

Table of Contents

Volume 1

PART A. INTRODUCTORY

CHAPTER 1. DISTRESSED REAL ESTATE: AN OVERVIEW

I. IN GENERAL

- § 1:1 Causes of distressed real estate
- § 1:2 Loans secured by real estate
- § 1:3 Types of security agreements

II. FACTORS TO BE CONSIDERED

- § 1:4 Generally
- § 1:5 Applicable law
- § 1:6 Type of agreement
- § 1:7 Parties involved
- § 1:8 Type of real estate involved
- § 1:9 Chronology of events

APPENDIX 1A. Equivalent Terminology for Various Kinds of Security Agreements

CHAPTER 2. ORGANIZATION OF THIS TREATISE

- § 2:1 In general
- § 2:2 Part B: Workouts and Other Debtor-Creditor Relations
- § 2:3 Part C: Interim Protection for Lenders
- § 2:4 Part D: Foreclosure and Other Terminations of Mortgages
- § 2:5 Part E: Bankruptcy Law
- § 2:6 Part F: Third Party Claims and Liabilities
- § 2:7 Part G: Income Tax Consequences
- § 2:8 Part H: Miscellaneous Rights and Liabilities
- § 2:9 Part I: Construction Law and Practice
- § 2:10 Part J: Miscellaneous Concepts
- § 2:11 Part K: Jurisdictional Summaries

PART B. WORKOUTS AND OTHER DEBTOR-CREDITOR RELATIONS

CHAPTER 3. OVERVIEW OF WORKOUTS

I. DEFINITION AND PURPOSES OF WORKOUTS

- § 3:1 Generally
- § 3:2 Lender's objectives
- § 3:3 Borrower's objectives
- § 3:4 Objectives of lenders and borrowers

II. EVALUATION OF ALTERNATIVES

- § 3:5 Generally

III. ASSESSMENT OF SITUATION

- § 3:6 Generally
- § 3:7 Factual audit—By lender
- § 3:8 —By borrower
- § 3:9 Legal audit—Lender's legal audit
- § 3:10 —Borrower's legal audit
- § 3:11 Regulatory audit—In general
- § 3:12 —Special types of real estate

IV. FORMULATION OF A PLAN

- § 3:13 Generally

V. PRE-WORKOUT AGREEMENT

- § 3:14 Generally

VI. ENFORCEABILITY OF ARBITRATION AGREEMENTS

- § 3:15 Generally

VII. WORKOUT TEAM

- § 3:16 Generally

VIII. AVOIDING LENDER LIABILITY IN WORKOUTS

- § 3:17 Lender's control over debtor-borrower
- § 3:18 Effect of excessive control of debtor
- § 3:19 Summary of lender liabilities
- § 3:20 Effect of actions by lender to improve position prior to
bankruptcy of borrower-debtor—Introduction
- § 3:21 —Lender as "insider" for preferential transfers in
bankruptcy—Lender controlling debtor

TABLE OF CONTENTS

- § 3:22 —Lender as an “insider” for preferential transfers in bankruptcy—Preference paid to outsider with insider guarantees
- § 3:23 Liability under environmental statutes
- § 3:24 Defensive workout strategy

IX. IMPACT OF BANKRUPTCY ON SECURED CREDITORS

- § 3:25 Disadvantages
- § 3:26 Advantages
- § 3:27 —Incentive to pay secured creditors
- § 3:28 —Control over debtor in bankruptcy
- § 3:29 —Information on debtor’s affairs

X. PREBANKRUPTCY PLANNING FOR SECURED CREDITORS

- § 3:30 Generally
- § 3:31 Avoiding bankruptcy through workout
- § 3:32 Perfection of secured interests
- § 3:33 Obtaining additional collateral
- § 3:34 Agreement on consideration or value
- § 3:35 Transferring exempt collateral
- § 3:36 Payment of property taxes
- § 3:37 Deed in lieu of foreclosure
- § 3:38 Avoiding loss of surety
- § 3:39 Bankruptcy of tenant

XI. CONCLUSION

- § 3:40 Generally
- APPENDIX 3A. Model Workout Agreement

CHAPTER 4. MORTGAGE MODIFICATION: VOLUNTARY AND INVOLUNTARY

I. INTRODUCTION

- § 4:1 Introduction

II. EFFECT OF MODIFICATION OF SENIOR MORTGAGE ON JUNIOR LIEN HOLDERS

- § 4:2 Mortgage modifications that prejudice subordinate lien holders
- § 4:3 —Rights of subordinated lien holders
- § 4:4 —Effect of well-drafted and comprehensive subordination agreements
- § 4:5 —The Restatement approach to modification of senior mortgage

- § 4:6 —Remedies where prejudice occurs to junior lien holder
- § 4:7 Modification: retaining liability of parties
- § 4:8 Future advance loans
- § 4:9 Requirement of additional security for modification

