# House Bill 2399

Sponsored by Representative WITT; Representatives BAILEY, BARNHART, BUCKLEY, DOHERTY, FREDERICK, GELSER, HOLVEY, MATTHEWS (Presession filed.)

#### **SUMMARY**

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced.** 

Requires each transfer, assignment or other conveyance of beneficial ownership or beneficial interest in note or other instrument that is evidence of obligation grantor owes and that is secured by trust deed on residential property to be recorded with county clerk within 15 calendar days in order for trustee to foreclose trust deed by advertisement and sale. Requires person that seeks to record transfer, assignment, conveyance or reconveyance of trust deed to inspect and correct mortgage record and to pay county clerk certain amount for each correction.

Requires notice of sale in trust deed foreclosure to include certain documentation.

Declares emergency, effective on passage.

#### A BILL FOR AN ACT

- Relating to documentation requirements for foreclosing residential property; creating new provisions; amending ORS 86.735, 86.745 and 86.750; and declaring an emergency.
- 4 Be It Enacted by the People of the State of Oregon:
- 5 SECTION 1. Section 2 of this 2013 Act is added to and made a part of ORS 93.780 to 93.800.
- 6 SECTION 2. (1) As used in this section:
  - (a) "Beneficiary" has the meaning given that term in ORS 86.705.
- 8 (b) "Grantor" has the meaning given that term in ORS 86.705.
  - (c) "Trust deed" has the meaning given that term in ORS 86.705.
  - (2) Each transfer, assignment or other conveyance of beneficial ownership or a beneficial interest in a note or other instrument that is evidence of an obligation that a grantor owes to a beneficiary and that is secured by a trust deed on residential property must be recorded in accordance with the provisions of ORS 205.130 within 15 calendar days of the transfer, assignment or other conveyance. Recording a transfer, assignment or other conveyance under this subsection is subject to the fee provided for recording an instrument under ORS 205.320.
  - (3) A person other than a grantor in a trust deed, as a condition of recording a transfer, assignment, conveyance or reconveyance of the estate of residential property described in a trust deed recorded for the residential property, shall inspect and correct any errors in or omissions of the information required to be recorded under subsection (2) of this section in the mortgage record that is filed with the county clerk. After correcting any errors or omissions, the person shall record an affidavit that states, under oath and subject to the penalty for perjury, that the mortgage record is complete and accurate to the best of the person's knowledge and belief.
  - (4) For each correction described in subsection (3) of this section that is necessary to make the mortgage record complete and accurate, the person other than the grantor that records the transfer, assignment, conveyance or reconveyance of the estate described in the

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trust deed shall pay to the county clerk an amount equivalent to the recording fee that would have been due to record a transfer, assignment or other conveyance of the beneficial interest in the note or other instrument that is evidence of the obligation, multiplied by the number of months that have passed since the date on which the transfer, assignment or other conveyance should have been recorded under subsection (2) of this section. A person that pays a fee in accordance with this subsection, or an affiliate of the person, may not recover from the grantor the amount of the fee the person paid.

**SECTION 3.** ORS 86.735, as amended by section 6, chapter 112, Oregon Laws 2012, is amended to read:

86.735. A trustee may foreclose a trust deed by advertisement and sale in the manner provided in ORS 86.740 to 86.755 if:

- (1) The trust deed, any assignments of the trust deed by the trustee or the beneficiary and any appointment of a successor trustee are recorded in the mortgage records in the counties in which the property described in the deed is situated;
- (2) Each transfer, assignment or other conveyance of beneficial ownership or a beneficial interest in a note or other instrument that is evidence of an obligation that the grantor owes to the beneficiary and that is secured by the trust deed is recorded in accordance with section 2 of this 2013 Act;
- [(2)] (3) There is a default by the grantor or other person that owes an obligation, the performance of which is secured by the trust deed, or by the grantor's or other person's successors in interest with respect to a provision in the deed that authorizes sale in the event of default of the provision;
- [(3)] (4) The trustee or beneficiary has filed for record in the county clerk's office in each county where the trust property, or some part of the trust property, is situated, a notice of default containing the information required by ORS 86.745 and containing the trustee's or beneficiary's election to sell the property to satisfy the obligation;
- [(4)] (5) The beneficiary or the beneficiary's agent has filed for recording in the official records of the county or counties in which the property that is subject to the residential trust deed is located the certificate of compliance the beneficiary received under section 2, chapter 112, Oregon Laws 2012, if the beneficiary must enter into mediation with the grantor under section 2 (2)(a), chapter 112, Oregon Laws 2012;
- [(5)(a)] (6)(a) The beneficiary or the beneficiary's agent has complied with the provisions of section 4a, chapter 112, Oregon Laws 2012; and
- (b) The grantor is not in compliance with the terms of a foreclosure avoidance measure upon which the beneficiary and the grantor have agreed; and
- [(6)] (7) An action has not been commenced to recover the debt or any part of the debt then remaining secured by the trust deed, or, if an action has been commenced, the action has been dismissed, except that:
- (a) Subject to ORS 86.010 and the procedural requirements of ORCP 79 and 80, an action may be commenced to appoint a receiver or to obtain a temporary restraining order during foreclosure of a trust deed by advertisement and sale, except that a receiver may not be appointed with respect to a single-family residence that the grantor, the grantor's spouse or the grantor's minor or dependent child occupies as a principal residence.
- (b) An action may be commenced to foreclose, judicially or nonjudicially, the same trust deed as to any other property covered by the trust deed, or any other trust deeds, mortgages, security

