

SENATE BILL REPORT

ESHB 2614

As of February 21, 2012

Title: An act relating to residual debts following short sales of owner-occupied residential property secured by deeds of trust.

Brief Description: Limiting deficiency judgments pertaining to residual debts following short sales of owner-occupied residential property secured by deeds of trust.

Sponsors: House Committee on Judiciary (originally sponsored by Representatives Kenney, Ryu, Hasegawa and Santos).

Brief History: Passed House: 2/13/12, 69-29.

Committee Activity: Financial Institutions, Housing & Insurance: 2/22/12.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Staff: Alison Mendiola (786-7483)

Background: A short sale occurs when a seller sells a home for less than is owed and the beneficiary approves of selling the property at a loss. Short sales can occur for a variety of reasons, such as financial hardship of the seller combined with the inability to sell the property for at least as much as is owed to the beneficiary.

Beneficiaries are not required to accept a seller's offer for a short sale, but there can be instances where a short sale is more beneficial than other alternatives, such as when there is the risk of foreclosure.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Amendment): If a beneficiary agrees to a short sale of owner-occupied residential property and reserves the right to pursue the outstanding debt, the beneficiary must provide a written notice to the seller. The notice must state the amount of the outstanding debt, the fact that the beneficiary may collect upon the debt for a year after releasing its interest, and that the seller has the ability to negotiate for a full release of the debt.

If a court action is not pursued within one year of releasing its security interest, the beneficiary forfeits the right to collect upon the debt. Similarly, if no written notice is

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provided, the beneficiary has one year from releasing its security interest to collect upon the debt or that right is forfeited.

These provisions only apply to debts incurred by individuals primarily for personal, family, or household purposes and does not apply to debts for business, commercial, or agricultural purposes.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.