III. BANKRUPTCY ISSUES

- § 4:10 Lien stripping in Chapter 11
- § 4:11 —Claim secured only by a security interest in the debtor's principal residence: § 1123(b)(5)
- § 4:12 Lien stripping in Chapter 13
- § 4:13 Cram down issues in Chapter 11
- § 4:14 —Modification of nonmonetary provisions of the loan documents
- § 4:15 —Modification and § 1111(b)(2) election
- § 4:16 Strip down of tax liens
- § 4:17 Modification of home mortgage liens in Chapter 13
- § 4:18 Mortgagor waiving right to automatic stay

IV. STATUTES REQUIRING WRITTEN AGREEMENTS TO LEND

- § 4:19 Credit agreement statutes

V. INCOME TAX EFFECT OF MODIFICATIONS

- § 4:20 Tax effect of modification agreements

VI. FANNIE MAE LOAN MODIFICATION PROGRAMS

- § 4:21 Fannie Mae loan modification programs

VII. EMERGENCY ECONOMIC STABILIZATION ACT AND TROUBLED ASSET RELIEF PROGRAM (“TARP”)

- § 4:22 Emergency Economic Stabilization Act of 2008 (“Act”) and the Troubled Asset Relief Program (“TARP”)

VIII. MODIFICATION OF MORTGAGES ON OWNER-OCCUPIED RESIDENCES

- § 4:23 Modification of mortgages on owner-occupied residences—
Workouts of residential mortgage backed securities to avoid foreclosures
- § 4:24 Modification of mortgages on owner-occupied residences to avoid foreclosures—Securitization and mortgage backed securities
- § 4:25 —Servicing and Pooling and Servicing Agreement (PSA)
- § 4:26 —Emergency Economic Stabilization Act (EESA) residential mortgage modification provisions
- § 4:27 Mortgage modification: statutory bills and enactments

TABLE OF CONTENTS

- § 4:28 Obstacles and limitations on the ability of the servicer of mortgage backed securities to modify mortgages
- § 4:29 Preserving tax status of REMICS
- § 4:30 Title insurance for mortgage modifications
- § 4:31 Modification litigation
- § 4:32 Information sources and websites
- § 4:33 Conclusion
- APPENDIX 4A. Modification Structures and Guidelines
- APPENDIX 4B. Modification Agreements (Outline)
- APPENDIX 4C. Subordination clause

CHAPTER 5. DISTRESSED PROPERTY: PRACTICAL AND BUSINESS ASPECTS

I. ANTICIPATION AND MANAGEMENT OF PROBLEM LOANS

- § 5:1 In general
- § 5:2 Adequate staffing essential

II. PERMANENT LOANS

- § 5:3 Importance of field monitoring
- § 5:4 Mortgage modification: Assessing request
- § 5:5 Mortgage modification: Getting something in exchange

III. CONSTRUCTION LOANS: ANTICIPATING PROBLEMS

- § 5:6 Importance of early detection
- § 5:7 Sources of information
- § 5:8 Identifying specific problems and solutions
- § 5:9 Marketplace changes
- § 5:10 Special consideration: Protecting permanent loan take-out

IV. CONSTRUCTION LOANS: PLANNING THE WORKOUT

- § 5:11 In general
- § 5:12 Checking subcontracts and cost-to-complete
- § 5:13 Bargaining with trade creditors

V. CONSTRUCTION LOANS: IMPLEMENTING THE WORKOUT

- § 5:14 In general
- § 5:15 Getting up-to-the-minute facts
- § 5:16 Importance of timing
- § 5:17 Getting rights to assign

- § 5:18 Consideration of alternate plans
- § 5:19 Use of nominees
- § 5:20 Becoming mortgagee in possession

VI. EFFECT OF BANKRUPTCY LAWS ON MORTGAGE LENDERS

- § 5:21 In general
- § 5:22 Bias against mortgage lenders
- § 5:23 Tendency to disregard mortgage lenders' interests
- § 5:24 Importance of aggressive representation in bankruptcy

VII. INCOME TAX ASPECTS

- § 5:25 In general
- § 5:26 Example—Hypothetical facts
- § 5:27 —Calculation of tax consequences
- § 5:28 An example—Other considerations
- § 5:29 Negotiating tax deals
- § 5:30 Dealing with limited partners

VIII. SUMMARY OF ADVICE FOR MORTGAGE LENDERS

- § 5:31 Generally

IX. SUMMARY OF ADVICE FOR BORROWERS

- § 5:32 Showing good faith: Proposing solutions
- § 5:33 Securing lender's cooperation

