State of Maryland

DEPARTMENT OF ASSESSMENTS AND TAXATION

Office of the Director

MARTIN O'MALLEY
Governor

ROBERT E. YOUNG
Director

December 21, 2012

Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21401

Honorable Thomas V. "Mike" Miller, Jr.
President, Senate of Maryland
Miller Senate Office Building
Annapolis, Maryland 21401

Honorable Michael E. Busch
Speaker, Maryland House of Delegates
Lowe Howe Office Building
Annapolis, Maryland 21401

Dear Governor, Senate President, and House Speaker:

The Indemnity Mortgage and Deed of Trust Workgroup has concluded its study and is herewith reporting its findings to you. The Workgroup was created by Chapter 2 of the Laws of the First 2012 Special Session. It assigned the responsibility to the Director of the State Department of Assessments and Taxation to form a study group to determine the impact of the recordation tax on indemnity mortgages and deeds of trust. The Workgroup was specifically charged with the responsibility to evaluate the impact of the tax in the forms, volume and value of commercial and residential real estate transactions in urban, suburban and rural areas of the State.

After extensive compilation of data on deeds of trust recorded in numerous jurisdictions in the State, and the tabulation of survey information from affected industry and business groups, the Workgroup presents the following findings:

- The deeds of trust recorded in a selected three month period after the July 1, 2012 effective date of the law indicate that the revenue estimates in the enabling legislation (Senate Bill 1302) will be met or exceeded in most jurisdictions.

- The volume of commercial transactions processed since the effective date of the new law has decreased while the tax revenues have increased in urban, suburban and rural areas alike within the jurisdictions.

- There was insufficient information in the data collected and the survey responses to determine the impact on residential transactions.

- The full impact of the new law cannot be evaluated in the few months after the law's July 1, 2012 effective date.

The Workgroup trusts that this Report will be of value to you, and the members would be happy to make ourselves available to provide any additional information you need.

Respectfully submitted

Robert E. Young

Robert E. Young
Chairman

REPORT OF THE INDEMNITY MORTGAGE AND DEED OF TRUST WORKGROUP

December 21, 2012

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INTRODUCTION

The Indemnity Deed of Trust Workgroup was created by Chapter 2, State and Local Revenue and Financing Act of 2012 during the First 2012 Special Session of the General Assembly. It mandated the Director of Assessments and Taxation to form a Workgroup to study the impacts of imposing the recordation tax on indemnity mortgages and deeds of trust.

A twelve member group was chosen, and the membership consisted of recognized experts in the subject matter of the law as well as representatives from State agencies, local governments, commercial real estate organizations, business organizations, and the Maryland banking industry, including a designee of the Maryland Bankers Association. Appendix A contains a roster of the Workgroup's membership.

The stated mission of the Workgroup was to study:

- The expected tax revenues to be collected for local governments;

- The impacts of the tax, if any, on the forms, volumes, and value of commercial real estate transactions in urban, suburban, and rural areas of the State and on the overall commercial real estate market in the State; and

- The impacts of the tax, if any, on residential real estate transactions.

The first meeting of the Workgroup was held on July 25, 2012. The website of the Department of Assessments and Taxation was utilized to invite public comment and provide interested persons notice of subsequent meetings. Subsequent meetings were held in August, September, October, and twice in November and twice in December. Minutes of the Workgroup meetings and written testimony are posted on the SDAT website at www.dat.state.md.us/IDOT.html

In between meetings, members of the Workgroup provided extensive assistance in compiling data on the fiscal impact of the imposition of the recordation tax and developing survey questionnaires for affected industry and related business entities.

METHODOLOGY

At the initial meeting of the Workgroup, the members discussed the significant need to be able to collect actual data measuring the fiscal impact for local governments of the applicability of the recordation tax to indemnity mortgages and deeds of trust[1]. It was determined that the best method to proceed was to request State Archives to provide customized monthly listings of all commercial deed of trust transactions in the Land Records for different county jurisdictions. The effort also entailed a significant expenditure of committee member time to investigate and evaluate certain commercial entity transactions reported in the Land Records by comparing these transactions for eleven jurisdictions in a defined three month period after the effective date of the new law to the transactions reported in the same three month period in 2011.[2] The selection of these jurisdictions was intended to provide a broad sample of large, medium, and smaller counties containing urban, suburban and rural areas of the State, while taking into account the volume of the data and the limited time frame to produce a report.

The other method utilized by the Workgroup to evaluate the impact of the new law was to have its members from relevant business groups design questionnaires asking their own members for certain information included in the parameters of the study.

[1] Hereinafter in this report, the term "deed of trust" shall be deemed to include mortgages.

[2] The Workgroup wishes to extend its sincere gratitude to the Deputy State Archivist, Timothy D. Baker, and Frank Patnaude in his IT unit, whose agency greatly assisted the work of the group by providing special monthly data runs of Land Records information on deed of trust transactions that form the basis of this report. It also wishes to express its deep appreciation to a member of the Workgroup, Susan Dubin, Esquire, Assistant County Attorney for Baltimore County, and her student intern, Cassandra DeMcCuttac of Towson High School, who reviewed individually the thousands of deed of trust transactions analyzed in this study. Special thanks also to member Linda Watts, Chief, Bureau of Revenue for Howard County, who compiled the data into an understandable format.

DESCRIPTION OF THE PROCESS USED AND THE DATA RELIED UPON BY THE WORKGROUP

In order to address the mission of the Workgroup, a subcommittee of the whole was tasked with gathering data from the Counties and the City of Baltimore. Several facts were quickly ascertained:

(a) the jurisdictions are not consistent in how they maintain and index data; and

(b) the on-line land records information publicly available through the mdlandrec.net website is not searchable and, therefore, were not useful for the purposes of this project.

Given the short time frame and limited resources available to the Workgroup, several procedural decisions were made:

(a) to limit the number of jurisdictions reviewed to the following: Anne Arundel County, Baltimore City, Baltimore County, Caroline County, Cecil County, Harford County, Howard County, Montgomery County, Queen Anne's County, Washington County and Worchester County;

(b) to review only transactions involving entities (limited liability companies, corporations, partnerships, business trusts) based on the assumptions that (i) IDOTs are used almost exclusively in commercial transactions, and (ii) in commercial transactions, the grantor/mortgagor is almost always an entity[3]; and

(c) to limit the review to the months of August through October in 2011 and 2012; and

(d) not to include the months of June and July in 2011 or 2012 because of the unusually large number of transactions that closed in June, 2012, creating a statistical anomaly.

[3] Undoubtedly there are many commercial transactions, and perhaps many IDOTs, in which the grantor/mortgagor is an individual, but it would have been impractical to manually review all recorded transactions to include them. Limiting the documents reviewed only to those in which the grantor/mortgagor is an entity was the quickest way to filter out the thousands of residential home mortgages.

As a result of the searching limitations in the on-line mdlandrec.net website, the State Archivist was contacted and was able to provide customized data for the requested periods which had been indexed by the recording clerks in the selected jurisdictions (whether or not subjected to recordation tax)[4] as any of the following:

(a) deed of trust;
(b) mortgage;
(c) indemnity deed of trust;
(d) indemnity mortgage;
(e) supplemental deed of trust;
(f) supplemental mortgage;
(g) supplemental indemnity deed of trust;
(h) supplemental indemnity mortgage;
(i) amended deed of trust;
(j) amended mortgage;
(k) amended indemnity deed of trust;
(l) amended indemnity mortgage;
(m) modification of deed of trust;
(n) modification of mortgage;
(o) modification of indemnity deed of trust;
(p) modification of indemnity mortgage.

This generated 8,830 documents.[5] The data was initially reviewed to remove duplicate listings and misidentified documents (such as releases and assignments). The remaining 3,295 records were then individually reviewed to determine the type of document, the amount of the transaction, the amount of any recordation tax paid, and the tax district. The State Department of Assessments and Taxation provided information to identify which tax districts in each jurisdiction are urban, suburban or rural. Attached hereto is Appendix B which shows the classification in each jurisdiction reviewed.

Attached are Appendixes C and D which contain a compilation of the data for each of the jurisdictions reviewed, and include an annualized amount which has been compared to the State's estimate contained in the fiscal note. The Workgroup wishes to caution that the annualized number is believed to be anomalous in that

[4] Instruments subject to any recordation tax even if entitled to a partial exemption (such as a purchase money exemption on part of the transaction) were treated as taxable instruments.
[5] It should be noted that, due to differences in indexing of documents by the various recording clerks, it cannot be determined whether all appropriate documents were captured for review, however, the Workgroup is satisfied that it was able to review a statistically representative sampling.

the three month review period includes several large transactions which generated taxes in excess of $1 million.[6]

Also attached is Appendix E which identifies the consideration for large transactions (in excess of $10 million) in each of the jurisdictions over the same period of time.

A review of the data demonstrates, as expected, that for many of the jurisdictions tax revenues have increased during the three month review period.[7] It also appears that, in most jurisdictions, the State's estimates were significantly lower than can now be projected.[8] Overall, during the three month review periods, the number of transactions has decreased from 1,531 in 2011, to 1,242 in 2012. In addition, there has been a drop in the total consideration, from in excess of $10.5 billion to slightly over $5 billion, while the amount of tax revenues has increased by slightly less than $12 million. The change appears to be least significant in rural transactions, which saw a drop of 18 transactions, but an increased consideration of over $60.5 million, and increased tax revenues of under $500,000. During the corresponding period, there were 159 fewer urban transactions, with a reduced consideration of slightly above $2 billion, and increased tax revenues of almost $3.5 million. There were also 112 fewer suburban transactions, with a reduced consideration of almost $3.5 billion, and increased tax revenues of approximately $8 million. The review also disclosed that large transactions of over $10 million were disproportionately exempted from tax in 2011. There were over $8.5 billion worth of large transactions in 2011, as compared to less than $4 billion for the same period in 2012. Had taxes been collected on the indemnity deeds of trust in excess of $1 million during August through October, 2011, the eleven jurisdictions would have collected approximately $45,907,839.25 in recordation tax, with an annualized amount of $183,631,357. See Appendix F.

It should be emphasized that whatever trends are observed are subject to the certain qualifications. Given the time limitations that the Workgroup was under to submit its report before December 31, 2012, the sample size may be too small and the time period too narrow from which to draw reliable conclusions. We are unable to conclude whether any of the observed trends are due exclusively to the change in the manner of taxing indemnity deeds of trust, or whether the changes we have

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[6] For example, Montgomery County had transactions of almost $152 million in August, 2012 and $150 million in September, 2012, each of which generated recordation taxes in excess of $1.5 million, and Howard County had a transaction in September, 2012 of $350 million which generated recordation taxes of $1.75 million.

[7] However, it should be noted that tax revenues in the relevant period decreased for Caroline and Harford Counties.

[8] State estimates, however, appear to be higher than current projections for Caroline, Cecil, Harford and Worchester Counties.

observed will continue. Other factors that could affect the data include, but are not limited to, the overall state of the economy.

SURVEYS OF INDUSTRY AND BUSINESS GROUPS

Another method used by the Workgroup to study the impact of imposing the recordation tax on indemnity mortgages and deeds of trusts has been to conduct questionnaire surveys of the members of specific industry and business related groups. These groups include the Maryland Bankers Association, the Maryland Chapters of NAIOP the Commercial Real Estate Development Association ("NAIOP"), the Homebuilders Association of Maryland, and the local government economic development community through the Maryland Economic Development Association.

The questionnaires sought to obtain more specific information beyond the obvious fact that a tax would add to the cost of transactions. The surveys sought to examine the impact of the tax on the forms, volume, and value of commercial real estate transactions in urban, suburban, and rural areas of the State.

Maryland Bankers Association

The survey by the Maryland Bankers Association ("MBA") resulted in 25 responses from its total membership of 81 charter member banks (a 30% response rate). The respondent banks are geographically representative of all sections of the State, including Western Maryland, Central Maryland, and the Eastern Shore. Responses came from banks doing business in urban, suburban, and rural areas in all 24 Maryland jurisdictions. Finally, 79% of the respondents are deemed small banks with total assets under $500 million. See Appendix G for the full MBA survey results.

