

HOUSE BILL REPORT

HB 1858

As Passed House:
March 10, 2025

Title: An act relating to eliminating the exemption for assignments or substitutions of previously recorded deeds of trust from the document recording fee and the covenant homeownership program assessment.

Brief Description: Eliminating the exemption for assignments or substitutions of previously recorded deeds of trust from the document recording fee and the covenant homeownership program assessment.

Sponsors: Representatives Scott, Doglio, Mena, Parshley, Street, Cortes, Thai, Simmons, Macri and Ormsby.

Brief History:

Committee Activity:

Appropriations: 2/13/25, 2/26/25 [DP].

Floor Activity:

Passed House: 3/10/25, 51-42.

Brief Summary of Bill

- Removes the exemption for assignments or substitutions of previously recorded deeds of trust from the \$183 housing and homelessness document recording surcharge.
- Removes the exemption for assignments or substitutions of previously recorded deeds of trust from the \$100 Covenant Homeownership Program assessment.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 19 members: Representatives Ormsby, Chair;

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Gregerson, Vice Chair; Macri, Vice Chair; Berg, Bergquist, Callan, Cortes, Doglio, Fitzgibbon, Leavitt, Lekanoff, Peterson, Pollet, Ryu, Springer, Stonier, Street, Thai and Tharinger.

Minority Report: Do not pass. Signed by 12 members: Representatives Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Burnett, Caldier, Corry, Dye, Keaton, Manjarrez, Marshall and Rude.

Staff: Jessica Van Horne (786-7288).

Background:

Housing and Homelessness Document Recording Surcharge.

State and local homeless housing and affordable housing programs are supported in part through a \$183 surcharge on certain documents recorded by county auditors. Once the \$183 document recording surcharge is collected by the county auditor, revenues are distributed as follows:

- 1 percent is retained by the county auditor for fee collection activities;
- 30 percent is retained by the county to be used to implement their local homeless housing plan and for other eligible housing activities;
- 54.1 percent is deposited in the Home Security Fund Account to be used by the Department of Commerce (Commerce) for grants to support homeless housing programs;
- 13.1 percent is deposited in the Affordable Housing for All Account to be used by Commerce for grants to support housing projects within the Housing Trust Fund portfolio and permanent supportive housing programs; and
- 1.8 percent is deposited in the Landlord Mitigation Program Account to be used by Commerce for the Landlord Mitigation Program.

Certain documents are exempt from the \$183 surcharge. Exempted documents include assignments or substitutions of previously recorded deeds of trust; documents recording a birth, marriage, divorce, or death; marriage licenses issued by the county auditor; documents recording a federal, state, county, city, or water-sewer district, or wage lien or satisfaction of lien; and any recorded documents otherwise exempted from a recording fee or additional surcharge under state law.

Covenant Homeownership Program Assessment.

The Covenant Homeownership Program (CHP) is administered by the Washington State Housing Finance Commission (HFC), and provides special purpose credit programs, such as down payment and closing cost assistance, to benefit certain economically disadvantaged classes of persons as identified in a study conducted by the HFC. Applicants for assistance must have a household income at or below 100 percent of the area median income; be a first-time home buyer; and be a Washington resident who either: (a) was a state resident on

or before the enactment of the federal Fair Housing Act on April 11, 1968, and was or would have been excluded from homeownership in Washington by a racially-restrictive real estate covenant; or (b) is a descendent of such a person.

Funding for the CHP is provided from a \$100 assessment on certain documents recorded by county auditors. Revenues from the assessment are deposited into the Covenant Homeownership Program Account (Account), and expenditures from the Account are used by Commerce to contract with the HFC to administer the CHP.

Certain documents are exempted from the \$100 CHP assessment. Exempted documents include assignments or substitutions of previously recorded deeds of trust; documents recording a birth, marriage, divorce, or death; marriage licenses issued by the county auditor; documents recording a name change order; documents recording a federal, state, county, city, or water-sewer district, or wage lien or satisfaction of lien; and any recorded documents otherwise exempted from a recording fee or additional assessments under state law.

Summary of Bill:

The exemption for assignments or substitutions of previously recorded deeds of trust is removed from the \$183 housing and homelessness document recording surcharge, and from the \$100 Covenant Homeownership Program assessment.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Local document recording fees are an essential revenue source for homeless housing programs across the state. These dollars ensure that thousands of individuals can receive vital shelter. Since revenue from the document recording fee peaked in 2021, the housing market has declined and local revenues have declined with it. Counties have only been able to maintain services due to appropriations in the state budget, which is not a sustainable approach. State revenues from the document recording fee have also declined significantly. Even if there is sufficient funding to meet current service levels, it is not enough to meet current needs. The bill will not close the document recording fee shortfall, but will make a meaningful difference. This bill will help address the current affordable housing crisis and is a common sense, equitable proposal. Financial institutions should already have been paying this fee. Homelessness has long-term and costly consequences.

(Opposed) None.

Persons Testifying: Michele Thomas, Washington Low Income Housing Alliance; Curtis Steinhauer, Washington Association of Counties; and Sarah Dickmeyer, Plymouth Housing.

Persons Signed In To Testify But Not Testifying: None.