

Uniform Mortgage Modification Act

House Sponsor: Cecelia Espenosa Senate Sponsor: Marc Snyder

HB26-1089 clarifies that a senior mortgage retains its original lien priority when modified through certain qualifying, borrower-focused changes. The bill preserves the existing priority framework while ensuring that common loss mitigation efforts do not unintentionally alter lien status.

Primary Elements

Provides that a senior lienholder does not lose priority solely because it enters into a qualifying loan modification

Clarifies that a modification does not constitute a novation of the original mortgage

Confirms that lien priority is preserved regardless of whether a modification is recorded

Recognizes electronic signatures and records for mortgage modifications to modernize the process and promote uniform treatment

Problem/Solution

Current Law

Under current law, loan modifications, such as an interest rate adjustment, can create uncertainty about whether the modified portion of a loan maintains priority over junior or intervening liens. This uncertainty increases risk for senior lenders and may discourage them from offering borrower-focused modifications.

- ✓ Reduces ambiguity in current law that could allow junior lienholders to gain unintended priority.
- ✓ Encourages senior lenders to offer borrow-focused modifications without risking their lien position
- ✓ Reduces risk and uncertainty for senior lenders