Slightly over a quarter of the MBA survey respondents (28%) indicated that they had seen a decrease in both the volume and dollars of commercial real estate as a direct result of the new IDOT law. Others indicated that it is too early to make any judgments on the new law or whether commercial loan volume has instead declined due to the downturn in the economy.

Slightly under half of the respondents (48%) indicated that access to credit, liquidity and plans to expand are negatively affected, for at least some businesses, by the new law. No effect on liquidity or growth plans was noted by 32% of the respondents. Finally, 12% of the respondents did not know what effect the law had on their clients' liquidity or future growth plans.

The following information was reported as the business actions by clients to the increased transaction costs due to the tax[9]:

- 40% reported their business clients reduced profits to offset the additional costs of the tax;
- 24% reported that they did not know how their business clients were dealing with higher transactional cost;
- 20% indicated that their business clients increased product prices to offset the cost;
- 16% reported their clients made no changes to offset the higher costs; and,
- 8% said their business clients decreased product offerings due to the cost.

In terms of the geographic areas that would be most affected by the new law, 64% of the respondents indicated a belief that all areas - urban, suburban and rural - would be affected alike. Another 20% thought the suburban areas would be most affected, and 16% indicated that they did not know. Survey responses did not specify reasons for these beliefs.

A separate issue raised by the MBA survey is how the variance in interpretations of the new law among the jurisdictions had impacted the financing process. This issue will be discussed in another section of the report entitled "Interpretation and Applicability of New Law."

A general conclusion of the MBA survey is that it is difficult to gauge the full impact of the new law. The law has only been in effect since July 1, 2012, and that is insufficient time to fully study and understand its effects. The executive summary of the MBA survey concludes: "Further, the economic downturn has negatively impacted business growth and loan demand. As a result, it is hard to differentiate between the effects of the economy and the effects of the new law." However, survey results indicate that access to credit, liquidity and plans to expand are, for at least some businesses, negatively impacted by the new law.

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[9] Percentages exceed 100%, as respondents could select more than one option.

NAIOP

NAIOP received 60 responses to its survey out of a membership of 194 property owners (a 31% response rate). When asked to identify the types of properties developed, 44 of the 60 respondents indicated that their commercial transactions are located in the following areas: 27% are urban; 68% are suburban and 4% are rural. Respondents also indicated that they do business in 20 of the 24 jurisdictions in the State (23 counties and Baltimore City). Over 73% of the respondents indicated that the loan proceeds are used for permanent building financing, building refinancing, new construction, land acquisition and development. The size of the loans received by the respondents are: under $1 million = 11.49% of responses; $1 million to $5 million = 27.56% of responses; $5 million to $10 million = 22.54%; and over $10 million = 29.33%.

The percentage of NAIOP respondents who indicated that the new IDOT law has affected their business is over 76%. For new projects, 22% of the NAIOP respondents have indicated that the new law has caused them to terminate or delay a project. It was noted by 39% that the new IDOT law has caused a delay or cancellation of a refinancing of their projects, and 66% of the respondents reported that the new IDOT law would result in increased rent to their tenants. Some of the respondents indicated that they did not refinance due to the receipt of less proceeds or kept the same lender due to higher fees for moving a mortgage to another lending institution. Other companies took smaller loans to reduce costs. Some respondents indicated projects were required to provide additional equity. Apart from terminating some residential projects, the changes being made by the respondent companies to the new law include: borrowing less money than otherwise; budgeting less proceeds for refinancing; considering private funding and partnerships to absorb costs; shifting to increased lines of credit borrowing instead of project specific loans; developing joint ventures with private entities; changing the scope of the project; reducing the price paid for the property to reflect the additional cost; increasing rent to tenants; increasing home prices to buyers; selling certain projects rather than refinancing them; shifting more effort and capital out of state where the taxes are less; and delaying improvements made to buildings.

Appendix H contains the full NAIOP survey results with the anecdotal statements about specific business projects.

Homebuilders Association of Maryland

The Homebuilders Association of Maryland ("HBAM"), which has a total membership of 700 members, received 44 responses to its survey. Appendix I contains the full survey results. Over 84% of the respondents indicated that they have used IDOTs to finance land acquisition, development, and new construction. Some 61.4% of the respondents have used IDOTs to finance permanent building financing or building refinancing. In terms of the amounts of the mortgage loans on properties the 44 respondents own, the specific numbers are: under \$ 1 million = 24 respondents; between \$1 million and \$5 million = 33 respondents; between \$5 million and \$10 million = 26 respondents; and over \$10 million = 24 respondents. The markets in which the respondent businesses operate are: 57.6% have rural projects; 97% have suburban projects; and 78.8% have urban projects[10].

Three-quarters (75%) of the HBAM respondents indicated the new law has affected their business. Another 23% of the respondents have indicated that they already have or will be paying the IDOT tax on a transaction in 2013. Slightly more than one-third (38%) have indicated they have delayed or terminated a project because of the new transaction cost.

A decision to make adjustments or changes to borrowing was noted by 32% of the respondents. For residential development, 13% of the respondents indicated that they have delayed or terminated a residential project.

The interesting anecdotal statements about particular business projects in the HBAM survey include the two responses about the increased transactional cost in the new law affecting locations involving national retailers. Similar to the NAIOP survey, this survey included several responses about the law's effect on refinancing.

[10] Answers exceed 44 respondents and 100%, as respondents could select more than one option.

Economic Development Community

Members of the economic development community were surveyed through organizations that primarily represent a public economic development enterprise at the state, county and city or municipal level. A specific list of contacts was obtained by a Workgroup member from the Maryland Economic Development Association. The response level to the survey was 7 of 55 surveys or a 12.7% response rate. Reponses were received from Baltimore City, Cecil County, Garrett County, Montgomery County, Wicomico County, the City of Bowie and one State economic development entity.

The respondents indicated that the segment of the businesses they saw using IDOTs was represented between 80% and 100% from small businesses. None of the respondents at the State, County or Municipal level were aware of any businesses terminating or deferring a capital project due to the imposition of the recordation tax. Similarly, none were aware of any residential developments proposed to be financed by IDOTs as being cancelled or deferred. They were not aware of any changes in business borrowings because of the increase in transaction costs. Finally, the respondents were not aware of any banks or lenders that lost or did not proceed with a transaction due to the new requirement. See Appendix J.

Again, the results of this survey are also limited and merely provide a preliminary indication of the impact of the new law in the first months after its effective date.

INTERPRETATION AND APPLICABILITY OF NEW LAW

A separate issue was initially raised in the Workgroup's discussions and then raised again in two of the surveys[11]. This concerns varying interpretations of the law among the jurisdictions.

The recordation tax is administered by the Clerks of the Court, a State office in seventeen jurisdictions, and by the County Finance Offices in the other seven jurisdictions. As these transactions are presented to the various jurisdictions, different interpretations have produced different results for similar transactions that involve properties in different jurisdictions. This has produced some confusion or lack of predictability with the use of IDOTs, particularly with the title industry. Some 24% of respondents to the MBA survey noted that variance in interpretations of the new law among jurisdictions was negatively impacting the financing process for at least some businesses, and some 76% indicated no negative impact. The surveys and written testimony on this issue are posted on the SDAT website at www.dat.state.md.us/IDOT.html.

It should be noted that the complexity of these transactions, and differing fact patterns, require each to be examined on an individual basis, making uniformity difficult during this initial implementation period.

[11] They are the MBA and NAIOP surveys.

CONCLUSION

The charge of the Indemnity Mortgage and Deed of Trust Workgroup to study the impact of the recordation tax on these instruments has been completed. The Workgroup can report to you the following findings: (1) the data collected for the two comparative periods indicates that the fiscal estimate of the tax revenues to be collected by local governments in the enabling legislation (SB 1302) will be met or exceeded for most jurisdictions in the State; (2) the volume of commercial transactions since the effective date of the new law is down although the tax revenues have increased in urban, suburban and rural areas alike within the jurisdictions; (3) neither the data collected nor the survey responses provided sufficient information to determine the impact on residential transactions; and (4) the full impact of the new law cannot be evaluated in the few months after the law's July 1, 2012 effective date. A separate issue arose regarding the uniform interpretation and applicability of the new law on these transactions. This issue is noted in the report only for informational purposes.

APPENDIXES

MEMBERSHIP OF IDOT WORKGROUP

1.) Robert E. Young, Chairman
Director
State Department of Assessments and Taxation
300 W. Preston Street, Room 605
Baltimore, Maryland 21201
ryoung@dat.state.md.us

2.) Robert C. Brennan
Executive Director, MEDCO (Maryland Economic Development Corporation)
100 N. Charles Street, 6th Floor
Baltimore, Maryland 21201
R_Brennan@Medco-corp.com

3.) James Cosgrove, Esquire
Maryland Land Title Association
jcosgrove@comcast.net

4.) Susan Dubin, Esquire
Associate County Attorney
for Baltimore County
400 Washington Street
Towson, Maryland 21204
sdubin@baltimorecountymd.gov

5.) Scott R. Foncannon, Esquire
Associate County Attorney
for Montgomery County
101 Monroe Street
Rockville, Maryland 20850
scott.foncannon@montgomerycountymd.gov

6.) Edward J. Levin, Esquire
Gordon-Feinblatt, LLC
Attorneys at Law
233 East Redwood Street
Baltimore, Maryland 21202
elevin@gfrlaw.com

7.) Richard E. Levine, Esquire
DLA Piper
6225 Smith Avenue
Baltimore, Maryland 21209
rich.levine@dlapiper.com

MEMBERSHIP OF IDOT WORKGROUP – Continued

8.) John P. (Jack) Machen, Esquire
Special Chief Solicitor
Baltimore City Law Department
100 N. Holliday Street
Baltimore, Maryland 21202
John.Machen@baltimorecity.gov

9.) Scott C. Nicholson
Senior Executive Vice President & Chief Commercial Banking Officer
The Columbia Bank
7168 Columbia Gateway Drive
Columbia, Maryland 21046
snicholson@thecolumbiabank.com

10.) Mark A. Vulcan, Esquire, CPA
Program Manager, Tax Incentives
Division of Finance
Maryland Department of Business & Economic Development
401 E. Pratt Street, World Trade Center
Baltimore, Maryland 21202
mvulcan@choosemaryland.org

11.) Linda Watts
Chief, Bureau of Revenue for Howard
County Government
3430 Courthouse Drive
Ellicott City, Maryland 21043
lwatts@howardcountymd.gov

12.) Dennis J. Weaver
Clerk of the Circuit Court
Washington County
95 West Washington Street
Hagerstown, Maryland 21740
dennis.weaver@mdcourts.gov

APPENDIX B

I.D.O.T. STUDY BY DISTRICT
RURAL - SUBURBAN - URBAN

District	Anne Arundel	Balto. Co.	Caroline	Cecil	Harford	Howard	Montgomery	Queen Anne	Washington	Worcester
1	Rural	Urban	Rural	Rural	Suburban	Suburban	Rural	Rural	Rural	Rural
2	Suburban	Suburban	Rural	Rural	Urban	Suburban	Suburban	Rural	Suburban	Rural
3	Suburban	Suburban	Rural	Suburban	Suburban	Suburban	Rural	Rural	Urban	Rural
4	Suburban	Suburban	Rural	*	Rural	Rural	Suburban	Suburban	Rural	Rural
5	Suburban	Rural	Rural	*	Rural	Suburban	Suburban	Suburban	Rural	Rural
6	Urban	Rural	Rural	*	Urban	Suburban	Suburban	Rural	Rural	Rural
7	Rural	Rural	Rural	*	*	*	Urban	Rural	Rural	Rural
8	Rural	Suburban	Rural	*	*	*	Suburban	*	Rural	Rural
9	*	Urban	*	*	*	*	Suburban	*	Rural	Rural
10	*	Rural	*	*	*	*	Suburban	*	Suburban	Urban
11	*	Suburban	*	*	*	*	Rural	*	Rural	*
12	*	Urban	*	*	*	Urban	Rural	*	Rural	*
13	*	Urban	*	*	*	*	Urban	*	Rural	*
14	*	Urban	*	*	*	*	*	*	Rural	*
15	*	Suburban	*	*	*	Suburban	*	*	Rural	*
16	*	*	*	*	*	Suburban	*	*	Rural	*
17	*	*	*	*	*	*	*	*	Urban	*
18	*	*	*	*	*	*	*	*	Suburban	*
19	*	*	*	*	*	*	*	*	Rural	*
20	*	*	*	*	*	*	*	*	Rural	*
21	*	*	*	*	*	*	*	*	Urban	*
22	*	*	*	*	*	*	*	*	Urban	*
23	*	*	*	*	*	*	*	*	Rural	*
24	*	*	*	*	*	*	*	*	Suburban	*
25	*	*	*	*	*	*	*	*	Urban	*
26	*	*	*	*	*	*	*	*	Suburban	*
27	*	*	*	*	*	*	*	*	Suburban	*

