



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 23, 2011

H.R. 1263

A bill to amend the Servicemembers Civil Relief Act to provide surviving spouses with certain protections relating to mortgages and mortgage foreclosures

*As ordered reported by the House Committee on Veterans' Affairs
on September 8, 2011*

H.R. 1263 would extend protections related to mortgage foreclosure under the Servicemembers Civil Relief Act (SCRA). Military personnel are shielded from foreclosure on a residential mortgage for up to nine months after they leave active duty. However, after January 1, 2013, the period during which foreclosures are deferred declines to 90 days. The bill would increase that protection to a 12-month period, until December 31, 2017, after which the forbearance period would decline to 90 days. The bill also would grant that same foreclosure protection to the surviving spouses of servicemembers who die on active duty. The enhanced protections for surviving spouses would expire five years after enactment.

Enacting H.R. 1263 would affect direct spending; therefore, pay-as-you-go procedures apply. Federal agencies such as the Department of Veterans Affairs and the Federal Housing Administration, which currently guarantee the mortgages of some servicemembers, are responsible for the payment of any interest that accrues on such a mortgage during the period between the stoppage of payments on the mortgage and the time the agency finally settles the loan with the originator. Therefore, delaying certain foreclosures could result in additional costs to the federal government. Because of the low number of affected mortgages, CBO estimates that such costs would be insignificant.

The bill would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) by adding and expanding protections for servicemembers as authorized under SCRA. CBO estimates that the costs to public and private entities of complying with the mandates would be small and would not exceed the thresholds established in UMRA for intergovernmental and private-sector mandates (\$71 million and \$142 million, respectively, in 2011, adjusted annually for inflation).

The bill would require public and private lending institutions that are subject to SCRA to designate an employee who would ensure compliance with the act. In addition, lending institutions with over \$10 billion in annual assets in the preceding fiscal year would be required to maintain a toll-free telephone number to provide assistance to servicemembers. Lending institutions currently employ compliance officers, and all large institutions maintain toll-free numbers. For that reason, CBO estimates that the extra training for employees and the maintenance of toll-free numbers would not impose significant costs on private entities. Because few lending institutions are public entities, CBO estimates that the intergovernmental costs of the mandate also would be small.

Current law grants temporary stays of civil proceedings related to real or personal property, mortgages, evictions, and foreclosures to servicemembers whose military service has ended. As described above, the bill would extend the length of such stays to 12 months after a servicemember's military service ends and expand eligibility to certain surviving spouses. The number of servicemembers who face foreclosure within 12 months of separation is small. The current number of servicemembers killed on active duty since March 2003 is less than 6,500. Thus, CBO expects the cost of the mandate to be minimal.

The CBO staff contacts for this estimate are David Newman (for federal costs), Lisa Ramirez-Branum (for state and local costs), and Elizabeth Bass (for the impact on the private sector). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.