CHAPTER 6. WORKOUTS OF CONSTRUCTION MORTGAGE LOANS

I. INTRODUCTION

- § 6:1 Generally

II. DETERMINING CAUSES OF DEFAULT

- § 6:2 Generally

III. PARTIES THAT MAY CONTRIBUTE FUNDS TO THE WORKOUT

- § 6:3 Generally

IV. ANALYSIS OF PROJECT STATUS

- § 6:4 Generally

V. OBJECTIVES AND OPTIONS OF THE CONSTRUCTION LENDER

- § 6:5 Decision to workout

TABLE OF CONTENTS

- § 6:6 Possession of property during workout
- § 6:7 Deed in lieu of foreclosure

VI. PROBLEMS AFFECTING THE WORKOUT

- § 6:8 Generally
- § 6:9 Timing problems
- § 6:10 Defenses against construction lender
- § 6:11 Effect of bankruptcy of borrower
- § 6:12 Claims of mechanics' lienors: Priority problems
- § 6:13 Third-party rights—In general
- § 6:14 —Rights against title companies
- § 6:15 —Enforcement of performance bonds
- § 6:16 —Redemption rights
- § 6:17 —Legal and regulatory problems

VII. IMPLEMENTING THE WORKOUT

- § 6:18 Generally

APPENDIX 6A. Construction Loan Workout Agreement

CHAPTER 7. WORKOUTS OF FARM/RANCH LOANS

I. INTRODUCTION: THE CURRENT SITUATION

- § 7:1 National setting
- § 7:2 Precipitating factors
- § 7:3 —Federal policies
- § 7:4 —Nongovernmental factors
- § 7:5 Legislative responses
- § 7:6 —Food Security Act of 1985
- § 7:7 —Farm Credit Amendments Act of 1985
- § 7:8 —State responses

II. AGRICULTURAL FINANCING

- § 7:9 Generally
- § 7:10 Sources of credit
- § 7:11 —Farm Credit System (FCS)
- § 7:12 — —Federal Land Banks (FLB)
- § 7:13 — —Production Credit Associations (PCA)
- § 7:14 —Farmers Home Administration (FmHA)
- § 7:15 —Commodity Credit Corporation (CCC)
- § 7:16 —Commercial banks, insurance companies, and individuals
- § 7:17 Structure of farm financing

III. FARM/RANCH WORKOUTS

- § 7:18 Introduction

- § 7:19 Farmer's considerations—Analysis of situation
- § 7:20 —Emotional issues
- § 7:21 —Economic issues
- § 7:22 —Tax consequences
- § 7:23 Lender's considerations—Analysis of situation
- § 7:24 —Risks to creditors—Bankruptcy challenges
- § 7:25 — —Lender control risks
- § 7:26 FmHA loan servicing and debt settlement
- § 7:27 Farm credit system loan servicing
- § 7:28 State programs
- § 7:29 —Farmer/lender mediation
- § 7:30 —Debt restructuring

CHAPTER 8. LIABILITY OF LENDER FOR CONTROLLING DEBTOR AND FOR OTHER ACTS

I. INTRODUCTION

- § 8:1 Lender's control over debtor-borrower
- § 8:2 Effect of excessive control of debtor
- § 8:3 Real estate transactions
- § 8:4 Summary of lender liabilities

II. LIABILITY BASED ON COMMON LAW

- § 8:5 Instrumentality or alter ego theory
- § 8:6 Liability arising from agency
- § 8:7 Fraudulent misrepresentation—In general
- § 8:8 —*Farah* case
- § 8:9 —*Kruse v. Bank of America*—Fraud
- § 8:10 — —Bad-faith denial of contract
- § 8:11 —*Penthouse* decision
- § 8:12 —Constructive fraud
- § 8:13 —Civil conspiracy to defraud or aiding and abetting fraud
- § 8:14 Interference with contract or business relations
- § 8:15 Duress
- § 8:16 Assumption of duty, negligence, and negligent misrepresentation
- § 8:17 —Regulatory agencies controlling lenders
- § 8:18 —Limitation of *Franklin National* case
- § 8:19 Joint ventures and control of construction
- § 8:20 Liability based on lack of good faith
- § 8:21 —Legal basis
- § 8:22 —Cases finding no duty
- § 8:23 —*K.M.C. Co. v. Irving Trust Company*
- § 8:24 —Liability based on requirements of UCC
- § 8:25 Loan commitments—In general