County	Month/Year	# of Commercial Documents	Consideration on Commercial	$ Collected	Month/Year	# of Commercial Documents	Consideration on Commercial	$ Collected	Change in Tax Collected	Annualized Change in Tax	State Estimate	Over (Under) Collected
Anne Arundel	Aug 2011	57	260,424,500	44,337.00	Aug 2012	51	130,360,500	161,042.00	116,705.00			
Anne Arundel	Sep 2011	74	1,248,810,000	17,088.45	Sep 2012	45	128,570,500	455,621.80	438,533.35			
Anne Arundel	Oct 2011	46	304,107,000	17,055.00	Oct 2012	61	88,954,500	428,814.35	411,759.35			
Anne Arundel	TOTAL 2011	177	1,813,341,500	78,480.45	TOTAL 2012	157	347,885,500	1,045,478.15	966,997.70	3,867,990.80	2,925,000.00	942,990.80
Baltimore City	Aug 2011	155	254,609,500	151,880.79	Aug 2012	123	112,367,000	561,960.00	410,079.21			
Baltimore City	Sep 2011	120	95,766,000	73,875.80	Sep 2012	102	135,927,000	204,742.50	130,866.70			
Baltimore City	Oct 2011	124	1,340,081,000	60,459.00	Oct 2012	109	96,440,000	478,190.00	417,731.00			
Baltimore City	TOTAL 2011	399	1,690,456,500	286,215.59	TOTAL 2012	334	344,734,000	1,244,892.50	958,676.91	3,834,707.64	400,000.00	3,434,707.64
Baltimore County	Aug 2011	74	133,452,000	14,237.50	Aug 2012	74	487,543,000	1,723,230.50	1,708,993.00			
Baltimore County	Sep 2011	81	535,388,000	62,927.00	Sep 2012	72	226,340,500	769,802.50	706,875.50			
Baltimore County	Oct 2011	57	90,099,000	82,612.50	Oct 2012	74	1,011,863,000	273,030.00	190,417.50			
Baltimore County	TOTAL 2011	212	758,939,000	159,777.00	TOTAL 2012	220	1,725,746,500	2,766,063.00	2,606,286.00	10,425,144.00	2,100,000.00	8,325,144.00
Caroline	Aug 2011	5	1,487,500	8,770.00	Aug 2012	6	1,616,000	-	(8,770.00)			
Caroline	Sep 2011	7	3,965,000	11,350.00	Sep 2012	8	1,994,500	1,110.00	(10,240.00)			
Caroline	Oct 2011	3	1,327,000	3,231.60	Oct 2012	10	5,091,000	7,690.00	4,458.40			
Caroline	TOTAL 2011	15	6,779,500	23,351.60	TOTAL 2012	24	8,701,500	8,800.00	(14,551.60)	(58,206.40)	100,000.00	(158,206.40)
Cecil	Aug 2011	23	347,984,000	19,210.00	Aug 2012	21	29,069,500	171,148.50	151,938.50			
Cecil	Sep 2011	15	7,237,000	32.80	Sep 2012	12	11,188,500	22,850.80	22,818.00			
Cecil	Oct 2011	14	40,427,500	11,508.70	Oct 2012	12	11,656,500	59,085.10	47,576.40			
Cecil	TOTAL 2011	52	395,648,500	30,751.50	TOTAL 2012	45	51,914,500	253,084.40	222,332.90	889,331.60	2,195,000.00	(1,305,668.40)
Harford	Aug 2011	32	303,332,000	6,052.20	Aug 2012	26	23,515,000	16,037.70	9,985.50			
Harford	Sep 2011	42	131,849,500	244,840.20	Sep 2012	22	20,311,000	46,688.48	(198,151.72)			
Harford	Oct 2011	23	135,767,000	14,784.00	Oct 2012	21	38,439,500	14,902.20	118.20			
Harford	TOTAL 2011	97	570,948,500	265,676.40	TOTAL 2012	69	82,265,500	77,628.38	(188,048.02)	(752,192.08)	1,020,000.00	(1,772,192.08)
Howard	Aug 2011	37	220,821,500	39,490.00	Aug 2012	28	151,982,500	53,923.00	14,433.00			
Howard	Sep 2011	37	718,511,000	24,040.00	Sep 2012	28	470,492,500	1,851,265.00	1,827,225.00			
Howard	Oct 2011	36	197,865,500	38,030.00	Oct 2012	19	126,774,000	258,422.50	220,392.50			
Howard	TOTAL 2011	110	1,137,198,000	101,560.00	TOTAL 2012	75	749,249,000	2,163,610.50	2,062,050.50	8,248,202.00	2,903,000.00	5,345,202.00
Montgomery	Aug 2011	85	872,197,500	108,936.80	Aug 2012	52	590,950,500	2,705,778.10	2,596,841.30			
Montgomery	Sep 2011	66	1,537,323,500	463,156.60	Sep 2012	49	387,113,500	293,775.93	(169,380.67)			
Montgomery	Oct 2011	87	869,250,500	113,623.85	Oct 2012	57	270,876,500	2,135,622.05	2,021,998.20			
Montgomery	TOTAL 2011	238	3,278,771,500	685,717.25	TOTAL 2012	158	1,248,940,500	5,135,176.08	4,449,458.83	17,797,835.32	11,000,000.00	6,797,835.32
Queen Anne's	Aug 2011	12	15,131,500	4,855.95	Aug 2012	14	22,974,500	120,329.65	115,473.70			
Queen Anne's	Sep 2011	16	22,825,000	306.90	Sep 2012	14	8,354,500	29,912.05	29,605.15			
Queen Anne's	Oct 2011	11	12,620,500	3,098.20	Oct 2012	16	28,225,500	154,260.35	151,162.15			
Queen Anne's	TOTAL 2011	39	50,577,000	8,261.05	TOTAL 2012	44	59,554,500	304,502.05	296,241.00	1,184,964.00	500,000.00	684,964.00
Washington	Aug 2011	24	622,237,500	29,593.00	Aug 2012	20	110,005,500	5,890.00	(23,703.00)			
Washington	Sep 2011	43	224,053,000	10,933.40	Sep 2012	16	24,670,000	28,537.20	17,603.80			
Washington	Oct 2011	30	28,423,000	24,432.00	Oct 2012	25	95,687,500	516,831.00	492,399.00			
Washington	TOTAL 2011	97	874,713,500	64,958.40	TOTAL 2012	61	230,363,000	551,258.20	486,299.80	1,945,199.20	455,000.00	1,490,199.20
Worchester	Aug 2011	24	66,507,500	28,469.10	Aug 2012	16	26,775,500	2,392.50	(26,076.60)			
Worchester	Sep 2011	33	25,780,000	3,599.70	Sep 2012	19	28,144,500	52,683.60	49,083.90			
Worchester	Oct 2011	14	11,448,000	5,655.30	Oct 2012	20	207,779,500	30,857.50	25,202.20			
Worchester	TOTAL 2011	71	103,735,500	37,724.10	TOTAL 2012	55	262,699,500	85,933.60	48,209.50	192,838.00	250,000.00	(57,162.00)
TOTALS	TOTAL 2011	1507	10,681,109,000	1,742,473.34	TOTAL 2012	1242	5,112,054,000	13,636,426.86	11,893,953.52	47,575,814.08	23,848,000.00	23,727,814.08

