

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 985 (Delegates McConkey and Sophocleus)
Environmental Matters

Real Property - Foreclosure Sales - Bid Limitation for Secured Parties

This bill prohibits a secured party, or the secured party's assignee or representative, from submitting more than one bid at a foreclosure sale.

Fiscal Summary

State Effect: The bill does not directly affect governmental operations or finances.

Local Effect: The bill does not directly affect local governmental operations or finances.

Small Business Effect: Minimal.

Analysis

Current Law: No title to property acquired at sale of property subject to a mortgage or deed of trust is invalid by reason of the fact that the property was purchased by the secured party or anyone for the secured party's account.

Background: Real estate-owned (REO) property is property acquired by a financial institution as a result of an unsuccessful foreclosure sale on the property. This acquisition often occurs when the amount of the outstanding loan owed to the financial institution is greater than the value of the property. As a matter of practice, the financial institution submits a bid on the foreclosed property to protect its interests. As shown in **Exhibit 1**, 6,103 properties in Maryland were bought by financial institutions after a foreclosure auction in 2011.

Exhibit 1
2011 REO Purchases in Maryland Jurisdictions by Quarter

Jurisdiction	Q1	Q2	Q3	Q4
Allegany	15	3	3	0
Anne Arundel	210	146	82	61
Baltimore	187	156	117	112
Baltimore City	239	173	120	117
Calvert	34	9	8	3
Caroline	13	11	6	5
Carroll	35	24	17	11
Cecil	19	9	6	5
Charles	71	47	20	31
Dorchester	16	18	5	10
Frederick	101	57	25	28
Garrett	6	5	1	1
Harford	68	38	18	28
Howard	41	55	32	13
Kent	4	2	5	5
Montgomery	181	214	93	59
Prince George's	1,305	570	263	226
Queen Anne's	18	10	4	7
Somerset	9	8	7	3
St. Mary's	13	12	9	12
Talbot	12	17	5	11
Washington	89	39	19	24
Wicomico	27	21	10	12
Worcester	31	34	8	14
Total	2,744	1,678	883	798

Source: Department of Housing and Community Development

In Virginia, a trustee (secured party), along with any other person, may submit a written one-price bid prior to a foreclosure sale. Any person, excluding the secured party, that has submitted a written one-price bid may bid again at the foreclosure sale.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation; Office of the Attorney General (Consumer Protection Division); Department of Housing and Community Development; Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Legislative Services

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mc/kdm

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