

REVENUE: No revenue impact

FISCAL: No fiscal impact

Action:	Do Pass the A-Engrossed Measure
Vote:	3 - 0 - 2
Yeas:	George, Monroe, Shields
Nays:	0
Exc.:	Bonamici, Boquist
Prepared By:	Patrick Brennan, Administrator
Meeting Dates:	5/11, 6/1

WHAT THE MEASURE DOES: Prohibits lenders or their assignees from bringing action or otherwise seeking payment for residual debt following a short sale if the lender reports to the Internal Revenue Service that, for specified reasons, the lender has canceled all or a portion of the borrower's debt under the real estate loan agreement and if the lender provides the borrower with written evidence of the report. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Number of homes in foreclosure and in danger of foreclosure

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: A short sale is a sale of real estate in which the sale proceeds fall short of the balance owed on the property's loan. They often occur when a borrower cannot pay the mortgage loan on a property, but the lender decides that selling the property at a moderate loss is better than pressing the borrower. By consenting to the short sale process, both parties avoid foreclosure, which involves significant fees for the bank and a poorer credit rating for the borrower.