County	Month/Year	Rural			Urban			Suburban			Month/Year	Rural			Urban			Suburban		
		# of Transactions	Consideration	Tax Collected	# of Transactions	Consideration	Tax Collected	# of Transactions	Consideration	Tax Collected		# of Transactions	Consideration	Tax Collected	# of Transactions	Consideration	Tax Collected	# of Transactions	Consideration	Tax Collected
Anne Arundel	Aug 2011	5	7,437,000	3,577.00	5	1,786,500	1,085.00	47	251,201,000	39,675.00	Aug 2012	4	1,175,500	3,269.00	9	7,280,000	7,175.00	38	121,905,000	150,598.00
Anne Arundel	Sep 2011	5	9,267,000	-	8	2,888,000	-	61	1,236,655,000	17,088.45	Sep 2012	3	905,000	4,305.00	9	35,483,500	57,459.50	33	92,182,000	393,857.30
Anne Arundel	Oct 2011	7	1,281,000	2,505.00	13	202,954,000	1,400.00	26	99,872,000	13,150.00	Oct 2012	2	1,700,000	-	7	1,933,500	1,123.50	52	85,321,000	427,690.85
Anne Arundel	TOTAL 2011	17	17,985,000	6,082.00	26	207,628,500	2,485.00	134	1,587,728,000	69,913.45	TOTAL 2012	9	3,780,500	7,574.00	25	44,697,000	65,758.00	123	299,408,000	972,146.15
Baltimore City	Aug 2011	0	-	-	155	254,609,500	151,880.79	0	-	-	Aug 2012	0	-	-	123	112,367,000	561,960.00	0	-	-
Baltimore City	Sep 2011	0	-	-	120	95,766,000	73,875.80	0	-	-	Sep 2012	0	-	-	102	135,927,000	204,742.50	0	-	-
Baltimore City	Oct 2011	0	-	-	124	1,340,081,000	60,459.00	0	-	-	Oct 2012	0	-	-	109	96,440,000	478,190.00	0	-	-
Baltimore City	TOTAL 2011	0	-	-	399	1,690,456,500	286,215.59	0	-	-	TOTAL 2012	0	-	-	334	344,734,000	1,244,892.50	0	-	-
Baltimore County	Aug 2011	2	6,592,000	-	41	40,275,500	3,115.00	31	86,584,500	11,122.50	Aug 2012	1	1,000,000	-	27	138,089,500	511,577.50	46	348,453,500	1,211,653.00
Baltimore County	Sep 2011	4	13,676,500	1,610.00	29	194,055,000	9,055.50	48	327,656,500	52,261.50	Sep 2012	0	-	-	35	123,528,500	347,300.00	37	102,812,000	422,502.50
Baltimore County	Oct 2011	2	694,500	-	29	66,628,500	52,240.00	26	22,776,000	30,372.50	Oct 2012	7	2,097,500	2,655.00	24	432,441,500	75,785.00	43	577,324,000	193,590.00
Baltimore County	TOTAL 2011	8	20,963,000	1,610.00	99	300,959,000	64,410.50	105	437,017,000	93,756.50	TOTAL 2012	8	3,097,500	2,655.00	86	694,059,500	934,662.50	126	1,028,589,500	1,827,745.50
Caroline	Aug 2011	5	1,487,500	8,770.00	0	-	-	0	-	-	Aug 2012	6	1,616,000	-	0	-	-	0	-	-
Caroline	Sep 2011	7	3,965,000	11,350.00	0	-	-	0	-	-	Sep 2012	8	1,994,500	1,110.00	0	-	-	0	-	-
Caroline	Oct 2011	3	1,327,000	3,231.60	0	-	-	0	-	-	Oct 2012	10	5,091,000	7,690.00	0	-	-	0	-	-
Caroline	TOTAL 2011	15	6,779,500	23,351.60	0	-	-	0	-	-	TOTAL 2012	24	8,701,500	8,800.00	0	-	-	0	-	-
Cecil	Aug 2011	3	144,500	89.20	0	-	-	20	347,839,500	19,120.80	Aug 2012	4	712,000	-	0	-	-	17	28,357,500	171,148.50
Cecil	Sep 2011	2	51,000	-	0	-	-	13	7,186,000	32.80	Sep 2012	0	-	-	0	-	-	12	11,188,500	22,850.80
Cecil	Oct 2011	1	226,000	-	0	-	-	13	40,201,500	11,508.70	Oct 2012	1	4,000,000	32,800.00	0	-	-	11	7,656,500	26,285.10
Cecil	TOTAL 2011	6	421,500	89.20	0	-	-	46	395,227,000	30,662.30	TOTAL 2012	5	4,712,000	32,800.00	0	-	-	40	47,202,500	220,284.40
Harford	Aug 2011	7	14,644,000	825.00	13	240,019,000	4,494.60	12	48,669,000	732.60	Aug 2012	4	4,432,000	12,837.00	7	2,158,000	1,234.20	15	16,925,000	1,966.50
Harford	Sep 2011	3	2,187,500	4,768.50	38	58,221,000	10,461.00	24	71,441,000	229,610.70	Sep 2012	2	76,500	36.38	3	3,193,500	16,830.00	17	17,041,000	29,822.10
Harford	Oct 2011	1	152,500	1,056.00	2	50,050,000	330.00	20	85,564,500	13,398.00	Oct 2012	2	421,500	-	7	17,231,500	2,640.00	12	20,786,500	12,262.20
Harford	TOTAL 2011	11	16,984,000	6,649.50	53	348,290,000	15,285.60	56	205,674,500	243,741.30	TOTAL 2012	8	4,930,000	12,873.38	17	22,583,000	20,704.20	44	54,752,500	44,050.80
Howard	Aug 2011	2	165,000	-	0	-	-	35	220,656,500	39,490.00	Aug 2012	1	1,200,000	6,000.00	1	3,600,000	15,000.00	26	147,182,500	32,923.00
Howard	Sep 2011	1	500,000	-	0	-	-	36	718,011,000	24,040.00	Sep 2012	1	375,000	-	0	-	-	27	470,117,500	1,851,265.00
Howard	Oct 2011	2	9,988,000	-	1	2,465,000	-	33	185,412,500	38,030.00	Oct 2012	0	-	-	0	-	-	19	126,774,000	258,422.50
Howard	TOTAL 2011	5	10,653,000	-	1	2,465,000	-	104	1,124,080,000	101,560.00	TOTAL 2012	2	1,575,000	6,000.00	1	3,600,000	15,000.00	72	744,074,000	2,142,610.50
Montgomery	Aug 2011	5	3,128,000	1,228.20	24	344,924,500	28,940.85	56	524,145,000	78,767.75	Aug 2012	10	52,251,000	407,056.00	20	507,170,500	1,093,901.50	22	31,529,000	1,204,820.60
Montgomery	Sep 2011	4	2,400,000	1,800.90	25	684,835,500	54,331.00	37	850,088,000	407,024.70	Sep 2012	6	2,756,000	3,138.48	14	27,204,000	207,296.50	29	357,153,500	83,340.95
Montgomery	Oct 2011	13	6,185,000	72,153.73	32	325,654,000	28,680.77	42	537,411,500	13,789.35	Oct 2012	7	1,114,500	1,690.50	20	130,781,500	257,907.85	30	138,980,500	1,876,023.70
Montgomery	TOTAL 2011	22	11,713,000	75,182.83	81	1,355,414,000	111,952.62	135	1,911,644,500	499,581.80	TOTAL 2012	23	56,121,500	411,884.98	54	665,156,000	1,559,105.85	81	527,663,000	3,164,185.25
Queen Anne's	Aug 2011	4	9,594,500	3,900.60	0	-	-	8	5,537,000	955.35	Aug 2012	6	7,494,500	82,902.65	0	-	-	8	15,480,000	37,427.00
Queen Anne's	Sep 2011	5	6,197,000	306.90	0	-	-	11	16,628,000	-	Sep 2012	5	1,625,000	5,242.05	0	-	-	9	6,729,500	24,670.00
Queen Anne's	Oct 2011	4	5,638,000	1,662.70	0	-	-	8	6,982,500	1,435.50	Oct 2012	10	13,247,500	9,591.65	0	-	-	6	14,978,000	144,668.70
Queen Anne's	TOTAL 2011	13	21,429,500	5,870.20	0	-	-	27	29,147,500	2,390.85	TOTAL 2012	21	22,367,000	97,736.35	0	-	-	23	37,187,500	206,765.70
Washington	Aug 2011	5	139,292,000	9,690.00	9	3,166,500	1,067.80	10	479,779,000	18,835.20	Aug 2012	1	565,000	-	11	1,665,000	-	8	107,775,500	5,890.00
Washington	Sep 2011	10	3,860,000	2,698.00	16	26,740,000	4,747.00	17	193,453,000	3,488.40	Sep 2012	5	16,323,000	1,606.00	6	3,818,000	25,840.00	5	4,529,000	1,091.20
Washington	Oct 2011	7	3,519,000	18,209.40	11	11,659,000	754.20	12	13,245,000	5,468.40	Oct 2012	3	880,000	-	10	1,031,000	1,459.20	12	93,776,500	515,371.80
Washington	TOTAL 2011	22	146,671,000	30,597.40	36	41,565,500	6,569.00	39	686,477,000	27,792.00	TOTAL 2012	9	17,768,000	1,606.00	27	6,514,000	27,299.20	25	206,081,000	522,353.00
Worchester	Aug 2011	8	6,053,500	1,237.50	16	60,454,000	27,231.60	0	-	-	Aug 2012	5	2,001,500	-	11	24,774,000	2,392.50	0	-	-
Worchester	Sep 2011	17	6,053,500	1,322.70	16	19,726,500	2,277.00	0	-	-	Sep 2012	8	4,047,500	4,460.50	11	24,097,000	48,223.10	0	-	-
Worchester	Oct 2011	4	1,222,500	4,995.30	10	10,225,500	660.00	0	-	-	Oct 2012	8	198,428,000	14,665.20	12	9,351,500	16,192.30	0	-	-
Worchester	TOTAL 2011	29	13,329,500	7,555.50	42	90,406,000	30,168.60	0	-	-	TOTAL 2012	21	204,477,000	19,125.70	34	58,222,500	66,807.90	0	-	-
TOTALS	TOTAL 2011	148	266,929,000	156,988.23	737	4,037,184,500	517,086.91	646	6,376,995,500	1,069,398.20	TOTAL 2012	130	327,530,000	601,055.41	578	1,839,566,000	3,934,230.15	534	2,944,958,000	9,100,141.30

Location	2011			2012			Difference		
	# of Transactions	Consideration	Tax Collected	# of Transactions	Consideration	Tax Collected	# of Transactions	Consideration	Tax Collected
Rural	148	266,929,000	156,988.23	130	327,530,000	601,055.41	-18	60,601,000	444,067.18
Urban	737	4,037,184,500	517,086.91	578	1,839,566,000	3,934,230.15	-159	(2,197,618,500)	3,417,143.24
Suburban	646	6,376,995,500	1,069,398.20	534	2,944,958,000	9,100,141.30	-112	(3,432,037,500)	8,030,743.10
Total	1531	10,681,109,000	1,743,473.34	1242	5,112,054,000	13,635,426.86	-289	(5,569,055,000)	11,891,953.52

LARGE TRANSACTIONS

COUNTY	2011 EXEMPT DOTS*	2012 EXEMPT DOTS*	2011 TAXABLE DOTS*	2012 TAXABLE DOTS*
ANNE ARUNDEL	$1,494,832,000	$78,236,000	$43,308,500	$50,200,000
BALTIMORE CITY	$1,709,350,000	$75,200,000	$0	$94,725,000
BALTMORE	$503,807,000	$114,562,000	$20,000,000	$1,462,973,500
CAROLINE	$0	$0	$0	$0
CECIL	$351,470,000	$0	$0	$0
HARFORD	$192,989,000	$0	$30,851,500	$0
HOWARD	$745,998,500	$191,107,000	$275,000,000	$455,804,500
MONTGOMERY	$2,328,150,500	$524,321,500	$173,103,500	$630,733,500
QUEEN ANNES	$0	$0	$0	$0
WASHINGTON	$668,539,000	$94,319,000	$11,000,000	$57,720,000
WORCHESTER	$39,645,000	$0	$0	$38,900,000
TOTAL	$8,034,781,000	$1,077,745,500	$553,263,500	$2,791,056,500

*Deeds of Trust/mortgages of $10 million and above (August through October).

Jurisdiction	Rate per $500	Consideration on IDOTs $1M and more (Aug - Nov 2011)	Estimated Tax Value fo 3 months	Annualized
Anne Arundel	3.50	1,545,024,000	10,815,168.00	43,260,672.00
Baltimore City	5.00	1,418,692,000	14,186,920.00	56,747,680.00
Baltimore County	2.50	376,917,000	1,884,585.00	7,538,340.00
Caroline	5.00	1,750,000	17,500.00	70,000.00
Cecil	4.10	352,400,000	2,889,680.00	11,558,720.00
Harford	3.30	248,960,000	1,643,136.00	6,572,544.00
Howard	2.50	225,172,500	1,125,862.50	4,503,450.00
Montgomery	3.45	1,153,861,500	7,961,644.35	31,846,577.40
Queen Anne's	4.95	1,000,000	9,900.00	39,600.00
Washington	3.80	632,488,500	4,806,912.60	19,227,650.40
Worchester	3.30	85,838,000	566,530.80	2,266,123.20
		6,042,103,500	45,907,839.25	183,631,357.00

Maryland Bankers Association
IDOT Membership Survey Results
Draft - 11.19.12

Executive Summary

Background

As a part of the data collection effort by the IDOT workgroup, the Maryland Bankers Association (MBA) agreed to issue a membership survey on the impacts of the new law. MBA's IDOT membership survey was developed collaboratively and with significant input from the IDOT workgroup. A particular focus of MBA's membership survey is the business / financing impact and implementation issues related to the new recordation tax on IDOTs.

Survey Responses and Response Rate

MBA issued the survey to its 81 charter member banks. While MBA is aware that not all of our member banks engage in business lending for a variety of reasons, we were not able to refine our distribution list to only those banks that have IDOT experience. Therefore, the survey was circulated to MBA's 81 charter bank members, even though the universe of possible respondents is smaller than that population.

Response rate: MBA received 25 individual responses from 24 different banks for a 30% response rate. This is an excellent response rate. Typically a 25% response rate is considered good.

Geographical representation: Banks of all sizes, from smallest to largest in the State responded to MBA's IDOT survey. Geographically, survey respondents spanned the entire state, including Western Maryland and the Eastern Shore. Survey responses also included representation from urban, suburban and rural areas. Survey respondent banks operate in all 23 Maryland counties and Baltimore City.

Respondent bank size: According to SNL Financial data, the total assets of responding banks ranged from small (under $500 million) to large (over $2 billion). A breakdown of respondent banks, according to asset range follows. Based on total asset size:

- 79% of respondent banks are small banks (under $500 million in total assets)
- 8% of respondent banks are mid-sized banks ($500 million-$2 billion in total assets)
- 13% of respondent banks are large banks (over $2 billion in total assets)

The large number of community bank responses (banks under $500 million) is not surprising. According to Marty Gruenberg, Acting Chairman of the of the FDIC, "Community banks with assets of less than $1 billion account for a little more than 10%

of the banking assets in our country, but provide nearly 40% of all the small loans that insured financial institutions make to businesses and farms."

