Individual State Agency Fiscal Note

Bill Number:	1108 P E S HB S1920.2	Title:	Foreclosure assistance	Agency:	103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Differences between the proposed engrossed substitute and engrossed substitute bill:

Section 2, 3, and 4 make changes to the definition of residential real property to include properties of up to 4 units and specifically regarding RCW 61.24.163 to remove the owner occupied requirement.

Section 6 changes the definition of residential real property and adds exclusions to RCW 61.24.163 to exempt business entities from the opportunity of forced mediation.

Section 8 adjusts the mediation exemption for 2021 and 2022 to be based on the 2019 foreclosure activity.

Section 10, previously Section 3, changes the exemption for fees under RCW 61.24.173 to be based on the 2019 activity.

Section 11 changes the basis of the fee and the amount remitted, beginning January 1, 2022, from $350 per notice of trustee sale to $250 per notice of default. It adds the requirement of reporting to Commerce the property specific information related to each notice of default issued.

Summary of the proposed engrossed substitute bill:

Section 1 states the intent of the legislation as it pertains to the exemption change due to the federal moratoriums that prevented the activity on which the exemptions are based.

Section 8 exemption from mediation to be based on the 2019 foreclosure activity for 2021 and 2022.

Section 10 amends RCW 61.24.173 changing the exemption from the fee to be based on the 2019 activity.

Section 11 beginning on January 1, 2022, beneficiaries issuing the notice of default shall remit $250 per property into the foreclosure fairness account and submit a report to the department with property specific information related to each notice of default issued

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Cash receipts impacts associated with this legislation are indeterminate. The department assumes revenue would increase to match the foreclosure activity volume but due to continued efforts of new federal and state policies to address the effects of the pandemic, the amount is indeterminate.

Section 8 changes exemption from mediation, this activity will require staff to update the exemption list. Increase in the number of referrals that are received due to preventing certain beneficiaries from claiming an exemption are likely to occur.

Section 10 changes the exemption from the fee to be based on 2019 activity. It is unknown what full effect this

change will have but it is likely to increase revenue to the program. As a result of the federally imposed moratoriums on foreclosure during 2020-21, there was a significantly reduced activity level that would allow some unknown number of beneficiaries to claim an exemption from the fee that under normal circumstances would not have been able to do so. Changing the exemption to be based on 2019 data should prevent this and should result in increased revenue for calendar year 2021.

Section 11 estimating potential revenue outcomes as notices of default are not a public document nor are they reported to a governmental agency makes it impossible to know the variance between the $325 per notice of trustee sale and $250 per notice of default.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The fiscal impact associated with this legislation are indeterminate.

The broadened definition of residential real property, eliminating the owner occupied requirement for mediation and including property of up to four units will increase the number of foreclosures eligible for program services. The department does not have data that would indicate what the total number properties that are currently included (previously were not), what percentage are or will be involved in a foreclosure action, and what percentage of those will be excluded by the provision of Section 6.

The department assumes program costs will increase, but has no data in which to provide a range of possible increased expenditures.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required