

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4414-01
Bill No.: SB 716
Subject: Civil Procedure; Property, Real and Personal; Courts; Mortgages and Deeds;
 Credit and Bankruptcy
Type: Original
Date: January 5, 2016

Bill Summary: This proposal repeals provisions regarding nonjudicial foreclosure proceedings and requires all foreclosure proceedings to be handled judicially.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	(Greater than \$100,000)	(Greater than \$100,000)	(Greater than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials at **St. Louis County** assume the court's case load would be increased. It is difficult to determine how many cases would be filed. However, there are presently thousands of private foreclosures filed in St. Louis County each year. The increase in costs would be speculative. The Recorder's Office has seen an annual average 13% drop in the recording of completed foreclosure documents since 2011. Since 2011, the County estimates that there have been an average of 3,100 foreclosure documents recorded per year. The average annual revenue for the recording of completed foreclosure documents is estimated at over \$130,000. With a per-document recording fee averaging just under \$42, the loss of recording revenue is expected to continue at a rate of about 10 - 12% per year. The County estimates a revenue loss of \$85,000 to \$100,000 per year.

Oversight assumes since St. Louis County is estimating a loss between \$85,000 to \$100,000 each year that the statewide number would be greater than \$100,000. Therefore, Oversight will assume the loss to local political subdivisions would be greater than \$100,000 each year.

Officials at the **Office of the Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Office of the State Courts Administrator** assume the proposed legislation repeals the provisions regarding non-judicial foreclosure proceedings and requires all foreclosure proceedings to be handled judicially. There may be some impact, but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Officials at the **Office of the State Treasurer, the Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Revenue** each assume no fiscal impact to their respective agencies from this proposal.

Oversight recognizes there could be an increase in the case load for the courts from this proposal. While there may be some impact, Oversight assumes any increase can be absorbed or requested through the state or appropriate local appropriation process.

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St.

ASSUMPTION (continued)

Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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LOCAL POLITICAL SUBDIVISIONS

<u>Loss</u> - Local Political Subdivisions - of revenue from a decrease in foreclosure documents recorded	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act repeals provisions of law which provide that a sale made by a mortgagee, secured party, or personal representative with power of sale pursuant to a mortgage or security agreement is valid and binding upon the mortgagor and debtor, and that such sale shall foreclose all right and equity of redemption of the property sold.

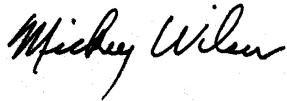
The act provides that beginning August 28, 2016, all foreclosure proceedings shall be handled judicially.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the State Courts Administrator
Office of the Attorney General
Department of Insurance, Financial Institutions and Professional Registration
Office of the State Treasurer
Department of Revenue
St. Louis County



Mickey Wilson, CPA
Director
January 5, 2016

Ross Strobe
Assistant Director
January 5, 2016