Survey Results Summary

Feedback on Business / Financing Impacts: According to survey respondents, the credit needs of their small businesses clients range from under one million dollars to over five million dollars. Respondents also reported that businesses' access to credit, liquidity, and plans to expand are negatively affected by the new law. Almost half of the respondents reported that the new law has a negative impact on business access to credit. Similarly, one in two respondents indicated that their business clients have dealt with the higher transactional costs related to the new law by delayed or eliminated expansion plans. Following are two anecdotal, examples of how businesses are dealing with the higher transactional costs related to the new law.

- "When a commercial loan amount is around $1 million, borrowers are putting additional equity to negate the tax...This is a high cost market and even for small businesses, transactions involving real estate are seldom for less than $1 million."

- "In every transaction secured by real estate we are educating our customers/prospects upfront on the recordation costs that now may be incurred to access capital. In several instances customers have reduced the amount requested to be borrowed so as to avoid the costs associated with recordation, thereby limiting expansion and the potential for additional job growth."

One in five survey respondents indicated that they have seen a direct correlation between fewer commercial and/or residential real estate deals and the new law. Others said that they believed the decline in commercial and real estate transactions are more a factor of the economy. Others believe it is simply too early to tell. The following example of a transaction that did not occur due to the law was provided by a respondent banker. According to one respondent, "in one instance, an Small Business Administration (SBA) refinancing did not occur – as our borrower scrambled to put together funds for the recording costs, the timeframe for the SBA refinancing program expired." SBA loans are funded by a federal government program designed to help finance small businesses borrowers. It is unfortunate that this borrower was unable to benefit in this way.

With regard to geographic impact, the majority of survey respondents felt that the new law would impact businesses similarly, regardless of where the business is located. Interestingly, one in four survey respondents believed that the suburban areas would be most affected by the new law. While the reasons for this response are not clear, it could be due to the high real estate costs in suburban areas. Interestingly, bankers noted that areas in Maryland that boarder other states with lower recordation taxes would be most affected by the new law.

Feedback on the Implementation of the New Law: Banks view themselves in the role of educating customers on how the new law works and there appears to be a good understanding of the new IDOT tax system and law. However, there is still some uncertainty of the new law and how it is applied. According to survey respondents, variations in local interpretation of the law and certain process hurtles that are negatively impacting the financing process. In fact, one in four survey respondents indicated that the variance in local interpretations is negatively impacting financing. Some respondents reported that because they only deal in one county, local variance is not an issue.

General Observations: Bankers noted that it is difficult to gauge the full impact of the new law. Since the law has only been in effect since July 1, 2012 – not much time has passed to fully understand the affects. Further, the economic downturn has negatively impacted business growth and loan demand. As a result, it is hard to differentiate between the effects of the economy and the effects of the new law.

Feedback on the Business / Financing Impact

The credit needs of small business in Maryland run the gamut. Almost 30% of responding banks indicated that they work with small businesses that have credit needs in excess of $5 million. The highest percentage, 84% of respondents indicated that the credit exposure of their small businesses clients was between $1 million and $2.5 million.

- 76% of responding banks reported that their small business clients' credit exposure range of the $1 million and under range.
- 84% in the $1–2.5 million range.
- 52% in the $2.5–5 million range.
- 28% in the $5 million – over range.

Note: 25/25 respondents answered this survey question.

Over a quarter of respondents (28%) indicated that they have seen a decrease in both volume and dollars of commercial real estate as a direct result of the new IDOT law. Additionally, eight percent of respondents reported a decrease in both the volume and dollar amount of residential real estate transactions. There were others that provided the comments captured here.

- Comments:
    - It is too early to make any judgment.
    - Commercial volume has decreased due to economy.
    - When a commercial loan amount is around $1 million, borrowers are putting additional equity to negate the tax. A structural issue exists in that the first $1 million for all loans should be exempt from taxation. This is a high cost market and even for small businesses, transactions involving real estate are seldom for less than $1 million.
    - Selecting one of the above choices is difficult.

- The commercial market is beginning to show 'spotty' signs of activity and should a client need to use the equity in their commercial or residential real estate to support a commercial loan we are pursuing these requests. I believe if we changed the amount to $5.0 million or less it would help stimulate small business activity.
- Residential, while volume has not changed – my comments are the same as above. Many small businesses use their residential home as collateral to secure their loans. It would greatly help the small business borrower to have loans of $5.0 million and less fall under the IDOT law (no recordation feeds or loans of $5.0 million or less).
- While the volume of commercial real estate has not changed, demand is relatively low for commercial real estate loans.

Note: 25/25 respondents answered this survey question.

When asked what geographic areas (urban, suburban, or rural) will be most affected by the new law, 64% of respondents indicated that all three areas would be uniformly impacted. One out of five survey respondents thought that the suburban areas would be most affected. Additionally, respondents noted that areas that boarder other states with lower recordation taxes will be more affected.

- 64% reported all areas – urban, suburban and rural would be affected.
- 20% thought suburban areas would be most affected.
- 16% responded that they did not know what geographical areas would be most affected.
- 4% indicated that rural areas would be most affected.

Note: 25/25 respondents answered this survey question.

Almost half of the survey respondents (48%) reported that the new law is negatively impacting their business clients' access to credit. Fifty-two percent of respondents indicated that business access to credit was not negatively impacted. Related comments follow.

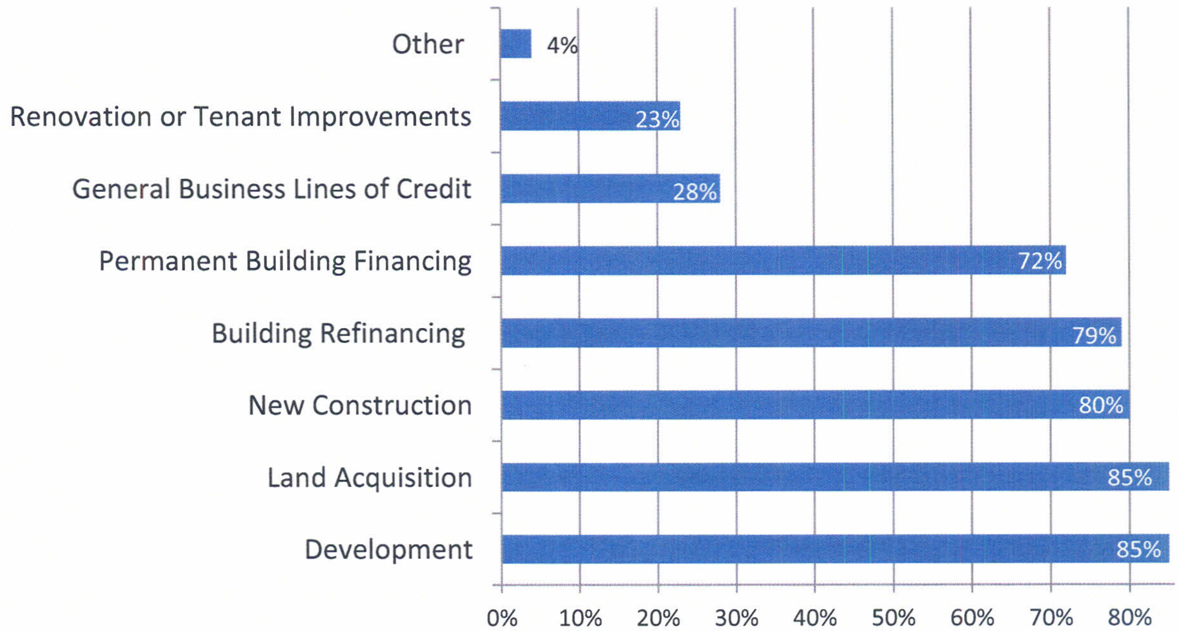
- Cost to settle a loan today is becoming a higher percentage of the loan amount.
- Businesses are uneasy with the increased cost.
- Some customers have decided not to refinance or buy because of additional costs. However, the volume decrease is more based on economy.
- Clients are thinking twice about purchasing a property or refinancing a property over $1 million.

- We have already had situations where businesses are refinancing and they will have to pay the recordation tax. It has not yet killed a deal that I am aware of, but it is diverting business dollars that could otherwise be used to hire new employees.
- Many small businesses use the equity in their real estate as collateral. Any law that causes more expenses to the small business owner could negatively impact their ability to borrow.
- In the past, they could secure their requests with IDOTs to help alleviate excessive costs at settlement. Now this option has vanished leaving some customers unable to grow their businesses.
-

Costs are too high. Also affects existing transactions that are being increased. If not structured properly,

NAIOP Maryland Chapter
Commercial Real Estate IDOT Survey Results
November 23, 2012

1. What kinds of business activities has your company financed with IDOTs? (please mark all that apply)



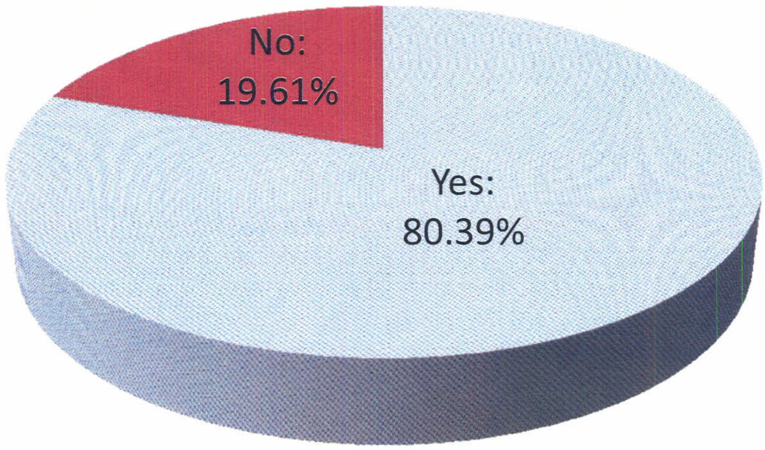
2. Please indicate below the percentage of mortgage loans on property you own that are: a) under $1 million; b) between $1 million and $5 million; c) between $ 5 million and $10 million, and; d) over $10 million.

Number of Responses: 45

Under $1 million	18% avg. of responses
$1 Million to $5 Million	29%
$5 Million to $10 Million	29%
Over $10 Million	35%

3. Has the new IDOT law affected your business?

Number of Responses: 51



4. If the answer to question #3 is yes, please provide some examples

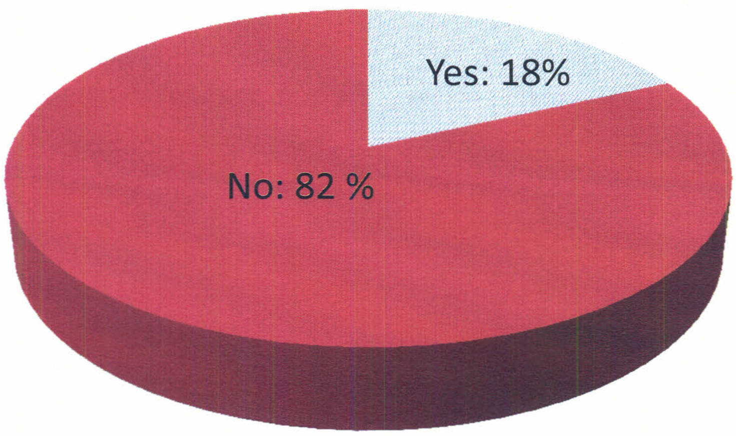
Number of Responses: 41

We have decided to shift more of our efforts and capital to Virginia where the taxes are so much less.
This has imposed a great burden on the ultimate value of our properties. It has caused devaluation.
It made the cost of doing business in Maryland even higher than before. So far from July-Sept it has cost us over $400,000 by year end it will be $800,000. This is money that cannot be used for other new deals.
Through the acquisition and development life cycle of a property, the tax is collected on the same property multiple times as each loan is recorded - acquisition to construction to permanent. There should be a limit on the number of times the tax is collected for the same property.