agreements or other consensual or nonconsensual security interests or liens that secure repayment of the debt.

**SECTION 4.** ORS 86.745 is amended to read:

- 86.745. The notice of sale [shall] required under ORS 86.740 must:
- (1) List the names of the grantor, trustee and beneficiary in the trust deed, and the mailing address of the trustee.
  - (2) Describe the property the trust deed covers.
  - (3) Identify the book and page of the mortgage records that record the trust deed.
  - (4) Include a copy of the affidavit recorded under section 2 (2) of this 2013 Act.
  - (5) Include a statement that advises the grantor that:
- (a) Section 2 of this 2013 Act requires any transfer, assignment or other conveyance of beneficial ownership or a beneficial interest in the note or other instrument that is evidence of the grantor's obligation to the beneficiary and that is secured by a trust deed on the residential property that is subject to foreclosure to be properly recorded in the mortgage records for the residential property; and
- (b) The grantor may inspect the mortgage records to verify that the required information has been properly recorded in accordance with section 2 of this 2013 Act.
  - [(4)] (6) State the default for which the foreclosure is made.
  - [(5)] (7) State the sum owing on the obligation that the trust deed secures.
  - [(6)] (8) State that the property will be sold to satisfy the obligation.
  - [(7)] (9) Set forth the date, time and place of the sale.
- [(8)] (10) State that the right exists under ORS 86.753 to have the proceeding dismissed and the trust deed reinstated by paying the entire amount then due, together with costs, trustee's fees and attorney fees, and by curing any other default complained of in the notice of default, at any time that is not later than five days before the date last set for the sale.
- [(9)] (11) If the property includes one or more dwelling units that are subject to ORS chapter 90, include a notice addressed clearly to any individual who occupies the property and who is or might be a residential tenant. The notice required under this subsection must:
- (a) Include contact information for the Oregon State Bar and a person or organization that provides legal help to individuals at no charge to the individual;
  - (b) Include information concerning the right the individual has to notice under ORS 86.755 (6)(c);
  - (c) Be set apart from other text in the notice of sale; and
  - (d) Be in substantially the following form:

# NOTICE TO RESIDENTIAL TENANTS

The property in which you are living is in foreclosure. A foreclosure sale is scheduled for \_\_\_\_\_ (date). The date of this sale may be postponed. Unless the lender that is foreclosing on this property is paid before the sale date, the foreclosure will go through and someone new will own this property. After the sale, the new owner is required to provide you with contact information and notice that the sale took place.

The following information applies to you only if you are a bona fide tenant occupying and renting this property as a residential dwelling under a legitimate rental agreement. The information does not apply to you if you own this property or if you are not a bona fide residential tenant.

If the foreclosure sale goes through, the new owner will have the right to require you to move

out. Before the new owner can require you to move, the new owner must provide you with written notice that specifies the date by which you must move out. If you do not leave before the move-out date, the new owner can have the sheriff remove you from the property after a court hearing. You will receive notice of the court hearing.

### PROTECTION FROM EVICTION

IF YOU ARE A BONA FIDE TENANT OCCUPYING AND RENTING THIS PROPERTY AS A RESIDENTIAL DWELLING, YOU HAVE THE RIGHT TO CONTINUE LIVING IN THIS PROPERTY AFTER THE FORECLOSURE SALE FOR:

- THE REMAINDER OF YOUR FIXED TERM LEASE, IF YOU HAVE A FIXED TERM LEASE; OR
- AT LEAST 90 DAYS FROM THE DATE YOU ARE GIVEN A WRITTEN TERMINATION NOTICE.

