



February 18, 2024

SUMMARY OF BILL: Enacts the *Real Estate Fraud Reduction Act*. Requires county registers of deeds (Registers) and notaries public to: (1) verify the identity of a person recording or notarizing certain documents using a government-issued identification card; and (2) document and maintain as a permanent record certain personally identifying information of a person recording or notarizing such a document. Requires Registers to mail notice of the transaction to the last person of record who paid property taxes on the subject property. Specifies penalties for violations by a notary public.

FISCAL IMPACT:

Increase Local Expenditures – Exceeds \$99,100/FY24-25 and Subsequent Years*

Assumptions:

- The proposed legislation requires Registers and notaries public to identify a person by a valid, government-issued identification card when recording a document relating to a real estate transaction, including any type of deed or lien with respect to real property.
- In-person filings would require the Register to make a physical copy of the identification card to be recorded and maintained as part of the Register's permanent record. Electronic filings would require the filer to submit a digital copy of the identification card with documents to be recorded and maintained as part of the Register's permanent records.
- Requiring certain personal identification information to be maintained as part of the Register's permanent records will not result in a significant fiscal impact to local government.
- Within 10 business days after recording the document, the Register must mail the documents to the last person of record who paid property taxes on the property on the recording documents.
- Requiring documents to be mailed to the last person of record will result in a recurring, mandatory increase in local government expenditures beginning in FY24-25.
- The precise number of real estate transactions that would be subject to the proposed legislation is not known.
- Based on recent Tennessee Housing Development Agency data, there were 119,350 homes sold in 2022.

- Standard postage is \$0.68 per stamp, and it is estimated that the printing cost of each set of documents is \$0.15; the total cost for postage and printing is estimated to be \$0.83 (\$0.68 + \$0.15) per transaction.
- There will be a mandatory increase in local government expenditures exceeding \$99,061 (119,350 transactions x \$0.83 postage and printing) in FY24-25 and subsequent years.
- Notaries public will be able to record certain information as a permanent record without any significant increase in expenditures.
- Notaries that fail to comply would be subject to the following penalties:
 - A \$500 fine paid to the Secretary of State on the first and each subsequent violation;
 - A one-year revocation of the notary's commission on the second violation; and
 - Permanent revocation of the notary's commission on the third violation.
- It can be reasonably assumed that notaries will comply; therefore, any increase in state revenue due to penalties assessed is estimated to be not significant.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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