When projects were originally budgeted years ago, none of the new taxes were in play. Profits are already slim in this economy and this tax kills any monies to be made.
Increased cost of refinancing loans thereby causing company to not refinance certain projects due to less proceeds. Delayed transactions because Clerk's Office needed several days to review a simple loan modification. Uncertainty in the loan modification process.
It is very unclear how modifications of existing deals will be handled.
The new law increases the cost of financing and takes away options when we want to refinance properties as it is now costlier to move a mortgage to another lending institution.
It makes some transactions infeasible. It has caused us to cancel some refinances and new acquisitions.
We have chosen not to refinance loans in this low interest rate environment because the additional fees have proven to be cost prohibitive.
It has added additional unexpected costs to projects started several years ago, taking away from our bottom line.
Existing IDOTs being taxed up to permanent and construction loans and refinancing.
We received less proceeds from financing, suffered delays in closings, and have uncertainty as to future costs, particularly modifications to existing IDOTS.
The recordation tax on our most recent construction/permanent loan cost us $390,000. It automatically increases the amount of money we need to borrow for our permanent loan.
Currently, if you have a loan of less than $1 million, there is no tax. However, if recording a loan for more than $1 million the entire amount is taxed. The first $1 million on all loans should be exempt from taxation. This is a high cost market and even for small businesses, transactions involving real estate are seldom for less than $1 million.
In order to maintain our working capital requirements it is now costing us additional taxes on a regular basis, since we are now unable to utilize IDOT financing.
Added significant costs to transactions; made it very difficult to

document amendments to existing loans.
It substantially increases the cost of doing business in Maryland whenever we buy, finance or create new corporate entities.
Forced to take less loan to minimize impact of recordation tax.
Rendered jobs not feasible due to increase of costs. It has made the cost of acquisition less affordable.
1 - Forced us to refi with existing lender on short term refi - cost too high to switch 2 - Had a new $400,000 line item on development budget - had to cut other items to adjust (that would have been constructed and meant more or longer duration jobs) 3 - Adjusted downward offer price on purchase due to additional transaction costs.
contributed to the already excessive closing costs - particularly offensive for refinancing.
Created unbudgeted expenses. Required additional equity investment. Gives current lender a competitive advantage and discourages refinancing.
Increased the threshold of when it makes sense to purchase a property. On refinancing it has impacted the size of financing we are willing to do which impacts the overall quality and improvements performed on the property

5. Have you terminated or delayed a project due to the new IDOT law?
Number of Responses: 50



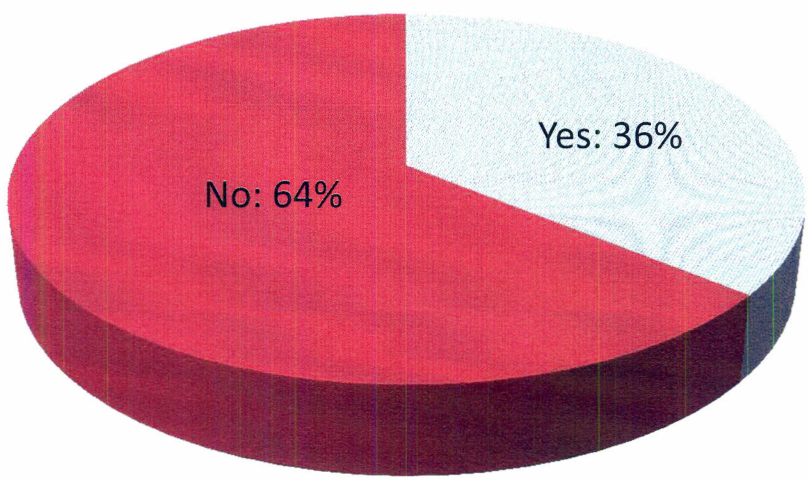
6. If the answer to question #5 is yes, please provide some examples.

Number of Responses: 10

$38,000,000 loan being delayed.
We develop for national retailers. Including the tax in our budgets got a project declined due to its expense. The retailer has decided not to build in that/those locations due to costs. They are without a store, we are without a job, and hundreds of people are without jobs (builders, construction crews, inspectors, clerks, retail staff, ect.... Plus over all the state and county tax base goes down!!
We have delayed improvements.
We cancelled projects when cost due to the tax outweighed feasibility of the project.

7. Has the new IDOT law caused a delay or cancellation of a refinancing of any of your projects?

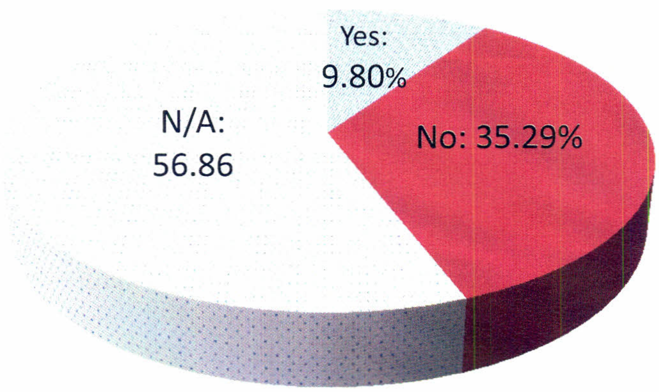
Number of Responses: 50



8. If the answer to question #7 is yes, how many loans were affected and what is the aggregated amount of those loans? Number of Responses: 19

3 loans approximately $18 million
2 loans $85 million
1 loan $1.2 million
4 loans $28.5 million
Approximately $25 million
$20 million delayed by county confusion
Several loans totaling over $250 million
1 $38 million
1 loan $7 million
Delays due to need for increased equity and uncertainty over how law would be applied
$8 million +/-
We have delayed the planned refi of a $ 40 million multifamily loan due to the increased cost of the tax. If the law does not change we most likely will sell it. We are considering selling another $22 million project to an out of town buyer in lieu of refinancing for the same reason. We are looking at more Virginia/Florida deals due to the lower cost to refi in the future.

9. Have any of your proposed residential development projects been cancelled or delayed due to the new IDOT law? Number of Responses: 52



10. If the answer to question #9 is yes, please provide details including estimates of the number of projects impacted, the number of units planned for development and the capital value of the projects.

Number of Responses: 5

We have decided that our new apartments will be built in Virginia, not Maryland
A builder line we provide has been delayed in adding new units while trying to understand how the new law affects advances/commitments of less than $1 million under loan facilities with higher aggregate commitment amounts.

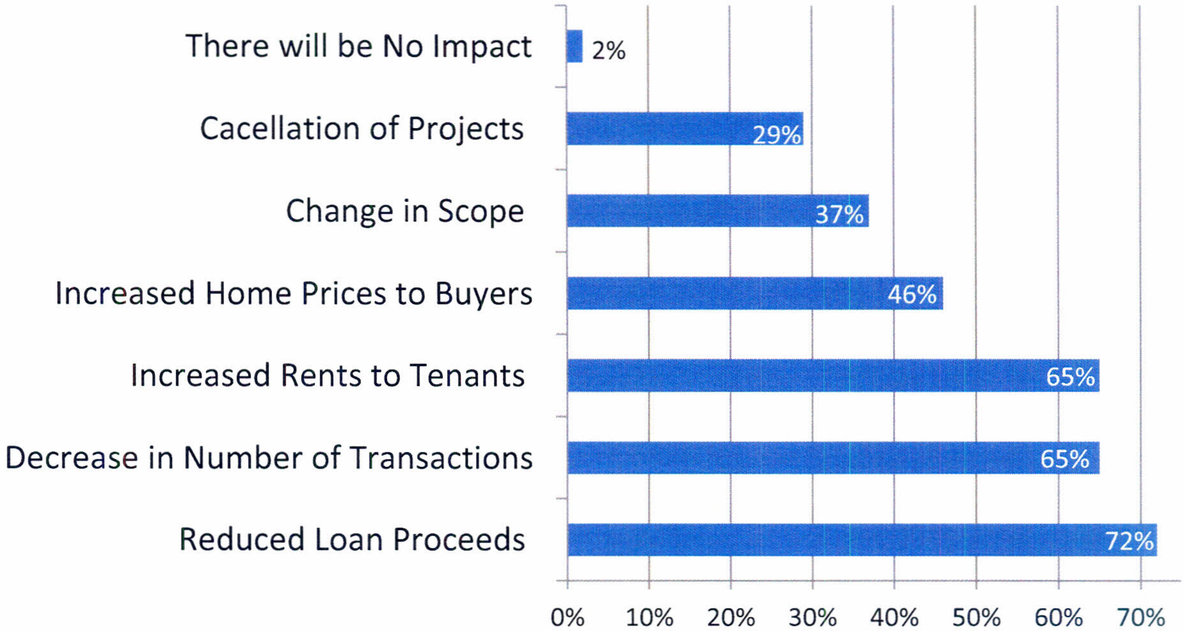
11. Have you made any changes in your business borrowing because of the new IDOT law? If yes, please provide some examples.

Number of Responses: 21

Borrowed less money than otherwise would
Budgeted less proceeds on refinancing. This reduces proceeds for tenant improvements, redevelopments and equity for new projects.
Looking at private funding and partnering to absorb costs.
We have to shift to more line of credit borrowing instead of project specific. Very inefficient way to do business.
Joint venture with private entities.
Evaluating options now.
Now it costs more to borrow, meaning there is less available for investment in our business.
Not yet but this may impinge on ability to do secured lines of credit/credit enhancements which will impair our access to capital. Also, in general we use refi proceeds to make capital improvements/tenant improvements or to acquire and develop additional properties. Every dollar that goes to the County Clerk is one less dollar available for these items.

12. Please indicate whether the recordation taxes imposed by the new

IDOT law would result in any of the following for your projects.



13. In which Maryland counties do you do business?

Number of Responses: 48

Anne Arundel	26	Howard	25
Baltimore City	17	Montgomery	7
Baltimore County	35	Prince George's	18
Calvert	2	Queen Anne's	3
Caroline	1	St. Mary's	2
Carroll	13	Talbot	1
Cecil	7	Washington	3
Charles	6	Worcester	2
Frederick	9	Wicomico	1
Harford	20	All / Almost All	5

14. Please indicate what percentage of your business is in: a) urban; b) suburban, and; c) rural markets.

Number of Responses: 44

Urban	27% avg. of responses
Suburban	68%
Rural	4%

HBAM Member IDOT Survey Results
as of November 14, 2012

1. What kinds of business activities has your company financed with IDOTs (please mark all that apply)

Land Acquisition	91.7%33
Development	94.4%34
New Construction	88.9%32
Permanent Building Financing	61.1%22
Building Refinancing	61.1%22
Renovation or Tenant Improvements	22.2%8
General Business Lines of Credit	22.2%8

2. What is the percentage of all the mortgage loans on properties you own which are:

Under $1 million	60.6%20
Between $1 million and $5 million	87.9%29
Between $5 million and $10 million	63.6%21
Over $10 million	57.6%19

3. Has the new IDOT law affected your business? If yes, please provide some examples.

Yes, as we have refinance shopping centers and needed to pay the additional fee. We use IDOT's for residential as well.

Yes - now that we pay a hefty figure for taxes that affects our bottom line which increases what we have to charge for rent. In a down turn every dollar counts.

Yes. One of our lenders was forced to reduce the term and amount they were willing to lend because the transaction could not support the proposed loan amount, inclusive of new transfer taxes. Another transaction being contemplated for 2013 will result in reduced net proceeds for reinvestment in a capital project because these taxes are being imposed.

yes. have had to oower asking prices to accomadate

It is just another consideration of many in going forward with a project.

Takes away from bottom line; trouble breaking even

Real estate was already slow. Our taxes on transfers including mortgages are outrageous. Things have gotten even slower. I am not seeing deals except mult-family.

We secure Lines of Credit for Construction with IDOTS. This will increase our cost of recordation

Yes, it has resulted in several projects being halted.