TABLE OF CONTENTS

- § 8:26 Breach of contract to lend—Borrower’s right to specific performance of loan commitment
- § 8:27 —Lender’s right to specific performance of loan commitment
- § 8:28 —Damages for lender’s breach of loan commitment
- § 8:29 —*Scharenberg* case
- § 8:30 — —*Port Bougainville* project
- § 8:31 — —Continental’s financial crisis
- § 8:32 — —Law suits
- § 8:33 —Anticipatory repudiation of loan commitment—
Anticipatory repudiation in general
- § 8:34 — —Imposition of new conditions to commitment
- § 8:35 —Enforcement of oral agreement to lend or extend loan—In
general
- § 8:36 — —Loan commitments
- § 8:37 — —Parol evidence rule and doctrine of merger
- § 8:38 — —Statute of frauds and special statutes requiring writing
- § 8:39 — —Promissory estoppel—In general
- § 8:40 — — —Can promissory estoppel circumvent statute of
frauds?
- § 8:41 Negligently processing loan applications—*Jacques* case—
Introduction
- § 8:42 —Facts
- § 8:43 —Court’s analysis
- § 8:44 —Subsequent cases
- § 8:45 Real estate appraisals—Negligent real estate appraisals
- § 8:46 —Adoption of final appraisal rule
- § 8:47 Other statutory and common law liabilities and rights
- § 8:48 Letters of Credit
- § 8:49 Waiver and estoppel as defense

III. LIABILITY UNDER FEDERAL TAX LAWS

- § 8:50 Liability under internal revenue code
- § 8:51 Failure of IRS to provide notice of assessment

IV. LIABILITY OF LENDER FOR SECURITIES LAW VIOLATIONS BY THE BORROWER

- § 8:52 Liability under Sections 15 and 20(a) based upon violations
of controlled persons
- § 8:53 Liability for aiding and abetting borrower’s violation
- § 8:54 Section 12 liability as seller

V. EFFECT OF ACTIONS BY LENDER TO IMPROVE POSITION PRIOR TO BANKRUPTCY OF BORROWER-DEBTOR

- § 8:55 Introduction
- § 8:56 Trustee avoiding powers
- § 8:57 Equitable subordination of lender’s claim

- § 8:58 Recharacterization
- § 8:59 Lender as “insider” for preferential transfers in bankruptcy—Lender controlling debtor
- § 8:60 —Preference paid to outsider with insider guarantee voidable for year

VI. OTHER STATUTORY LIABILITIES

- § 8:61 Liability under environmental statutes
- § 8:62 Liability arising under Fair Labor Standards Act
- § 8:63 RICO statute—Civil RICO
- § 8:64 —Legislative reform
- § 8:65 —RICO generally
- § 8:66 —Supreme Court declines to limit RICO
- § 8:67 Bank officer liability

VII. CONCLUSION AND ADVICE TO LENDERS

- § 8:68 Generally

VIII. LIABILITY OF BORROWER TO LENDER

- § 8:69 Generally

APPENDIX 8A. Bibliography—Lender Liability

APPENDIX 8B. Statutes Requiring Written Agreements to Lend or Continue Loan

CHAPTER 9. RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS ACT (RICO) PRIVATE CIVIL ACTION

- § 9:1 The Racketeer Influenced and Corrupt Organizations Act (RICO)—Introduction
- § 9:2 Overview of RICO
- § 9:3 Criminal RICO
- § 9:4 RICO private civil action: civil RICO in general
- § 9:5 —“Racketeering activity”/“predicate acts”
- § 9:6 —“Pattern of racketeering activity”
- § 9:7 —“Prohibited activities” under § 1962 in general
- § 9:8 —To engage in prohibited activities involving an “enterprise”
- § 9:9 —Definition of enterprise
- § 9:10 — —Enterprise; “association-in-fact”
- § 9:11 —Plaintiffs, standing, proximate cause, and ripeness; plaintiffs in general
- § 9:12 — —Plaintiff; standing and proximate cause
- § 9:13 — —Additional standing issues
- § 9:14 — —Damages cannot be speculative
- § 9:15 — —Persons liable for prohibited activities under § 1962
- § 9:16 — —Persons liable under § 1962(c); distinction between defendant/person and enterprise

TABLE OF CONTENTS

- § 9:17 — —Subsection 1962(c) requirement for the defendant to have participated in the operation or management of the enterprise
- § 9:18 — —Persons liable under §§ 1962(a) and 1962(b)
- § 9:19 — —Conspiracy; persons liable under § 1962(d)
- § 9:20 — —Vicarious liability of employer; defendant; plaintiff's objective and general agency background
- § 9:21 — —Vicarious liability under § 1962(c)
- § 9:22 — —Vicarious liability under §§ 1962(a), 1962(b), or 1962(d)
- § 9:23 — —Activities which affect interstate or foreign commerce
- § 9:24 — —Civil remedies: § 1964(c)
- § 9:25 — —RICO mail or wire fraud
- § 9:26 — —State anti-racketeering laws
- APPENDIX 9A. Racketeer Influenced and Corrupt Organizations (RICO) Statute
- APPENDIX 9B. Selected Bibliography—Racketeer Influenced and Corrupt Organizations Act (RICO)