If the new owner wants to move in and use this property as a primary residence, the new owner can give you written notice and require you to move out after 90 days, even though you have a fixed term lease with more than 90 days left.

You must be provided with at least 90 days' written notice after the foreclosure sale before you can be required to move.

A bona fide tenant is a residential tenant who is not the borrower (property owner) or a child, spouse or parent of the borrower, and whose rental agreement:

• Is the result of an arm's-length transaction;

- Requires the payment of rent that is not substantially less than fair market rent for the property, unless the rent is reduced or subsidized due to a federal, state or local subsidy; and
  - Was entered into prior to the date of the foreclosure sale.

## ABOUT YOUR TENANCY

## BETWEEN NOW AND THE

## FORECLOSURE SALE: RENT

YOU SHOULD CONTINUE TO PAY RENT TO YOUR LANDLORD UNTIL THE PROPERTY IS SOLD OR UNTIL A COURT TELLS YOU OTHERWISE. IF YOU DO NOT PAY RENT, YOU CAN BE EVICTED. BE SURE TO KEEP PROOF OF ANY PAYMENTS YOU MAKE.

## SECURITY DEPOSIT

You may apply your security deposit and any rent you paid in advance against the current rent you owe your landlord as provided in ORS 90.367. To do this, you must notify your landlord in writing that you want to subtract the amount of your security deposit or prepaid rent from your rent payment. You may do this only for the rent you owe your current landlord. If you do this, you must do so before the foreclosure sale. The business or individual who buys this property at the foreclosure sale is not responsible to you for any deposit or prepaid rent you paid to your landlord.

## ABOUT YOUR TENANCY

# AFTER THE FORECLOSURE SALE

The new owner that buys this property at the foreclosure sale may be willing to allow you to stay as a tenant instead of requiring you to move out after 90 days or at the end of your fixed term lease. After the sale, you should receive a written notice informing you that the sale took place and giving you the new owner's name and contact information. You should contact the new owner if you would like to stay. If the new owner accepts rent from you, signs a new residential rental agreement with you or does not notify you in writing within 30 days after the date of the foreclosure sale that you must move out, the new owner becomes your new landlord and must maintain the property.

Otherwise:

- You do not owe rent;
- The new owner is not your landlord and is not responsible for maintaining the property on your behalf; and
  - You must move out by the date the new owner specifies in a notice to you.

The new owner may offer to pay your moving expenses and any other costs or amounts you and the new owner agree on in exchange for your agreement to leave the premises in less than 90 days or before your fixed term lease expires. You should speak with a lawyer to fully understand your rights before making any decisions regarding your tenancy.

IT IS UNLAWFUL FOR ANY PERSON TO TRY TO FORCE YOU TO LEAVE YOUR DWELLING UNIT WITHOUT FIRST GIVING YOU WRITTEN NOTICE AND GOING TO COURT TO EVICT YOU. FOR MORE INFORMATION ABOUT YOUR RIGHTS, YOU SHOULD CONSULT A LAWYER. If you believe you need legal assistance, contact the Oregon State Bar and ask for the lawyer referral service. Contact information for the Oregon State Bar is included with this notice. If you do not have enough money to pay a lawyer and are otherwise eligible, you may be able to receive legal assistance for free. Information about whom to contact for free legal assistance is included with this notice.

**SECTION 5.** ORS 86.745, as amended by section 6, chapter 510, Oregon Laws 2011, is amended to read:

86.745. The notice of sale [shall] required under ORS 86.740 must:

- (1) List the names of the grantor, trustee and beneficiary in the trust deed, and the mailing address of the trustee.
  - (2) Describe the property the trust deed covers.
  - (3) Identify the book and page of the mortgage records that record the trust deed.
  - (4) Include a copy of the affidavit recorded under section 2 (2) of this 2013 Act.
  - (5) Include a statement that advises the grantor that:
- (a) Section 2 of this 2013 Act requires any transfer, assignment or other conveyance of beneficial ownership or a beneficial interest in the note or other instrument that is evidence of the grantor's obligation to the beneficiary and that is secured by a trust deed on the residential property that is subject to foreclosure to be properly recorded in the mortgage records for the residential property; and
- (b) The grantor may inspect the mortgage records to verify that the required information has been properly recorded in accordance with section 2 of this 2013 Act.
  - [(4)] (6) State the default for which the foreclosure is made.
  - [(5)] (7) State the sum owing on the obligation that the trust deed secures.
  - [(6)] (8) State that the property will be sold to satisfy the obligation.
  - [(7)] (9) Set forth the date, time and place of the sale.
- [(8)] (10) State that the right exists under ORS 86.753 to have the proceeding dismissed and the trust deed reinstated by paying the entire amount then due, together with costs, trustee's fees and attorney fees, and by curing any other default complained of in the notice of default, at any time that is not later than five days before the date last set for the sale.
- [(9)] (11) If the property includes one or more dwelling units that are subject to ORS chapter 90, include a notice addressed clearly to any individual who occupies the property and who is or

might be a residential tenant. The notice required under this subsection must:

