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Senate Bill 212
Senate Judiciary Committee
Chairman Manning
Sponsor Testimony – Senator Bob Hackett
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Chairman Manning, Vice Chair McColley and Ranking Member Thomas thank you for the opportunity to provide sponsor testimony on SB 212.

The longer foreclosed properties churn in the court or sale system the worse off the property owner as well as the remaining properties and owners in the neighborhood. The best possible outcome is that a foreclosed property is sold for the highest value as quickly as possible, all while protecting the property owner's rights and completing the sale in a timely manner so the county receives payment for all costs associated with the foreclosure and property taxes remain current.

After the economic downturn in 2008-09 we enacted foreclosure reforms to address a significant backlog of properties going through the courts. A primary change was to permit what are called private selling officers (PSOs) to sell foreclosed property in lieu of the county sheriff. These PSOs are Ohio licensed Realtors, auctioneers and residents of the state. Those previous reforms are having a positive effect on processing foreclosures. It is now easier to schedule sales, and sale timelines are much faster than they used to be. Judgment creditors are also better able to postpone or cancel sales to help borrowers with loss mitigation options.

We do not think the COVID-19 pandemic will create another tidal wave of foreclosures, but we will have to see what cases look like in the weeks and months to come. There are, however, outstanding issues relating to the cost, time and execution of the statutory provisions in place today that need our attention.

A few of the primary outstanding mortgage foreclosure issues addressed in SB 212 include:

- **Judgement creditor's ability to choose who sells the foreclosed property** - On uncontested foreclosures (Default Judgments), the bill provides that a Plaintiff may

appoint a PSO without additional court approval in order to expedite the sale process. This will help avoid delays as well as unwarranted denials to appoint the PSO by the courts without removing judicial oversight in cases in which borrowers are contesting the foreclosure.

- **Using county auditors appraised value rather than three freeholders from sheriff.** The existing process allows sheriffs to appoint three freeholders (owners of property in the county) to conduct curb appraisals of properties going through the foreclosure process. This adds \$150 to several hundred dollars to the cost of purchasing a foreclosed property and 21 days to the sale. The county is already using tax dollars to pay licensed appraisers to conduct appraisals every 3 to 7 years. Defaulting to the county auditor's appraised value eliminates 21 days from the sale process and cost of three freeholders providing a curb appraisals for each property.
- **Advertising requirement** – A significant cost of the foreclosure process is the statutory requirement of three weeks of advertising leading up to the sale in the “publication of mass circulation”. In such cases, the county is required to pay for this advertisement upfront and is reimbursed only after the property is sold. The cost of advertising varies greatly around the state. However, all counties have the ability to advertise on the county website for free instead of the foreclosure case tacking on additional cost for potential buyers. This cost of advertising requirement only compounds to the cost of selling a property making properties less attractive to prospective 3rd party buyers.

To that end the primary goals of SB 212 are:

- (1) ***Help obtain the highest sale price for foreclosed property and help property values around the state*** - For every mortgage or tax foreclosed property there are dozens of surrounding properties and owners that lose property value until a 3rd party purchase. Banks do not want these properties to sit in their real estate owned or REO departments, so making the property more attractive to 3rd party buyers will improve the process.
- (2) ***Lower the cost and time it takes to sell/buy a foreclosed property.*** Previous reforms put foreclosure sales online to encourage more third party buyers. The longer a foreclosed property lingers in the process the more potential for it to become vacant or abandoned creating additional community problems.
- (3) ***Bring in outstanding local taxes due on foreclosed properties*** – The longer properties remain in the foreclosure process the longer it takes counties to collect the tax dollars used for police, fire, emergency personnel, local and county administration and schools.

There are other issues we may want to tackle in this legislation, including stories you may have heard of individuals preying on homeowners entering the foreclosure process. They contact the homeowner, get them to sign the property over to them for a few thousand dollars and turn around and sell the property taking any additional equity away from the homeowner. That is just unconscionable and we have some ideas on how to stop that unscrupulous practice.

Mr. Chairman and members of the committee thank you for your time and attention. I'll be happy to try and answer any questions.