CHAPTER 10. ACCOUNTING AND REGULATORY IMPLICATIONS OF WORKOUTS AND FORECLOSURES

I. INTRODUCTION

- § 10:1 In general
- § 10:2 Importance of understanding accounting consequences
- § 10:3 Authoritative forces influencing accounting—In general
- § 10:4 — —Generally accepted accounting principles for banks (bank GAAP)
- § 10:5 — —Generally accepted accounting principles for thrifts (thrift GAAP)
- § 10:6 — —Thrift regulators and the Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA)
- § 10:7 — —Banking regulators
- § 10:8 — —Accounting required by Securities and Exchange Commission (SEC)

II. ACCOUNTING SEQUENCES

- § 10:9 Generally

III. FINANCIAL ACCOUNTING STANDARDS BOARD NUMBER 15—ACCOUNTING FOR TROUBLED DEBT RESTRUCTURINGS

- § 10:10 Introduction and definitions
- § 10:11 Accounting by lender—Receipt of assets in full satisfaction
- § 10:12 — —Modification of terms
- § 10:13 — —Receipt of assets in partial settlement together with modification of terms

- § 10:14 —Transfer of assets or equity interest in partial settlement together with modification of terms
- § 10:15 Accounting by debtor—Transfer of assets or equity interest in full satisfaction
- § 10:16 —Modification of terms
- § 10:17 Related items—Addition or substitution of debtors
- § 10:18 —Foreclosures
- § 10:19 —Allowance accounts
- § 10:20 —Subsequent transactions involving assets received
- § 10:21 —Contingent payables
- § 10:22 —Contingent receivables
- § 10:23 —Fluctuating interest rates
- § 10:24 —Related costs
- § 10:25 —Net realizable value
- § 10:26 —Substantively repossessed collateral

IV. FINANCIAL ACCOUNTING STANDARDS BOARD NUMBER 114—ACCOUNTING FOR TROUBLED DEBT RESTRUCTURINGS

- § 10:27 Generally

V. FORECLOSURES

- § 10:28 Impact of foreclosure
- § 10:29 Accounting for real estate owned
- § 10:30 Illustration

VI. COMPARISON OF WORKOUT TO FORECLOSURE

- § 10:31 Possible terms of modification
- § 10:32 Tri-party agreements

VII. RECENT REGULATORY CHANGES FOR SAVINGS AND LOANS

- § 10:33 In general
- § 10:34 Change in minimum net worth requirements
- § 10:35 New qualified thrift lender test
- § 10:36 Loans to one borrower limitations

VIII. JOINT AGENCY POLICY STATEMENT

- § 10:37 Generally

IX. SUMMARY

- § 10:38 Generally

TABLE OF CONTENTS

CHAPTER 11. DEEDS IN LIEU OF FORECLOSURE

I. IN GENERAL

§ 11:1 Generally

II. ADVANTAGES TO LENDER

§ 11:2 Generally

III. ADVANTAGES TO BORROWER

§ 11:3 Generally

IV. RISKS TO LENDER

§ 11:4 Property value, costs, and alternatives

§ 11:5 Subordinate or junior liens

§ 11:6 Unrecorded liens

§ 11:7 Merger may extinguish mortgage

§ 11:8 Conditional delivery of deed to mortgagee—Agreement of mortgagee to deed back

§ 11:9 —Deed held in escrow—Executory deeds

§ 11:10 Challenge for fraud or inadequate consideration

§ 11:11 Loss of guarantor liability

§ 11:12 Voidability

§ 11:13 Marketability of title

§ 11:14 Preserving or terminating mortgagor's tenants leases

§ 11:15 Deed in lieu checklist

V. DEED IN LIEU IN FHA AND VA MORTGAGES

§ 11:16 VA mortgages

§ 11:17 FHA mortgages

PART C. INTERIM PROTECTION FOR LENDERS

CHAPTER 12. OVERVIEW OF LENDER'S RIGHTS UPON DEFAULT

I. IN GENERAL

§ 12:1 Lender diligence required

§ 12:2 Protecting property prior to foreclosure

§ 12:3 Termination of mortgagor's interest in mortgaged real estate

APPENDIX 12A. Real Estate Defaults Investigation Checklist and

Issue Summary for Lender's Counsel
(Annotated)

CHAPTER 13. RIGHTS TO POSSESSION, RECEIVERS, AND RENTS AFTER DEFAULT

I. IN GENERAL: PROTECTING PROPERTY VALUE AND INCOME

§ 13:1 Preserving value after default and before foreclosure

II. LENDER'S REMEDIES UPON DEFAULT

§ 13:2 Generally

§ 13:3 Workout between lender and borrower

§ 13:4 Suit for waste

§ 13:5 Tax write off

§ 13:6 Taking deed in lieu of foreclosure

§ 13:7 Suit on promissory note

§ 13:8 Foreclosure

§ 13:9 Lender taking possession—Title, intermediate, and lien
theory jurisdictions