- (a) Include contact information for the Oregon State Bar and a person or organization that provides legal help to individuals at no charge to the individual;
  - (b) Include information concerning the right the individual has to notice under ORS 86.755 (6)(c);
  - (c) Be set apart from other text in the notice of sale; and
  - (d) Be in substantially the following form:

notice that the sale took place.

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The following information applies to you only if you are a bona fide tenant occupying and renting this property as a residential dwelling under a legitimate rental agreement. The information does not apply to you if you own this property or if you are not a bona fide residential tenant.

If the foreclosure sale goes through, the new owner will have the right to require you to move out. Before the new owner can require you to move, the new owner must provide you with written notice that specifies the date by which you must move out. If you do not leave before the move-out date, the new owner can have the sheriff remove you from the property after a court hearing. You will receive notice of the court hearing.

### PROTECTION FROM EVICTION

IF YOU ARE A BONA FIDE TENANT OCCUPYING AND RENTING THIS PROPERTY AS A RESIDENTIAL DWELLING, YOU HAVE THE RIGHT TO CONTINUE LIVING IN THIS PROPERTY AFTER THE FORECLOSURE SALE FOR:

- $\bullet$  60 DAYS FROM THE DATE YOU ARE GIVEN A WRITTEN TERMINATION NOTICE, IF YOU HAVE A FIXED TERM LEASE; OR
- AT LEAST 30 DAYS FROM THE DATE YOU ARE GIVEN A WRITTEN TERMINATION NOTICE, IF YOU HAVE A MONTH-TO-MONTH OR WEEK-TO-WEEK RENTAL AGREEMENT.

If the new owner wants to move in and use this property as a primary residence, the new owner can give you written notice and require you to move out after 30 days, even though you have a fixed term lease with more than 30 days left.

You must be provided with at least 30 days' written notice after the foreclosure sale before you can be required to move.

A bona fide tenant is a residential tenant who is not the borrower (property owner) or a child, spouse or parent of the borrower, and whose rental agreement:

- Is the result of an arm's-length transaction;
- Requires the payment of rent that is not substantially less than fair market rent for the property, unless the rent is reduced or subsidized due to a federal, state or local subsidy; and
  - Was entered into prior to the date of the foreclosure sale.

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YOU SHOULD CONTINUE TO PAY RENT TO YOUR LANDLORD UNTIL THE PROPERTY

IS SOLD OR UNTIL A COURT TELLS YOU OTHERWISE. IF YOU DO NOT PAY RENT, YOU CAN BE EVICTED. BE SURE TO KEEP PROOF OF ANY PAYMENTS YOU MAKE.

### SECURITY DEPOSIT

You may apply your security deposit and any rent you paid in advance against the current rent you owe your landlord as provided in ORS 90.367. To do this, you must notify your landlord in writing that you want to subtract the amount of your security deposit or prepaid rent from your rent payment. You may do this only for the rent you owe your current landlord. If you do this, you must do so before the foreclosure sale. The business or individual who buys this property at the foreclosure sale is not responsible to you for any deposit or prepaid rent you paid to your landlord.

## ABOUT YOUR TENANCY

### AFTER THE FORECLOSURE SALE

The new owner that buys this property at the foreclosure sale may be willing to allow you to stay as a tenant instead of requiring you to move out after 30 or 60 days. After the sale, you should receive a written notice informing you that the sale took place and giving you the new owner's name and contact information. You should contact the new owner if you would like to stay. If the new owner accepts rent from you, signs a new residential rental agreement with you or does not notify you in writing within 30 days after the date of the foreclosure sale that you must move out, the new owner becomes your new landlord and must maintain the property. Otherwise:

• You do not owe rent;

- The new owner is not your landlord and is not responsible for maintaining the property on your behalf; and
  - You must move out by the date the new owner specifies in a notice to you.

