

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 951 (Senator Ramirez)
Judicial Proceedings

Prince George's County - Foreclosed-On Property Registry

This bill authorizes Prince George's County to enact a local law that establishes a foreclosed-on property registry and requires a successor in interest of foreclosed-on property located within the county to register the property, pay a specified registration fee, and be responsible for the security and maintenance of the property. The local law must designate the failure to register the foreclosed-on property and the failure to maintain and secure the property as a violation subject to a civil penalty as specified by local law.

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$2,500 in FY 2012 because the Department of Housing and Community Development (DHCD) owns 33 foreclosed-on properties in Prince George's County. DHCD is required to register these properties for \$75 each year. DHCD advises that the number of properties it owns in Prince George's County could increase to 100. If DHCD owns 100 properties, the annual registration fees are \$7,500. Revenues are not affected.

Local Effect: Prince George's County revenues increase by \$262,500 and expenditures increase by \$139,400 to the extent Prince George's County establishes a foreclosed-on property registry and charges the fee as authorized under the bill. Penalty provisions may further affect local finances.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill defines “foreclosed-on property” as residential property that is not occupied, that has been the subject of a foreclosure sale, and for which the title has been acquired by a successor in interest.

If Prince George’s County enacts a local law that establishes a foreclosed-on property registry, the registration of a property must include:

- identification of the property by street address and tax account number;
- the name of the successor in interest and the date the successor in interest acquired title to the property; and
- the name, address, and telephone number of an individual authorized to act on behalf of the successor in interest who maintains an office in the State and is authorized in writing to accept notices of violations of the local law.

The enacted local law must require the successor in interest to pay an annual registration fee of \$75 for each foreclosed-on property, maintain a property’s aesthetic appearance, and secure a property from unauthorized individuals. Registration fees collected by Prince George’s County must be deposited into a special fund to be used only to maintain foreclosed-on property in accordance with local law. The enacted local law must require a successor in interest who sells or transfers the title to foreclosed-on property to a person who intends to occupy the property, or who obtains a rental license with the intention to rent the property, to notify Prince George’s County and provide documentation that the property has been transferred. Upon receipt and notification of the transfer and occupied status of the property, the county must delete the property from the registry.

Current Law: State law does not require the registration of foreclosed-on property.

In Prince George’s County, the Single-Family/Multi-Family Housing Unit of the county’s Property Standards Group ensures that all residential property, vacant or otherwise, is maintained in accordance with the county’s Housing Code. Minimum requirements for dwelling units include, but are not limited to:

- all exterior property and premises must be maintained in a clean, safe, and sanitary condition;
- yards must be stabilized and graded to prevent accumulation of water;
- all structures and exterior property must be free from rodent infestation;
- the property must be free of graffiti; and
- the exterior property must be free from weeds, grasses, annual plants, and vegetation in excess of 12 inches.

The unit inspects property based on a complaint from a citizen or referral from an official. There are also scheduled inspections or strategic community “clean-ups.” Once a notice of violation is issued, the owner of the property has a specified amount of time to fix the violation.

Background: DHCD identifies foreclosure “hot spots” in Maryland. As defined by DHCD, a foreclosure hot spot is a community with 10 or more foreclosure events in one quarter and a high score on a foreclosure index. Based on the foreclosure index score, a community can be categorized as a severe, very high, or high foreclosure hot spot. In the fourth quarter of 2010, Prince George’s County had four communities in the “severe” category with a total of 206 foreclosures. Prince George’s County also had 18 communities in the “very high” category and 8 communities in the “high” category.

As shown in **Exhibit 1**, there were a total of 13,999 foreclosure events in Prince George’s County in 2010. This represents approximately 28% of the 50,563 foreclosure events in the State. This was by far the highest percentage among counties and Baltimore City. The number of foreclosure events, however, does not necessarily equate to the number of actual foreclosures in Prince George’s County.

Exhibit 1
Foreclosure Events in Prince George’s County in 2010

<u>Foreclosure Event</u>	<u>Prince George’s</u>	<u>Maryland</u>	<u>State Share</u>
Notices of Default	4,536	16,110	28.16%
Notices of Sales	6,720	23,846	28.18%
Lender Purchases	2,743	10,607	25.86%
Total	13,999	50,563	27.69%

Source: Department of Housing and Community Development

Local Effect: Prince George’s County estimates a total of 3,500 applicable foreclosures on an annual basis. In the event the county enacts the local law, the county’s revenues increase by \$262,500, if each foreclosed property is registered at a fee of \$75. Revenues may decrease in future years as State legislation and consumer outreach programs become effective in slowing the rate of foreclosures.

Imposition of penalties under the bill may further increase county revenues. Recent complaint activity suggests fines would be imposed for failure to maintain and secure property. There were 64 complaints regarding abandoned homes in the county in

fiscal 2010 and 42 complaints in fiscal 2009. As of April 2011, there have been 52 complaints in fiscal 2011.

The county's expenditures increase by \$139,372 in fiscal 2012. This amount includes salaries and wages, as well as other operating expenses. The county anticipates hiring three additional personnel to receive and process the registration forms and fees, maintain the registration database, address all inquiries regarding the program, and inspect the properties to ensure proper maintenance. These personnel are an administrative aide, a general clerk, and a property standards inspector. Expenditures increase in future years to reflect inflation and annualization.

Additional Information

Prior Introductions: Legislation with similar registration provisions was introduced in the 2010 session. HB 1479 was referred to the House Environmental Matters Committee but received no further action. Additionally, HB 1350 was heard by the House Environmental Matters Committee but received no further action.

Cross File: None.

Information Source(s): Prince George's County, Office of the Attorney General (Consumer Protection Division), Department of Housing and Community Development, Judiciary (Administrative Office of the Courts), Department of Legislative Services

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mc/kdm

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