

HB 4204 A STAFF MEASURE SUMMARY
Joint Committee On The First Special Session of 2020

Carrier: Sen. Beyer

Action Date: 06/25/20

Action: Do pass the A-Eng bill.

Senate Vote

Yeas: 5 - Burdick, Frederick, Knopp, President Courtney, Prozanski

Nays: 2 - Girod, Thatcher

House Vote

Yeas: 4 - Bynum, Holvey, Salinas, Speaker Kotek

Nays: 3 - Drazan, Lewis, Stark

Fiscal: Fiscal impact issued

Revenue: No revenue impact

Prepared By: James Leyba, LPRO Analyst

Meeting Dates: 6/25

WHAT THE MEASURE DOES:

Directs lenders of loans securing real property, land sale contracts, retail installment contracts, and personal property used as residence, to refrain from treating missing installment payments by borrowers as a default during the emergency period of March 8, 2020 to September 30, 2020, established by the Governor's declaration of a state of emergency, plus any extensions, and 60 days following. Directs lender to defer or forbear payments during the emergency period, so that a borrower can make payments of the owed balances in periodic payments following the maturity date, of the same amount, at the same interest rate, as was due during the emergency period. Establishes that a borrower does not need to provide notification to a lender more than once on an inability to make payments during the emergency period. Establishes that borrowers may provide lender with documentation and other evidence to demonstrate that their failure to pay is a direct or indirect result of conditions that prompted the Governor's declaration of emergency. Establishes that lender may not assess charges, fees (including attorney fees), or penalties to borrower or to determine borrower eligibility for foreclosure avoidance measures, for failing to make periodic installment payment or other amounts due during the emergency period. Establishes that lender may not require or charge for inspection, appraisal, or broker price opinion due to nonpayment, and may not initiate cash management or lockbox procedures not already in existence before the effective date of measure. Prohibits lender imposition of default rate of interest. Restricts lender from taking control of operating revenue from real property unless control was established prior to the effective date of measure. Prohibits lender from declaring a default based on the failure of a borrower to meet financial covenants due to inadequate operating revenue resulting from the COVID-19 pandemic or from imposing extra or excessive servicing fees, loan workout fees or other charges or practices. Establishes that if subject property is four or fewer dwelling units, that borrower must attest that their inability to pay is a result of government response to the COVID-19 pandemic, and if the subject property is commercial or more than five dwelling units, that financial statements or other evidence must be included. Prohibits lender from foreclosing a trust deed, bringing an action or suit to foreclose a mortgage or trust deed, enforcing a forfeiture remedy, or bringing an action or suit to foreclose a lien or other security instrument during the emergency period. A trustee sale may not occur during the emergency period. Prohibits action or foreclosure enforcement under a retail installment contract for subject property. Establishes lender foreclosure actions initiated prior to the effective date are tolled during emergency period, and that trustee sales may continue without interruption following the emergency period. Requires lenders authorized to do business in Oregon notify borrowers of their rights for accommodation under this legislative action within 60 days of the effective date. Expands judgments, writs and notices exempted from this act.

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ISSUES DISCUSSED:

- COVID-19, government response, and related economic impacts to Oregonians
- Timeline of emergency period
- CARES act and Government Sponsored Enterprise measures to support homeowners
- Banking industry concerns with measure

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020 established a national foreclosure moratorium for 60 days after March 18, 2020 for federally backed mortgages (i.e., Fannie Mae, Freddie Mac, FHA, VA, or USDA). This measure, passed in response to the COVID-19 pandemic, aims to prevent homeowners who have been financially impacted by the pandemic from losing their homes through foreclosure. Prior to this crisis, Oregon delinquency (0.2 percent) and foreclosure rates (0.6 percent and 0.2 percent as of December 2019) were significantly lower than figures reached (5.8 percent September 2011 and 3.2 percent respectively in August 2012) at the peak of the 2008-2013 financial crisis.

House Bill 4204-A extends a moratorium on foreclosure activities across all lenders for residential and commercial real, land, and personal property during emergency period enacted in response to COVID-19 pandemic.