June 25, 2026

Representative Mike Hoadley
Chair, House Committee on Economic Competitiveness
Michigan House of Representatives
Lansing, Michigan

Re: House Bills 5152 and 5153 and Concerns Regarding Unintended Consequences for Homeowners and the Foreclosure Market

Dear Representative Hoadley,

Thank you again for taking the time to meet with us today. Enclosed please find a summary of the opposition points regarding the H-2 substitutes for House Bills 5152 and 5153.

These bills contain provisions that, while seemingly well-intentioned, misrepresent how pre-sale and post-sale deed purchase and redemption-right/surplus assignment transactions actually work in practice.

The enclosed points are not an argument against consumer protection. What the enclosed points argue is that the bill's specific mechanics, including the damages formula, the willfulness presumptions, the personal liability structure, and the cooling-off period gaps, do not accurately reflect the economics or the realities of these transactions.

Of particular note for the committee's consideration, the testimony presented on June 11th in support of these bills did not reflect the full picture of how this market operates or who it serves. Many homeowners actively seek out investors as an alternative to a sheriff's sale, not because they are being exploited, but because a negotiated transaction gives them control, compensation, and, in many cases, the ability to remain in their home. When that option is unavailable, homeowners frequently turn to bankruptcy as a last resort to stop a sale, creating delays and costs for lenders, courts, and the homeowners themselves. Pre-sale investor transactions are not the problem these bills are solving for. In many cases, they are the solution.

The enclosed outlines specific concerns with the bills as currently written. Your time and consideration are genuinely appreciated.

Respectfully submitted,

Southwest Michigan Asset Management, LLC

House Bills 5152 and 5153 (H-2 Substitutes)

Submitted to: Rep. Mike Hoadley, Chair, House Committee on Economic Competitiveness

1. The Damages Formula Misrepresents Homeowner Benefits

The bill's calculation of "estimated equity forfeited" only counts cash paid at closing, ignoring the substantial benefit homeowners receive when investors pay off their mortgage debt.

Example: If a homeowner has a $150,000 mortgage and receives $15,000 cash, the investor actually provides $165,000 in value, not just $15,000. The bill's formula makes fair deals look predatory by ignoring debt relief.

The formula also fails to account for additional investor costs that are never reflected in the deed: property cleanouts, back taxes, unpaid utility bills, city and county code deficiencies, and rehabilitation expenses. On distressed properties, these costs routinely run $10,000 to $75,000 or more after closing. The bill treats the gap between market value and purchase price as pure extracted profit. It is not.

2. Investors Offer a Lifeline to Homeowners in Foreclosure

Investors provide an alternative to losing everything at a sheriff's auction, offering liquidity and certainty when homeowners have no other options.

Example: Without investor intervention, homeowners often walk away with nothing, and properties deteriorate. Investors are often the only party putting money back into the homeowner's pocket.

Paying off the mortgage can also remove the foreclosure from the homeowner's credit record, a benefit ignored by the bill.

3. The Willfulness Presumption Unfairly Targets Professionals

The bill presumes willful violation for anyone doing more than one deal in three years, even for innocent paperwork errors, doubling damages and imposing personal liability.

This punishes business volume, not bad conduct, and discourages professional participation.

4. The 7-Day Cooling-Off Period Hurts the Most Vulnerable

The mandatory cooling-off period blocks last-minute deals, which are often the only hope for homeowners days before a sheriff's sale.

Example: If a homeowner seeks help six days before auction, the bill prevents any deal, guaranteeing loss of the home.

This provision removes homeowners' ability to make urgent decisions that they deem to be in their own best interest.

5. Existing Michigan Law Already Provides Remedies for Bad Actors

Michigan law already provides remedies for fraud, misrepresentation, and unconscionable transactions. The bill adds unnecessary layers that burden legitimate transactions without improving protection.

6. Title Uncertainty Harms the Entire Real Estate Market

Additional windows for challenging completed transactions create uncertainty for banks, credit unions, investors, homeowners, title companies, future buyers and more, destabilizing the market.

7. Testimony Heard

On June 11th, the committee heard testimony suggesting that homeowners in foreclosure have no idea a redemption period exists, what their rights are, or how long the period lasts. That premise does not hold up to scrutiny under existing Michigan law.

Michigan law already requires that a publication notice be physically posted on the homeowner's door by the sheriff's office approximately one month before the sale date. That legally mandated notice already contains:

- The existence of the redemption period
- The length of the redemption period
- The homeowner's right to redeem
- Contact information for the law firm representing the bank, which can explain the entire process at no cost to the homeowner

Homeowners are not uninformed when they come to investors. They have already received a legally mandated notice posted directly on their door, with a phone number to call for help. The bill's stated justification for closing an information gap overstates the gap that currently exists.

8. Misconceptions About Surplus Funds

Surplus funds from sheriff's sales are not windfalls for investors; they are used to redeem homes and repay third-party purchasers, directly benefiting homeowners.

Restricting this process disrupts the mechanism that allows homeowners to reclaim their property after a sale.

9. Pre-Sale Transactions Protect Homeowners from Bankruptcy and Foreclosure on Their Credit

A reality largely absent from the committee's consideration is that most homeowners facing a sheriff's sale do not want their home to go to auction. They are actively looking for a way to stop it. When investor assistance is not available, one of the most common alternatives is not passive acceptance. It is filing for bankruptcy protection.

Homeowners in foreclosure frequently file for bankruptcy as a last resort, specifically to trigger an automatic stay and halt a scheduled sale. While bankruptcy can provide temporary relief, it comes with serious long-term consequences for the homeowner, including damaged credit, legal costs, potential loss of the property anyway if the underlying debt cannot be restructured, and years of financial recovery. It also creates significant costs and delays for lenders, courts, and the broader housing system.

Pre-sale investor transactions directly prevent both of these outcomes.

Eliminating or functionally restricting this market through the liability structure and procedural barriers in these bills will not protect homeowners from predatory investors. It will push more homeowners toward bankruptcy filings and completed foreclosure judgments on their credit, with all of the long-term consequences that follow.

Ultimately, the party that stands to benefit most from eliminating pre-sale investor transactions is not the homeowner. It is the auction buyer.