

## **Department of Planning and Budget**

### **2012 Fiscal Impact Statement**

**1. Bill Number:** SB644

<b>House of Origin</b>	<input type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input checked="" type="checkbox"/>	Engrossed
<b>Second House</b>	<input checked="" type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

**2. Patron:** Colgan

**3. Committee:** Appropriations

**4. Title:** Foreclosure counseling pilot program.

**5. Summary:** Directs the Director of the Department of Housing and Community Development (DHCD) to establish a foreclosure counseling pilot program for Prince William County and the Cities of Manassas and Manassas Park. Counseling will include facilitated negotiations between homeowners and mortgagees for the purpose of reaching an agreement for mortgage loan modification or other agreement in an attempt to avoid foreclosure or to mitigate damages if foreclosure is unavoidable. Participation in the program is optional. The Director is required to provide the General Assembly and the Governor with annual reports on the effectiveness of the program. The measure expires July 1, 2017. The bill contains an enactment clause that makes the provisions of the bill contingent upon the inclusion of an appropriation of general fund dollars in the budget enacted by the 2012 General Assembly.

**6. Budget Amendment Necessary:** Yes. Item 108.

**7. Fiscal Impact Estimates:** Preliminary. See item 8, below.

**8. Fiscal Implications:** This bill will have an expenditure impact to DHCD.

If the department contracts with foreclosure and mortgage counseling service providers to counsel and assist homeowners participating in the pilot program, then DHCD estimates that it will require \$92,000 in each year, from the general fund, and 1.0 FTE. The position will administer the pilot program as well as the contracts with service providers. An annual general fund appropriation of \$67,000 is needed to support the position. Additionally, an annual general fund appropriation of \$25,000 is needed for costs associated with educational outreach, program evaluation, reporting, and administrative support.

If the department is required to use its own staff to provide foreclosure and mortgage counseling services, then DHCD estimates that it will require \$600,000 in each year, from the general fund, and 7.0 FTEs. An annual general fund appropriation of \$541,408 is needed to support the positions, and cover the expenses associated with obtaining counselor certifications, equipping each position with supplies, telephone and computer access, travel expenses, and to rent office space. It is anticipated that each counselor will be able to assist

150-200 homeowners annually. Additionally, an annual general fund appropriation of \$58,592 is needed for costs associated with conducting workshops and outreach programs to educate the public within the affected localities of resources that may be available to assist in avoiding foreclosure, and comply with the annual reporting requirement. It is estimated that the program expenses will be as follows:

Category	Annual Costs
Salaries and Benefits(7 positions @ \$50,000/annum salary plus fringe and benefits)	\$467,488
Rent (\$20/ sq. ft. @ 2,450 sq. ft.)	\$49,000
Supplies, telecom, computer and VITA charges	\$14,420
Travel	\$7,000
Annual Cost of Counselor Certifications	\$3,500
Educational outreach; program evaluation and reporting	\$58,592
Total	\$600,000

**9. Specific Agency or Political Subdivisions Affected:** Department of Housing and Community Development, Cities of Manassas and Manassas Park, Prince William County.

**10. Technical Amendment Necessary:** Yes. Line 40. Clarification regarding whether the agency can contract for the mortgage foreclosure counseling services required by this bill, or whether the department's staff must provide the counseling services this bill requires.

**11. Other Comments:** The latest available data from sources tracking foreclosure at the local level suggests that in 2011 over 400 homes entered the foreclosure process each month in the area addressed by SB 644. This is consistent with other data sources. The 2010 American Community Survey 1-Year estimate was that there were nearly 83,000 homes with a mortgage in Prince William County. Approximately 0.5 percent (.005) of homes in this region of the state were entering foreclosure each month, which would have been about 415 households in Prince William in September 2010, which is again consistent with more recent numbers.

The Prince William County Cooperative Extension currently provides housing counseling services. These services are available at no cost.

The Senate Finance Committee's amendments to SB30 ,before the bill failed to pass the Senate, included an amendment for \$300,000, from the general fund, in FY 2013, and \$600,000, from the general fund, in FY 2014.

**Date:** 2/27/12

**Document:** G:\Budget Development\2012 Legislation\SB644E.doc