

DATE: February 6, 2025

BILL NO.: Senate Bill 566

TITLE: Real Property – Filing Fee for Residential Mortgage Foreclosure – Increase

COMMITTEE: Senate Judicial Proceedings Committee

Letter of Support

Description of Bill:

Senate Bill 566 proposes to increase the filing fee required to accompany an order to docket or a complaint to foreclose a mortgage or deed of trust on residential property from \$300 to \$600. The bill does not propose any changes to existing law for foreclosure filings or process other than the fee.

Background and Analysis:

Revenues generated by foreclosure filing fees support the Housing Counseling and Foreclosure Mediation Fund (also known as the Maryland Housing Counseling Fund - MHCF), which was established by Housing and Community Development Article §4–507. The fund is administered by DHCD’s Division of Homeless Solutions. The majority of funds are allocated to nonprofit and local government housing counseling agencies that provide education, counseling, and legal assistance to low- and moderate-income households with preventing foreclosure, maintaining stable housing, building financial stability, reducing debt, becoming a homeowner and addressing tangled titles.

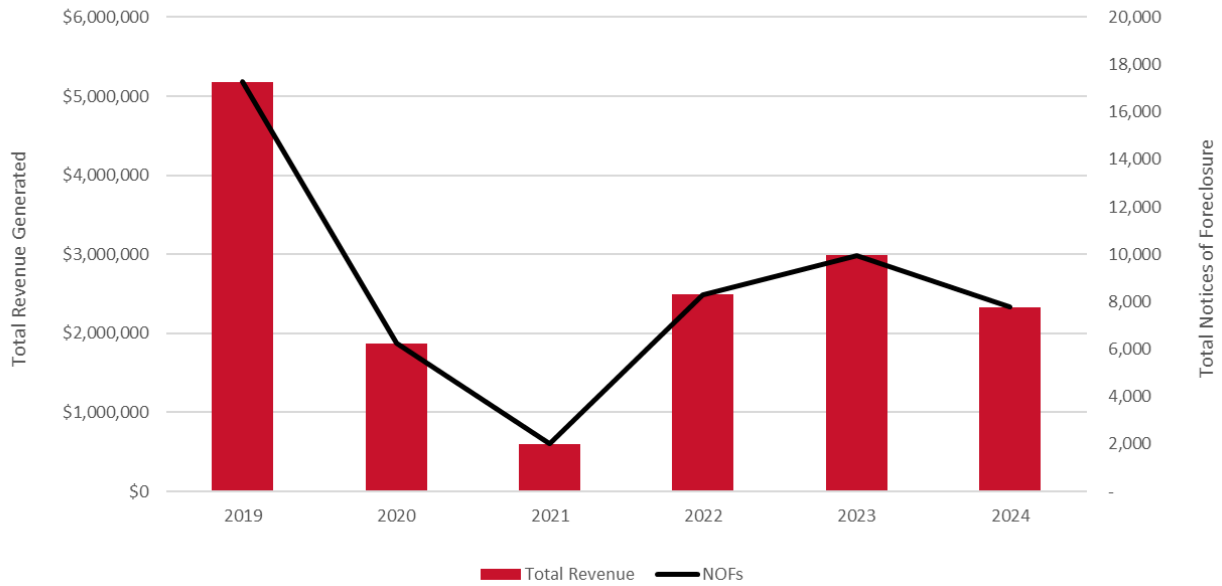
While revenues are generated solely by foreclosure activity, housing counseling agencies provide a wide array of services to current homeowners, future homebuyers, and renters that align with the Moore-Miller administration’s priorities to end child poverty and close the racial wealth gap. In FY24, 43 MHCF grantees provided services to over 6,300 individuals.

A portion of funds are also used to support foreclosure mediations facilitated by the Office of Administrative Hearings, foreclosure notice and housing counseling services mailing costs sent by the Department of Labor’s Office of Financial Regulation, and DHCD administrative costs for administering grants to community partners.

Need for Increased Filing Fees

- Due to steadily decreasing foreclosure filings over the last 5 years, revenues going into the Housing Counseling and Foreclosure Mediation Fund have decreased 55%, from \$5.1 million in 2019 to \$2,332,500 in 2024. Based on notice of foreclosure activity trends as of January 2025, DHCD projects that annual revenues in 2025 will be less than \$2 million. The significant decrease in state revenues is further exacerbated by the end of COVID-era federal assistance in 2025, which was used to award supplemental grants to housing counseling agencies in order to maintain level program funding over the last several years. Due to these decreasing revenues, DHCD anticipates that the total amount of MHCF housing counseling awards will decrease by at least \$500,000 between FY25 and FY26.

Housing Counseling Mediation Fund Revenues and Notices of Foreclosure 2019-2024



	NOFs	Filing Fee	Total Revenue
2019	17,277	\$300	\$5,183,100
2020	6,246	\$300	\$1,873,800
2021	2,002	\$300	\$600,600
2022	8,309	\$300	\$2,492,700
2023	9,949	\$300	\$2,984,700
2024	7,775	\$300	\$2,332,500
5-Year Change			-55%
1-Year Change			-22%

Impact to DHCD

- Increasing the filing fee from \$300 to \$600 would double the annual funds generated from filing fees, grant assistance provided to housing counseling agencies, and number of clients served for FY27. Total estimated annual funding for MHCF would increase to approximately \$4-5 million per year, dependent on foreclosure activity in FY26.

Community Impact

- Increasing filing fees may reduce the number of foreclosure actions that are filed with the court system, and it could serve as an incentive for mortgage servicers to continue working with homeowners through payment plans and loan modifications for a longer period of time. This may result in increased housing stability, homeownership retention, and greater generational wealth. Slowing down the judicial foreclosure process gives homeowners with unaffordable and unsustainable mortgages the opportunity to work with reliable housing counseling and legal services providers to identify solutions that avoid foreclosure, financial instability and displacement.
- Approximately 7% of MHCF grantees are local governments or quasi-public agencies, and 93% of MHCF grantees are nonprofit organizations.

DHCD Position

The Maryland Department of Housing and Community Development respectfully requests a **favorable** report on SB 566