The new owner may offer to pay your moving expenses and any other costs or amounts you and the new owner agree on in exchange for your agreement to leave the premises in less than 30 or 60 days. You should speak with a lawyer to fully understand your rights before making any decisions regarding your tenancy.

IT IS UNLAWFUL FOR ANY PERSON TO TRY TO FORCE YOU TO LEAVE YOUR DWELLING UNIT WITHOUT FIRST GIVING YOU WRITTEN NOTICE AND GOING TO COURT TO EVICT YOU. FOR MORE INFORMATION ABOUT YOUR RIGHTS, YOU SHOULD CONSULT A LAWYER. If you believe you need legal assistance, contact the Oregon State Bar and ask for the lawyer referral service. Contact information for the Oregon State Bar is included with this notice. If you do not have enough money to pay a lawyer and are otherwise eligible, you may be able to receive legal assistance for free. Information about whom to contact for free legal assistance is included with this notice.

# **SECTION 6.** ORS 86.750 is amended to read:

86.750. (1)(a) Except as provided in paragraph (b) of this subsection, the notice [prescribed in] and documentation required under ORS 86.745 must be served upon an occupant of the property described in the trust deed in the manner in which a summons is served pursuant to ORCP 7 D(2) and 7 D(3) at least 120 days before the day the trustee conducts the sale.

(b)(A) If service cannot be effected on an occupant as provided in paragraph (a) of this subsection on the first attempt, the person that attempts to effect service shall post a copy of the notice in a conspicuous place on the property on the date of the first attempt. The person that attempts to effect service shall make a second attempt to effect service on a day that is at least two days

after the first attempt.

- (B) If service cannot be effected on an occupant as provided in paragraph (a) of this subsection on the second attempt, the person that attempts to effect service shall post a copy of the notice in a conspicuous place on the property on the date of the second attempt. The person that attempts to effect service shall make a third attempt to effect service on a day that is at least two days after the second attempt.
- (C) If service cannot be effected on an occupant as provided in paragraph (a) of this subsection on the third attempt, the person that attempts to effect service shall send a copy of the notice, bearing the word "occupant" as the addressee, to the property address by first class mail with postage prepaid.
- (c) Service on an occupant is effected on the earlier of the date that notice is served as provided in paragraph (a) of this subsection or the first date on which notice is posted as described in paragraph (b)(A) of this subsection.
- (2)(a) Except as provided in paragraph (b) of this subsection, a copy of the notice of sale must be published in a newspaper of general circulation in each of the counties in which the property is situated once a week for four successive weeks. The last publication must be made more than 20 days prior to the date the trustee conducts the sale.
- (b) The copy of the notice of sale required to be published under paragraph (a) of this subsection does not need to include the notice to tenants required under ORS 86.745 [(9)] (11) or the documentation described in ORS 86.745 (4) or (5).
- (3) At or before the time the trustee conducts the sale, the trustee shall file for recording in the official record of the county or counties in which the property described in the deed is situated the following affidavits with respect to the notice of sale:
  - (a) An affidavit of mailing, if any;
  - (b) An affidavit of service, if any;
  - (c) An affidavit of service attempts and posting, if any; and
  - (d) An affidavit of publication.
- (4) At or before the time the trustee conducts the sale, the trustee shall file for recording in the official record of the county or counties in which the property described in the deed is situated an affidavit of mailing with respect to the notice to the grantor required under ORS 86.737.
- SECTION 7. (1) Subject to the provisions of subsection (2) of this section, section 2 of this 2013 Act and the amendments to ORS 86.735, 86.745 and 86.750 by sections 3, 4, 5 and 6 of this 2013 Act apply to:
  - (a) A notice of sale sent on or after the effective date of this 2013 Act;
- (b) A foreclosure by advertisement and sale that occurs on or after the effective date of this 2013 Act; and
- (c) A recording of a transfer, assignment, conveyance or reconveyance of the estate of residential property described in a trust deed previously recorded for the residential property that occurs on or after the effective date of this 2013 Act.
- (2) The provisions of section 2 (3) and (4) of this 2013 Act that require a person to inspect and correct mortgage records, state in an affidavit that the mortgage record is accurate and complete and pay a fee for each correction apply regardless of whether the transfer, assignment or other conveyance described in section 2 (2) of this 2013 Act occurred before, on or after the effective date of this 2013 Act.
  - SECTION 8. This 2013 Act being necessary for the immediate preservation of the public

- peace, health and safety, an emergency is declared to exist, and this 2013 Act takes effect
- 2 on its passage.

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