§ 13:10 —Possession by agreement

§ 13:11 —Mortgagee in possession rule

§ 13:12 —Advantages and disadvantages of lender possession

§ 13:13 Appointment of receiver—Ability to have receiver
appointed

§ 13:14 —Advantages and disadvantages of receiver

§ 13:15 Assignment of rents and profits: By original agreement—
Assignment as preferable to possession

§ 13:16 —Court responses to assignment of rents clauses

§ 13:17 Assignment of rents and profits: By agreement after
default

§ 13:18 Access to rents and profits by junior and senior lenders

§ 13:19 Action for waste

III. LEASE/MORTGAGE PRIORITIES

§ 13:20 Generally

§ 13:21 Title theory states

§ 13:22 —Priority where lease is prior to mortgage

§ 13:23 —Priority where mortgage is prior to lease

§ 13:24 Lien theory states

§ 13:25 Intermediate theory states

§ 13:26 Analytical framework

IV. FORECLOSURE

§ 13:27 In general

§ 13:28 Judicial foreclosure

TABLE OF CONTENTS

- § 13:29 Nonjudicial foreclosure
- § 13:30 Foreclosure of subordinated mortgage

V. DEEDS IN LIEU OF FORECLOSURE

- § 13:31 In general
- § 13:32 Retention of leasehold or other interest by mortgagor
- § 13:33 Avoidance of merger
- § 13:34 Closing requirements

VI. RECEIVERSHIP

- § 13:35 In general
- § 13:36 Appointment of receiver in state court
- § 13:37 Appointment of receiver in federal court
- § 13:38 Alternatives to appointment of receiver
- § 13:39 Application of rents
- § 13:40 Receivership in “one action” states
- § 13:41 Payment for leasing expenses

VII. RIGHTS OF FDIC/RTC IF FAILED INSTITUTION IS A TENANT

- § 13:42 In general
- § 13:43 FDIC and RTC policies on foreclosure consent and redemption rights

VIII. DEVOLUTION TO MORTGAGEE OF LANDLORD’S OBLIGATIONS AND LIABILITIES

- § 13:44 Generally
- § 13:45 Obligations relating to construction of improvements
- § 13:46 Purchase options and rights of first refusal
- § 13:47 Landlord’s prior defaults
- § 13:48 Security deposits
- § 13:49 Set offs

IX. EFFECT OF BANKRUPTCY

- § 13:50 Introduction
- § 13:51 Effect on mortgagee of mortgagor/landlord’s bankruptcy:
 - Right to rents—Significance of rents in real property bankruptcies—Cash collateral
- § 13:52 —Mortgagee must have perfected interest in rents
- § 13:53 —Perfection: Cases filed before October 22, 1994
- § 13:54 — —General rule against perfection
- § 13:55 — —Recorded assignment is sufficient to perfect
- § 13:56 — —Prepetition action required—Requirement
- § 13:57 — — —Sufficient prepetition action
- § 13:58 — —Postpetition perfection permitted
- § 13:59 — —Postpetition perfection not permitted

- § 13:60 — —Section 546(b) is irrelevant to perfection of assignment
- § 13:61 — —State statutes on perfection
- § 13:62 — —Perfection: Bankruptcy cases filed on or after October 22, 1994: Section 552(b)(2)
- § 13:63 — —Use of perfected rents
- § 13:64 — —Adequate protection prior to confirmation
- § 13:65 — —Cash collateral
- § 13:66 — —Deduction of operating expenses
- § 13:67 — —Rents as separate collateral
- § 13:68 — —Adequate protection for rents for oversecured mortgagee
- § 13:69 — —Adequate protection for rents for undersecured mortgagee
- § 13:70 — —Valuation of rents for confirmation—Relationship of rents to value of mortgagee’s secured and unsecured claim
- § 13:71 — —Approaches to use of rents for confirmation valuation of undersecured claim
- § 13:72 — — —Rents are “wash” to confirmation valuation
- § 13:73 — — —Subtract rents paid from valuation at time of confirmation
- § 13:74 — — —Subtract rents from value at time of petition
- § 13:75 — — —Subtract hypothetical disposition cost from secured claim
- § 13:76 — — —Allocate postpetition rents to reduce principal and to payments under plan
- § 13:77 — — —Add rents to value of security but deduct rents from balloon payment
- § 13:78 — — —Conclusion on confirmation valuation of rents
- § 13:79 — — —Absolute priority rule and new value
- § 13:80 — —Assignment of rents as including hotel revenues—Cases filed before October 22, 1994
- § 13:81 — —Bankruptcy Reform Act of 1994—Hotel cases on or after October 22, 1994
- § 13:82 — —Prepetition action to remove rents as property of estate—In general
- § 13:83 — —Absolute assignments of rents to remove property from estate
- § 13:84 — —Prepetition enforcement to remove rents from estate
- § 13:85 Mortgagor’s bankruptcy
- § 13:86 — —Effect on landlord-tenant relationship
- § 13:87 — —Assumption or rejection of lease
- § 13:88 — —Security deposits
- § 13:89 — —Option to purchase
- § 13:90 — —Effect on mortgagee-tenant relationship
- § 13:91 Tenant’s bankruptcy
- § 13:92 — —Time limitation to assume lease
- § 13:93 — —Rent between petition and assumption/rejection
- § 13:94 — —Consequences of assumption and rejection

