

What to do When a Lender Receives a Notice from the Municipality that Mortgaged Property is Going to be Condemned or is in Violation of the Building Code?

Occasionally, a lender will be served a notice from a municipality alerting the lender that a mortgaged property has had unpermitted construction projects, or otherwise violates the municipal building code. The Maine Uniform Building and Energy Code (available [here](#)) is enforced by any Maine municipality with more than 4,000 residents.

The lender should review the notice carefully as the notice may include requirements to bring the property up to code, deadlines for bringing the property up to code, or a public hearing date on the property. These deadlines are important to the lender to protect its interest in the property. If the notice is ignored, the municipality may declare a building to be a nuisance or dangerous and seek an order of demolition.

Generally, mortgages include terms that if the borrower destroys, damages, or impairs the property those actions would constitute an event of default. Additionally, the commencement of a forfeiture action by the municipality may constitute an event of default. Under the terms of the mortgage, the lender may have the option to take action to protect the value of the property and its rights in the mortgage. Those actions may include entering the property to make repairs and paying for repairs. Lenders should review the particular mortgage for terms before acting.

If the lender will be securing and taking possession of a vacant property and Fannie Mae servicing guidelines apply to the mortgage, the lender should review the Fannie Mae Property Preservation Matrix and Reference Guide which is available [here](#).

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To learn more about Bodie, you can visit his page [here](#).*