

**Enrolled**  
**House Bill 2916**

Sponsored by Representative WINGARD (at the request of John Bacon) (Pre-session filed.)

CHAPTER .....

AN ACT

Relating to residual debts following short sales of residential property; and declaring an emergency.

**Be It Enacted by the People of the State of Oregon:**

**SECTION 1.** (1) As used in this section:

(a) **“Borrower”** means an individual who, directly or indirectly and individually or together with another person, is obligated on a real estate loan agreement, including but not limited to a mortgagor or a grantor, as defined in ORS 86.705.

(b) **“Lender”** means a person that makes, extends or holds a real estate loan agreement, including but not limited to a mortgagee or a beneficiary, as defined in ORS 86.705.

(c) **“Real estate loan agreement”** means an arrangement between a lender and a borrower, including but not limited to a mortgage or a trust deed, by means of which the lender agrees to extend a loan and the borrower agrees to secure the loan in whole or in part with residential property, or an interest in residential property, that is located in this state.

(d) **“Residential property”** means real property upon which is situated four or fewer improvements designed for residential use, one of which a borrower occupies as the borrower’s residence.

(e) **“Residual debt”** means an amount due on a loan, evidence of which exists in a real estate loan agreement, note, bond, contract or similar written agreement, that a borrower is unable to pay out of the proceeds from a sale of the residential property that secures the loan.

(f) **“Short sale”** means a sale of residential property that is subject to foreclosure under ORS 86.705 to 86.795 or ORS chapter 88 for an amount that is less than the remaining amount due on the loan that the residential property secures.

(2) If a lender reports to the Internal Revenue Service that as a consequence of or in conjunction with a short sale of residential property the lender has canceled all or a portion of a borrower’s debt under a real estate loan agreement and the lender provides to the borrower written evidence of the lender’s report to the Internal Revenue Service, the lender or an assignee of the lender may not bring an action or otherwise seek payment for the residual debt following the short sale.

**SECTION 2.** This 2011 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect on its passage.

**Passed by House April 26, 2011**

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Ramona Kenady Line, Chief Clerk of House

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Bruce Hanna, Speaker of House

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Arnie Roblan, Speaker of House

**Passed by Senate June 10, 2011**

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Peter Courtney, President of Senate

**Received by Governor:**

.....M,....., 2011

**Approved:**

.....M,....., 2011

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John Kitzhaber, Governor

**Filed in Office of Secretary of State:**

.....M,....., 2011

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Kate Brown, Secretary of State