TABLE OF CONTENTS

- § 13:95 —Effect of tenant’s automatic stay on mortgagee
- § 13:96 Application of law in different jurisdictions
- § 13:97 Federal agencies as lenders

X. FEDERAL AUTHORITIES AS RECEIVERS

- § 13:98 In general
- § 13:99 Statutory basis for receivers
- § 13:100 When financial institution fails—Procedures
- § 13:101 —*D’Oench* doctrine
- § 13:102 —12 U.S.C.A. § 1823(e): Congress codifies basic *D’Oench* principle

XI. MORTGAGEE AND MORTGAGOR RIGHTS TO CASUALTY INSURANCE AND CONDEMNATION PROCEEDS

- § 13:103 In general
- § 13:104 Mortgagee’s right to insurance proceeds for casualty loss
- § 13:105 Effect of mortgagee’s right to foreclose
- § 13:106 Mortgagor’s right to use insurance proceeds to restore property
- § 13:107 Mortgagee and mortgagor rights to eminent domain proceeds
- § 13:108 Mortgagee’s rights when security is subjected to waste
- APPENDIX 13A. Exhibit A: Subordination Provision—Lease
- APPENDIX 13B. Exhibit A-1: Subordination Provision—Lease (Alternate)
- APPENDIX 13C. Exhibit A-2: Subordination Provision—Lease (Alternate)
- APPENDIX 13D. Exhibit B: Leasing and Nondisturbance Provision—Mortgage and/or Assignment of Rents
- APPENDIX 13E. Exhibit C: Subordination, Nondisturbance, and Attornment Agreement
- APPENDIX 13F. Exhibit D: Mortgagee’s Notice to Tenant to Preserve Lease
- APPENDIX 13G. Exhibit D-1: Notice of Beneficiary’s Election Regarding Certain Tenant Leases
- APPENDIX 13H. Exhibit E: Agreement for Payment of Expenses
- APPENDIX 13I. Exhibit F: Additional Lease Language—Mortgagee in Possession or Lease by Owner with Mortgagee’s Consent
- APPENDIX 13J. Exhibit G: Loan Commitment
- APPENDIX 13K. Exhibit H: Protective Advance Agreement
- APPENDIX 13L. Effect of Foreclosure on Leases Subsequent (Subordinate) to Trust Deed or Mortgage Running Head: Effect of Foreclosure on Leases

CHAPTER 14. ACTIONS FOR WASTE

I. IN GENERAL

§ 14:1 Generally

II. HISTORY, DEFINITION AND CATEGORIES OF WASTE

§ 14:2 Generally

§ 14:3 Active versus permissive waste

§ 14:4 Financial versus physical waste

III. EXAMPLES OF WASTE

§ 14:5 Cutting timber

§ 14:6 Mining

§ 14:7 Crops

§ 14:8 Misappropriation of rents and profits

§ 14:9 Disrepair of premises

§ 14:10 Abandonment and disuse

§ 14:11 Fire

§ 14:12 Nonpayment of interest

§ 14:13 Failure to insure

§ 14:14 Nonpayment of liens

§ 14:15 Nonpayment of taxes

§ 14:16 Delaying foreclosure

IV. PARTIES INVOLVED

§ 14:17 Persons who may be liable for waste

§ 14:18 Persons who are entitled to sue for waste

V. CHOICE OF REMEDIES

§ 14:19 Generally

VI. FACTORS AFFECTING LENDER'S ABILITY TO OBTAIN REMEDY

§ 14:20 Generally

§ 14:21 In title, intermediate and lien theory states

§ 14:22 Other factors—Borrower insolvency

§ 14:23 —Miscellaneous factors

VII. ACTIONS FOR DAMAGES CAUSED BY WASTE

§ 14:24 Tort theory

§ 14:25 —Substantial impairment of security

§ 14:26 —Tortfeasor is third party

§ 14:27 Contract theory

TABLE OF CONTENTS

§ 14:28 Substitute collateral theory

VIII. COVENANTS AGAINST WASTE

§ 14:29 Generally

§ 14:30 Covenants against financial waste

§ 14:31 Covenants to repair

**PART D. FORECLOSURE AND OTHER
TERMINATIONS OF MORTGAGES**

**CHAPTER 15. OVERVIEW OF FORECLOSURE
PRACTICES**

I. IN GENERAL

§ 15:1 Generally

II. OPTIONS AS TO REMEDIES

§ 15:2 Suit on promissory note

§ 15:3 Methods of foreclosure: By type of security agreement and
state

§ 15:4 Installment land contracts

§ 15:5 Special situations

III. BORROWER'S DEFENSES

§ 15:6 Generally

§ 15:7 Special defenses

APPENDIX 15A. State Practices Regarding Types of Security
Agreements and Foreclosure Methods in Use