Yes. Owners are reluctant to refinance loans due to cost of recording a new lien which has resulted in lost business.

yes, we have elected to keep some loans with the current lender rather than move t more favorable financing due, in part, to the transaction costs inclusing recordation

Yes, Increased the Cost of Closing Costs on purchasing Land. This thereby increases the costs to the end home purchaser. Basically it is another tax adds to the total closing costs for real estate transactions in Maryland.

AS a landlord of commercial properties, the cost of refinancing loans orginated in 2002 will be passed thru to tenants in the form of higher rents to cover the recordation cost.

I do not know

It will cost me over $1mm just to refinance my properties in the city every 7-10 years.

The recordation tax on a new financing is costing an extra $55,000 in closling costs

Absolutley. the inabilty to use the IDOT is a disincenitve to business developnment and growth. Real estate development is a very risky business. The imposition of more taxes will and has already impeded and prevented business people from developing real estate. The yearly prpoerty taxes are already a huge tax burden. The excessive recordation taxes on top of that are just too much. Therfore real estate developers will find other businesses to pursue and invest in. The IDOT law makes no sense. Ultimately more property developed is more tax dollars.

Very expensive to finance new construction of $38,000,000 "on the table" right now.

YES - by increasing fees/taxes, we have to include them in our initial budget to client (retailer/convenience/gas). Costs are already too high in this market and site's are being looked at as too expensive for some of the larger/national retailers to consider.

Several ways: 1. It reduces the value of the land and/or existing building slated for redevelopment. 2 - Reduces the amount of renovation/construction, shifts money put into making development better and puts it toward taxes. 3 - Will increase rents - not sure how to recoup this cost or if we can. 4 - In the long run, some projects will not be built. If they are on the fence, this extra cost may kill them.

Transactions costing more, forcing us to purchase less, causing overhead to be higher

Yes. Cannot purchase land / development deals due to higher costs in taxes.

Caused us to obtain new loans instead of the IDOT type loans which cost us additional money for attorneys fees, etc.

not yet

Yes, less competitive financing (I'm a real estate attorney). No effect on HUD (as they never adopted it) but Fannie/Freddie are now both gone for IDOTs

Yes, I have scaled back my activities since this tax imposes costs I am not willing to bear. We are doing less projects so we can fund mostly with equity. Public builders do not use debt, so they do not pay this tax, we have found it hard to compete with them when we have to pay this tax.

Yes. Had a 4 million line of credit in form of an IDOT. Each home built was placed under the original IDOT utilizing a supplemental IDOT. Went to record the latest supplemental and was told we had to pay IDOT recordation tax on the 4 million even though the supplemental was for 650,000. Unless the recodationtax is paid on the 4 mil line, the lne is useless. Cost is 20K to record. Just one more governmental regulation thet adds to cost of house. Our guess is 25% of a house costs are due to governmental reglations. ?? is, how many of these regs are really necessary?

Moer inflated costs/taxes for an already over taxed industry...

Yes, increased the cost of development. Result is decreased land values and increased home prices.

Cost.

Yes. We are working harder with more banks to keep our loans under $1MM.

Absolutely, the fact that the tax is retroactive to existing IDOt's that are modified in any manner has caused us to re-document loans and added additional costs to every transaction. These additionally costs are being passed on to home buyers and therefore increasing the cost of buying a home.

4. Have you paid an IDOT Recordation tax on a project after July 1, 2012? If so, please provide some examples of the dollar amount of the tax.

$1,425,000 at .005 equals an extra cost of $7500. We managed to record one just prior to July first and avoid a $40,000 extra fee on residential

no just taxes on Deed of Trust

$180000

No, we have used unsecured lines of credit, where possible, to avoid the tax, which we see as a needless and wasteful expense.

no

No, have not paid any since that date.

Not yet

NA

No

Multiple borrower's of mine have paid the tax. I'm closing a deal today with approximately $27,000 in recordation taxes due.

no

Yes, $5,000 on a lot closing of just 4 lots.

Refi Amt $2.206mil tax $33,000 3.500 mil tax $52,500

no

no

yes. 10,000 on a $2,000,000 loan refinance

Not yet.

We have not yet but expect to in 2013 on several properties. When these projects began several years ago, our budgets were submitted w/o this consideration. Now, the tax will further reduce the monies that are used to operate our business, making our net profit line - negative in some cases.

Not yet, chose to re-fi with the same lender rather than go to another and pay the increase

We no longer use IDOTs due to the increased cost

No.

NO

no

No

No, we have not closed any deals, deciding to scale back as a specific result of this law among other anti-business regulations.

No.

no, but in 2013 we will.

No, rushed a project to beat the deadline.

No, but will soon.

no

No

My customers have when we've modified documents. Dollar amounts vary based on the amount of the loan.

5. Has this new IDOT law caused a delay or cancellation of financing or refinancing of any of your projects? If yes, how many loans were affected and what is the aggregate amount of those loans?

no.

Yes - about $30 million

Yes, we had the completely restructure an $8MM credit facility transaction as a 7 year equipment loan, instead of a 25 year real estate loan. This has sharply reduced net operating income to the company.

N/A

We are in the process of re-financing a $5.8million deal w/ Wells Fargo for a national retailer store we built. Shopping it...fees too high no matter how we approach. Little money to begin with...no money with this addtl expense!

No way to know what projects are not getting to the table because of these taxes on top of a still-depressed real estate market.

No

It's virtually dried up the market for commercial loan refinancings. Since there is very little purchase money financing occurring due to market conditions, there are significantly fewer commercial loan opportunities

see above: $6 million

It was delayed due to attorneys/title companies understanding of the law.

$14.5mil Retail Anne Arundel County $5.3 mil Retail Columbia Md.

no

It is too soon to say. But property values will need to decline in the city by the amount of the tax in order to be made whole to proceed on new projects. Most properties already have negative value so the area of the city where development is feasible is shrinking further (unless government incentives offset.)

Yes. One for $32MM.

So far only the $38,000,000 loan need mentioned above; we've delayed in part because of the cost.

YES -

Yes - $20million

No, just made us lose deals or purchase less

No

YES we are waiting on some of our loans

not yet

No, but the numbers for the payment of the tax are unavoidable.

Yes, but hard to quantify. As I mentioned, we are doing less projects that we would otherwise do. If I were to guess, our small company probably would have built another 8-10 homes between 2012 and 2013 had this law not been changed.

Yes. See Item 3 above. That 4 mil line from Item 3 above would provide enough financing to build 12 to 14 houses per year.

no

Yes. For instance, I have a $8million construction revolver that is used for homebuilding in Carroll, Harford, Baltimore Counties plus Pennsylvania. I do not use the entire $8million in any one jurisdiction. No jurisdiction will give me an answer on whether I have to pay on the full $8million in each jurisdiction or pro rate it. So, I am going through the expense and time of breaking one big loan into smaller loans - 1 for each jurisdiction. Even after that, what if what County does better than projected than another and I will exceed the new smaller loan limit for that County. I'll tell you - I have to go through the time and expense of ammending the loan in the County that needs more funding and then take a like amount away from a loan in another county (in order to keep the total loans at $8million).

no

No

It's delaye settlements of a handful of loans.

6. Have you made any changes in your business borrowing because of the new IDOT law? If so, please provide some examples.

If we can split up loans to avoid the extra fee, we will.

Yes - we are now looking to do more business outside of the state of Maryland - MD is not business friendly.

I will pay less for properties.

Yes, see answer above..

No

Haven't had to yet; will in future. May look to private lenders more.

No

No, i'm a lender

Not yet but will probably in the future.

The impact of recordation is to factor the cost similiar to a prepayment penalty. Incertain cases early refinancing does not support the cost which may increase interest rate risk.

no

Fewer projects in areas with high IDOT taxes (e.g., Baltimore City), unless there are new higher offsetting government incentives.

we are choosing not to refinance even at good rates bc of the disincentive. has we refinacned we could have used the money to further develop and improve the property ultimately generating more property tax. now we just wait until we have to.

Not yet. Don't know all of the ramifications of the new law.

NO - there aren't many options since banks aren't lending.

Yes - less able to shop the market, staying with the same lender makes the most sense. Less competition will mean higher prices and interest rates for banks.

Yes, we make fewer offers and have to spend more time considering the tax ramifications

Yes. Smaller deals

Waiting

not yet

n/a professional (attorney), not owner

Yes, as notes above, we made the strategic decision to scale our volume back.

Trying to figure out how to finace the future without onereous tax on our financing. have come up with a solution yet.

not yet

I am working on a method to record many IDOT's under $1million rather than one or more over that amount. If I told you the method I'd have to kill you.

no

Yes. In trying to fund construction of houses in our communities, we are working with more banks to keep the amounts under $1MM.

N/A

7. Have any of your proposed residential development projects been cancelled or delayed due to the new IDOT law? If yes, please provide details including estimates of the number of projects that were impacted, the number of units planned for development, and the capital value of the projects.

no.

No - we do commercial real estate

No, as we do not do many of these.

Mixed-use project coming up...the numbers already are barely working. haven't evaluated the new tax effects...but we WILL be negatively effected.

No

I've a project delayed where we had an IDOT on record since 2009, went in to add new collateral and AA County required a clawback of the original recordation tax due. This put my builder in a very difficult spot and has delayed his project

They have been delayed while the lawyers and title companies figure out the law. This was just one project for a total of 4 units.

Middle River $30mill 400 condo units Havre de Grace age targeted $126.1 mill 1025 units Havre de Grace $30mill 325 townhouse units

no

Too soon.

N/A

The project mentioned above is a residential project.

N/A

Not yet, but may.

No

Delayed several projects

No delays, just cost (usually passed on in the form of higher rents)

As noted above, I would estimate in the 2012-2013 calendar year we will build 8-10 less homes that we would have otherwise since we are financing with equity and using no debt. We cannot leverage the company with loans to build more homes. We have made the decision to avoid the tax by building less, because the tax hurts us competitively as compared to the public builders against which we have to compete.

Not yet as we haven't started any new ones since the law went into effect.

no, but it will invariably make the end user pay more for their real estate since we will incur more costs as a developer.

No, just rushed to beat the new tax.

Not yet but bank threatening to withhold future advances until we record ammendments for new house starts - which I can't do until I break the loans down as described in #5 above.

n/a

No

N/A

8. Characterize the market (percent) in which you generally operate:

Rural	57.6%19
Suburban	97.0%32
Urban	78.8%26

9. Do you have any additional comments for the IDOT Task Force that were not addressed in your survey answers that you feel are important?

We pay the documentary tax in many cases 3 times for residential raising the cost of settlement and housing in general. We pay when we buy from the landowner, when we sell to the builder, and when the builder sells to the buyer. What a waste! With commercial, it is generally for the construction loan and then again at permanent financing. We do get a credit if we do the construction financing at the same time as the acquisition, but many times we don't so pay 3 times for it as well.

We need to reduce the amount of taxes that are burdened on the people who generate business for the state otherwise these businesses will go elsewhere.

Yes. I believe the IDOT tax (actually ALL taxes) based on commercial deeds of trust or commercial mortgages are DESTRUCTIVE to BUSINESS GROWTH AND DEVELOPMENT. The State of Maryland has imposed a tax on leverage. Leverage is a necessary and critical element to business growth. Therefore, the State tax is anti-growth and anti-development. This tax, more than any other, gives Maryland the anti-business reputation it SO JUSTLY HAS EARNED.

Its not so much that this one change has affected us but rather the sum of all the taxes and fees charged in the state of Maryland. Just another example of the anti business climate in Maryland.

DON'T DO IT!!! IT'S GOING TO KILL SMALL BUSINESSES.

It's terrible that this legislation was passed at a time that we are still suffering in the commercial real estate markets. We need to LOWER these taxes so they are at least comparable to neighboring states.

The elimination of IDOTs has and will continue to slowly erode project feasibility, so the state should continue to see fewer new projects in the future. While the passing of this new law may see dollars flooding in, it's only temporary. In the future banks and borrowers will not release their liens, instead they will substitute collateral going forward. Loans won't be refinanced, instead banks will simply buy the loan and related documents from another bank. After 2 years of this the state will see revenues from this decline dramatically, then what?

