mandate that does not reflect real-world mortgage servicing operations. Even minor administrative delays or title issues could expose lenders to liability, forcing credit unions to divert resources from member service to unnecessary and burdensome compliance.

- **New payoff reliance provisions shift disproportionate legal risk onto lenders**

By prohibiting a lender from disputing an understated payoff amount when a third party “reasonably relies” on it, the bill materially expands lender liability while offering no clear standards for “reasonable reliance.” Local financial institutions would be forced to absorb financial losses caused by clerical errors or last-minute changes outside their control, encouraging over-engineering of payoff processes, duplicative reviews, and higher costs – costs that ultimately fall on members.

- **Expanded penalties invite litigation without addressing an actual market failure**

Minnesota already has clear statutory requirements governing mortgage satisfaction and remedies for failure to discharge. Extending penalties to situations involving payoff statements, rather than actual nonpayment, creates new litigation risk without evidence of systemic harm. Community lenders with strong compliance records would face increased exposure to technical violations, incentivizing defensive practices rather than faster closings or better consumer outcomes.

We strongly urge the committee to reject or substantially revise H.F. 704. Any statutory changes should preserve flexibility, recognize the operational realities of community lenders, and target demonstrated problems without layering on unnecessary risk, cost, and complexity for institutions that have long served Minnesota borrowers responsibly.

Thank you for your time and consideration.

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