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## FISCAL IMPACT REPORT

SPONSOR	<u>Block</u>	LAST UPDATED	<u>03/17/2025</u>
SHORT TITLE	<u>Redemption Right Sale or Transfer</u>	BILL NUMBER	<u>House Bill 583</u>
		ANALYST	<u>Gygi</u>

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
AOC	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

#### Agency Analysis Received From

Administrative Office of the Courts (AOC)

New Mexico Attorney General (NMAG)

New Mexico Mortgage Finance Authority (NMMFA)

#### Agency Analysis was Solicited but Not Received From

Governor's Office on Housing

## SUMMARY

### Synopsis of House Bill 583

House Bill 583 (HB583) amends Section 39-5-18 NMSA 1978, governing redemption of real property sold under judgment or decree of foreclosure, to clarify that after a foreclosure sale, real estate may be redeemed by the former defendant owner of the real estate, the defendant owner's heirs, family or relatives within three degrees of consanguinity, a nonprofit housing organization, or a junior mortgagee or junior lienholder.

HB583 also prohibits a junior mortgagee or junior lienholder from transferring, selling, or assigning redemption rights to a third party. However, these parties may still exercise redemption rights to protect a secured financial interest.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

## FISCAL IMPLICATIONS

Should the bill be enacted, the Administrative Office of the Courts (AOC) indicates there will be a minimal administrative cost for statewide update, distribution, and documentation of statutory changes. The agency also indicates the new cause of action could increase caseloads for the courts but the associated costs are not quantified.

There is no fiscal impact for the Attorney General or the New Mexico Mortgage Finance Authority (MFA).

## SIGNIFICANT ISSUES

HB583 would expand the parties who have the right to redeem a property (re-purchase it following a foreclosure sale within nine months of the sale) to include the former owner's relatives or heirs within three degrees of consanguinity and "a nonprofit housing organization." It would also prohibit transferring the right to third parties by either the former owner or any junior lienholders.

At least 18 states allow some form of redemption after foreclosure.<sup>1</sup> The length of the redemption period ranges from a few days to a year or longer. Redemption periods can be shorter if a third party buys the property at the foreclosure sale rather than the foreclosing bank, or if the homeowners abandon the property before the foreclosure is over. To redeem property in New Mexico, the redemption statute requires a debtor:

To pay only the amount paid at the foreclosure sale, with interest from the date of purchase at the rate of ten percent a year; all taxes, interest and penalties that were paid by the purchaser; and all payments made by the purchaser to satisfy in whole or in part any prior lien or mortgage not foreclosed. The debtor is not required to pay any other sums owed by the debtor to the purchaser, including any deficiency judgment against the debtor, to redeem property.

The parties able to redeem a property currently include the owner or "any junior mortgagee or other junior lienholder whose rights were judicially determined in the foreclosure proceeding."

MFA notes HB583 potentially supports housing stability by: 1) helping homeowners, and their family members retain their property after foreclosure; 2) preventing potential predatory practices by third parties; and 3) allowing nonprofits to participate in the redemption processes which may further affordable housing initiatives.

## PERFORMANCE IMPLICATIONS

AOC notes the courts are participating in performance-based budgeting. Increased caseloads due to HB583 may impact the following performance measures of the district courts:

- Cases disposed of as a percent of cases filed, and
- Percent change in case filings by case type.

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<sup>1</sup> <https://www.nolo.com/legal-encyclopedia/50-state-chart-key-aspects-state-foreclosure-law.html>