This seems like another cost that will impact the price of housing. The increased costs will ultimately result in less economic activity.

The impact of the tax will be a higher cost to the taxpayer in the form of higher prices due to the increase in land and building cost.

With property values down 30% it is extremely difficult to refinance projects without having to come out of pocket. This HUGE unbudgeted tax cannot be wrapped up into new loans and will greatly add to the stress on commercial property owners when they buy, build, and refinance. Many will not be able to refinance - the tax adds significantly to the stress of paying off old debt on under-water loans. It is the equivalent of a 'stay-in-business' tax that is particularly a huge penalty for city businesses and residents. One more nail in the coffin, one more excuse to leave the city. Sad that the city/state is penalizing those who have taken a leap of faith to invest in the city.

Until we have a legislature and a governor who understand business, this effort is likely a huge waste of time-- but please go ahead and try. They don't appreciate the risks taken by businesspeople using their own real money. But it is these very risk takers who drive economy, who generate jobs, and generate property tax for the state. Until they get that, I don't hold out much hope for this effort but I truly applaud all of you who are trying.

The law creates a real disincentive to refinance. The cost can be subtracted from property value in an acquisition, but cannot be accounted for in a refinance. This new cost is inflationary and will result in higher rents and less activity.

Please repeal the IDOT law that took affect July 1, 2012

It appears that ALL Counties in Maryland are not mandating the law equally. This must be done one way or the other.

The market is just starting to come back. Please try not to hinder progress with this tax

In our business, you get the recordation tax when we buy land and when we sell the home (2 transactions for each home we sell). It is a shame that the state has to go for another tax on top of that that hurts our ability to produce homes.

Why? Is our industry that easy of a target for increasing government revenues? Be careful, there aren't many of us left.

This is another roadblock to investment at a time when we should be encouraging economic development and growth in our state.

no

Additionally, all of the counties should have used one set of rules to implement the new tax. Dealing with multiple jurisdictions' interpretation of the law was difficult.

APPENDIX I-2

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IDOT Task Force Survey

Industry Specific

Design Survey Collect Responses Analyze Results

View Summary
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Default Report + Add Report

Response Summary

Total Started Survey: 44
Total Finished Survey: 44 (100%)

PAGE: IDOT TASK FORCE SURVEY

1. What kinds of business activities has your company financed with IDOTs (please mark all that apply) Create Chart Download

	Response Percent	Response Count
Land Acquisition	86.4%	38
Development	88.6%	39
New Construction	84.1%	37
Permanent Building Financing	61.4%	27
Building Refinancing	61.4%	27
Renovation or Tenant Improvements	22.7%	10
General Business Lines of Credit	22.7%	10
	Other (please specify)	0
	answered question	**44**
	skipped question	**0**

2. What is the percentage of all the mortgage loans on properties you own which are: Download

	Response Percent	Response Count
Under $1 million Show Responses	61.5%	24
Between $1 million and $5 million Show Responses	84.6%	33
Between $5 million and $10 million Show Responses	66.7%	26
Over $10 million Show Responses	61.5%	24
	answered question	**39**
	skipped question	**5**

3. Has the new IDOT law affected your business? If yes, please provide some examples. Download

	Response Count
Show Responses	40
answered question	40
skipped question	4

4. Have you paid an IDOT Recordation tax on a project after July 1, 2012? If so, please provide some examples of the dollar amount of the tax. Download

	Response Count
Show Responses	38
answered question	38
skipped question	6

5. Has this new IDOT law caused a delay or cancellation of financing or refinancing of any of your projects? If yes, how many loans were affected and what is the aggregate amount of those loans? Download

	Response Count
Show Responses	37
answered question	37
skipped question	7

6. Have you made any changes in your business borrowing because of the new IDOT law? If so, please provide some examples. Download

	Response Count
Show Responses	34
answered question	34
skipped question	10

7. Have any of your proposed residential development projects been cancelled or delayed due to the new IDOT law? If yes, please provide details including estimates of the number of projects that were impacted, the number of units planned for development, and the capital value of the projects. Download

	Response Count
Show Responses	31
answered question	31
skipped question	13

8. Characterize the market (percent) in which you generally operate: Download

	Response Percent	Response Count
Rural Show Responses	57.5%	23
Suburban Show Responses	95.0%	38
Urban Show Responses	77.5%	31
answered question		40
skipped question		4

9. Do you have any additional comments for the IDOT Task Force that were not addressed in your survey answers that you feel are important? Download

	Response Count
Show Responses	26
answered question	26
skipped question	18

HBAM Member IDOT Survey Results Part 2
Results since November 14, 2012 up to December 10, 2012

3. Has the new IDOT law affected your business? If yes, please provide some examples.

Yes, rents and sales prices will have to be higher as a result.

We have handled very few deals where this new law has been applicable.

will attempt to limit new loans to under $1.0M

Cost makes some refinancings prohibitive.

When obtaining SBA loan the county wanted to impose recordation tax on pledge of personal residence of guarantor

Yes. The cost of the recording fee is an added cost to the way we have been doing business, with no benefit. We will not be using IDOTs in the future, but will have to come up with another way to finance.

As a banker, it has greatly impacted our customers.

We are closing on a new loan with a local bank for $9,000,000 to purchase land and build townhomes in Howard County. We are now going to incur additional costs of $45,000 because of this new regulation. We are a local home builder, that has struggled through the economic down turn. These additional costs that are now being imposed will have a negative impact on my company.

4. Have you paid an IDOT Recordation tax on a project after July 1, 2012? If so, please provide some examples of the dollar amount of the tax.

No.

$9,900 paid on a refinance of commercial debt, using IDOT as security

no

Refinancing - apartment projct - $90,000

No - we will no longer be using IDOTs.

$200

5. Has this new IDOT law caused a delay or cancellation of financing or refinancing of any of your projects? If yes, how many loans were affected and what is the aggregate amount of those loans?

No.

no

no

Delay on several loans - est. $25 Million

Hard to quantify, but certainly impacts willingness to refi

No - but we have been forced to other methods of financing.

Yes, borrower's are less likely to to do business because of this law.

No

6. Have you made any changes in your business borrowing because of the new IDOT law? If so, please provide some examples.

Yes. We have adjusted our budgets to reflect the additional cost of the new IDOT law.

I am sure many clients are changing their business borrowing based on the new law, based on the miniscule use of IDOTs since the new law was passed

same answer as question 3

n/a

No longer are able to utilize the purpose of the IDOT.

We will try very hard not to expand our IDOTs that are currently in place. We will also be less likely to use new banks in the future.

7. Have any of your proposed residential development projects been cancelled or delayed due to the new IDOT law? If yes, please provide details including

estimates of the number of projects that were impacted, the number of units planned for development, and the capital value of the projects.

Just 3 new "no" answers

9. Do you have any additional comments for the IDOT Task Force that were not addressed in your survey answers that you feel are important?

There should be a statewide solution to the application of the new IDOT laws that impact existing IDOTs. In cases where an existing loan is modified the benefit of the old law should remain in tact.

I don't think we will see as many IDOT deals based on the new law, except for deals under $1M.

No

just another money grab on the development/building community.

The retroactive componenet is espcially onerous, especially if a borrower has already paid the tax on purchase money.

Not only do i think this new tax will negatively impact the home building industry, but the new regulations are being enforced differently in different counties. Even the same county will treat the same transaction differently depending upon the revieiwer. There needs to be a better clarification from the State only exactly how this regulation should be implemented and not leave it up to the individual in the recordation office at the county to interpret as she/he sees fit. This new tax is a blow to an industry that is already suffering.

IDOT Work Group Report

Results from Surveying the

Economic Development Community

The Work Group surveyed members from the economic development community to determine the impact from their perspective. The purpose of the survey was to solicit a response primarily from those organizations that represent a public economic development enterprise at the state, county and city or municipal level. The contact list was obtained from the Maryland Economic Development Associations and represented active members within that organization. The survey was also sent to other members (Others) who are considered active in economic development and did not represent a public body. Members in the association directly involved with private commercial development were intentionally omitted as they were being survey by other parties within the IDOT work group. A total of 55 surveys were sent and the parties survey are broken down into 4 categories; State organizations, a County or Baltimore city, a public municipality within a County and Others and the numbers of survey send per category were 8, 23, 15 and 9, respectively. The surveys were distributed by email and a second request was sent a couple of week's after the first was sent. The number of surveys sent was adjusted downward to reflect those that were returned undelivered. The survey obtained seven reply's or a 12.7% response rate.

Results from State Entities:

One entity responded and characterized their market as being 99% rural and 1% suburban. The respondent was aware of the use of IDOTs in the extension of credit to the business community.

The segment of business that they saw the use of IDOT's b was represented 100% by small businesses.

The respondent was not aware of any business terminating or deferring a capital project due to the imposition of the recordation tax.

The respondent was not aware of any residential developments that are proposed to be financed by IDOT's as being cancelled or deferred.

The respondent was not aware of any changes in business borrowings because of the increase in transaction costs.

The respondent was not aware of any banks or lenders that lost or did not proceed with a transaction due to the new requirement.

Results from the Counties and Baltimore City

Five jurisdictions responded and characterized their markets as follows:

Jurisdiction	Rural	Suburban	Urban
Cecil County	74%	26%	
Baltimore City			100%
Garrett County	100%		
Wicomico County	80%		20%
Montgomery County	35%	30%	35%

Question 1: Three of the five respondents acknowledge the use of IDOT's in the extension of credit to the business community.

Question 2: The respondents characterized their business community as follows:

Jurisdiction	Small	Medium	Large
Cecil County	60%	30%	10%
Baltimore City	no response		
Garrett County	100%		
Wicomico County	40%	60%	
Montgomery County	no response		

Questions 3: inquired if any of the respondents were aware of any business in their community that terminated or deferred a capital project due to the imposition of the IDOT recordation tax. All of the respondents replied, no.

Question 4 only solicited a comment if question 3 was answered in the affirmative.

Question 5: inquired of the respondents' awareness of any residential development projects that are proposed to be financed by IDOT's being cancelled or deferred. All of the respondents replied, no.

Question 6 only solicited a comment if question 3 was answered in the affirmative.

Questions 7 asked if any of the respondents were aware of any change in business borrowing because of the increase in transaction cost. Four of the five responded, no, one responded NA.

Question 8 asked the respondents if they were aware of any banks or other lenders that lost or did not proceed with a transaction due to the new requirements. Four of the five responded responded, no, one responded NA.

Result from a public municipality

One entity responded and characterized their market as being 20% rural, 60% suburban and 20% urban. The respondent was aware of the use of IDOTs in the extension of credit to the business community.

The segment of business that they saw the use of IDOT's was represented 80% by small business and 20% medium businesses.

The respondent was not aware of any business terminating or deferring a capital project due to the imposition of the recordation tax.

The respondent was not aware of any residential developments that are proposed to be financed by IDOT's as being cancelled or deferred.

The respondent was not aware of any changes in business borrowings because of the increase in transaction costs. The respondent did provide a comment, see Bowie in the Comment section.

The respondent was not aware of any banks or lenders that lost or did not proceed with a transaction due to the new requirement.

Results from Others

No response

Comments

Cecil: We have not heard of any issues regarding the new law. It may be that the taxes are just being absorbed or passed down to the end user. In Cecil County, the recordation tax on a $1 million dollar transaction is $8,200.00, which is 0.82% . . . this is a very small amount.

Garrett: I can envision that enacting such a law would have a detrimental effect on the small business community. With the current state of the economy, many of the county's small businesses are already having difficulty growing and expanding. Necessitating the recordation tax to be paid up front, i.e., at the time the actual IDOT is recorded, would simply place an additional burden on our business community, and I can foresee it impeding small business growth and expansion.

Bowie: This typically impacts the smallest businesses where the business owner is using his home as additional collateral to support a small commercial loan. For larger borrowers, IDOT's were used to avoid recordation taxes but were not the key determinant of whether the deal went through.