

STAFF MEASURE SUMMARY

Senate Committee On Business and Transportation

Fiscal: No Fiscal Impact

Revenue: No Revenue Impact

Action Date: 05/27/15

Action: Do Pass The A-Eng Bill.

Meeting Dates: 05/27

Vote:

Yeas: 4 - Girod, Monroe, Riley, Thomsen

Exc: 1 - Beyer

Prepared By: James LaBar, Committee Administrator

WHAT THE MEASURE DOES:

Provides that borrower or borrower's agent may rely on lender's payoff statement for purpose of establishing amount borrower must pay to satisfy obligation under real estate loan agreement unless borrower delivers an amended payoff statement. Provides that lender may recover amount borrower owes that did not appear on payoff statement or amended payoff statement only as unsecured debt or by foreclosing other property securing the obligation. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Clarification of new buyer and title company being removed from transaction allowing lenders to collect amount directly with existing borrower

EFFECT OF COMMITTEE AMENDMENT:

No amendment.

BACKGROUND:

In real estate transactions, all existing liens and encumbrances created by the seller are paid off so that the new buyer has a clear title. The escrow agent relies on the payoff statement provided by the lender to determine the amount owed to the lender. The Oregon Land Title Association indicates that it is common for the lender to demand additional sums after closing before the lender will release their lien. These additional sums are generally paid by the title company that has issued the title insurance to the new buyer.

House Bill 3244A provides that the lender's payoff can be relied upon to establish the amount the borrower must pay to satisfy their obligation under the real estate agreement. The lender may submit an amended payoff statement before the final disbursement of funds. After closing, the lender may recover any amount that was not on the payoff statement only as an unsecured obligation or through foreclosure of any other property that secures the obligation. The measure applies only to residential property transactions and specifically excludes construction loans.