

TO: MEMBERS OF THE COLORADO GENERAL ASSEMBLY

FROM: THE LAND TITLE ASSOCIATION OF COLORADO

RE: PLEASE VOTE NO ON SB 162

SB 162 is a seriously flawed, inefficient and ill-timed approach to funding affordable housing in Colorado. It requires title companies to set up interest-bearing, fiduciary accounts for monies received for real estate transactions and for that interest to be swept and put into an affordable housing foundation. This approach will generate very little money for affordable housing, cost consumers considerably more than it generates, and damage the prospects for real solutions to Colorado's affordable housing issues.

A small and diminishing source of funds

- SB 162 would generate only \$1-2 million per year for affordable housing in today's market and rate environment.
- New check clearing methodologies will continue to significantly reduce the amount of time that most funds are held for real estate transactions and therefore the amount of interest they generate will decline as well.
- Opt-out provision will mean virtually all large transactions will not generate funds for the affordable housing foundation. Only small transactions with the least sophisticated buyers will fund affordable housing through this approach.
- It will likely become a general practice to offer consumers a standard form to opt out.
- Transactions up to \$500,000 will generate less than \$10 for affordable housing under current rate conditions.

Higher costs for Colorado consumers

- Title companies estimate the administrative procedures required of them to comply with SB 162 will add \$30 to \$60 in costs to an average real estate transaction.
- Title companies will have to deal with new forms and provide 1099's to consumers from every transaction to document their income or charitable contribution.
- Increased costs to will ultimately be passed on to Colorado consumers.
- Increased costs to will most negatively affect lower income or first time homebuyers, the very same consumers that the proposed legislation purports to be helping.
- Title companies will struggle to cope with extensive new administrative costs and the loss of benefit from the float – a double whammy when companies are already conducting layoffs.

Colorado does face affordable housing shortages in many communities. SB 162 will do virtually nothing to solve these issues, while adding substantially to the costs of real estate transactions in the midst of the worst real estate market in decades. Enacting SB 162 would create a public perception that the problem had been addressed and make responsible and productive solutions more difficult to achieve.