APPENDIX 15B. Foreclosure Annotations

APPENDIX 15C. Foreclosure Bibliography Classified by
Jurisdiction

**CHAPTER 16. INSTALLMENT LAND
CONTRACTS**

I. TERMINOLOGY

§ 16:1 Generally

II. SELLER'S REMEDIES UPON DEFAULT

§ 16:2 In general

§ 16:3 Forfeiture of buyer's interest—Right to forfeiture

§ 16:4 —Procedure for obtaining forfeiture

§ 16:5 Action for damages

- § 16:6 Action for specific performance
- § 16:7 Foreclosure by sale

III. DEFAULTING BUYER'S REMEDIES

- § 16:8 Defenses to seller's actions
- § 16:9 Action to compel seller's specific performance

IV. BUYER'S REMEDIES UPON SELLER'S DEFAULT

- § 16:10 Generally

V. RESCISSION

- § 16:11 Generally

VI. PARTIES CLAIMING PRIORITY

- § 16:12 Generally

VII. INSTALLMENT LAND CONTRACTS IN BANKRUPTCY

- § 16:13 Treatment as executory contracts or mortgages
- § 16:14 —Vendor as debtor
- § 16:15 —Vendee as debtor
- § 16:16 — —Installment contract construed as mortgage
- § 16:17 — —Installment contract construed as executory
- § 16:18 Transferees from vendor or vendee in bankruptcy

VIII. PRIORITY OF TRANSFEREES OF VENDEE'S INTEREST

- § 16:19 Mortgaging of vendee's interest
- § 16:20 Risk that vendee's interest is forfeited
- § 16:21 Risk that vendor's interest is foreclosed
- § 16:22 Priority between mortgagees of vendee's interest
- § 16:23 Vendee's judgment lien creditor
- § 16:24 Purchaser from vendee
- § 16:25 Vendee's trustee in bankruptcy

IX. PRIORITY OF TRANSFEREES OF VENDOR'S INTEREST

- § 16:26 In general—Types of transfers
- § 16:27 —Analogy between transfer by vendor and by mortgagees
- § 16:28 Assignment/sale of vendor's interest
- § 16:29 —Assignment/sale of only installment payments
- § 16:30 —Assignment/sale of entire vendor's interest
- § 16:31 Mortgaging vendor's interest
- § 16:32 Mortgaging the vendor's interest—Priority between mortgagees

TABLE OF CONTENTS

- § 16:33 —Bankruptcy of vendor—Bankruptcy Code § 541(d)
- § 16:34 — —Trustee’s strong-arm power under § 544(a)(3)
- § 16:35 Priority of vendor’s judgment lien creditor
- APPENDIX 16A. State Laws and Practices Regarding Installment Land Contracts
- APPENDIX 16B. Installment Land Contracts—Priorities

CHAPTER 17. PREREQUISITES TO FORECLOSURE

I. IN GENERAL

- § 17:1 Generally

II. PURPOSES OF FORECLOSURE

- § 17:2 Generally

III. RIGHT TO FORECLOSE

- § 17:3 Default
- § 17:4 Statutes of limitation—Determining applicable statute
- § 17:5 —Limitation on enforcement of note
- § 17:6 —Limitation on enforcement of mortgage
- § 17:7 Acceleration of debt
- § 17:8 Avoidance of foreclosure by reinstatement
- § 17:9 Acceleration based on due-on-sale clause—De-acceleration
- § 17:10 —Prior to Garn-St. Germain Act—In general
- § 17:11 —Split of state law authority on automatic acceleration
- § 17:12 —Federally chartered lenders
- § 17:13 —Garn-St. Germain Act—In general
- § 17:14 — —Window-periods: Excluded loans
- § 17:15 — —Specific provisions
- § 17:16 — —Interpretations of Act
- § 17:17 Acceleration based on due-on-encumbrance clause—In general
- § 17:18 —Garn-St. Germain Act provisions
- § 17:19 Acceleration of installment land contracts—State variations
- § 17:20 —Garn-St. Germain Act provisions
- § 17:21 Contractual right to cure default
- § 17:22 Other bars to foreclosure—Property in receivership
- § 17:23 —Standing to foreclose
- § 17:24 —Tender of amount due
- § 17:25 —Property subject to lis pendens
- § 17:26 —Lender’s waiver or estoppel
- § 17:27 —Bankruptcy of borrower
- § 17:28 —Servicemembers Civil Relief Act
- § 17:29 —Moratoria and mediation statutes

- § 17:30 —Requirement for notice of foreclosure
- § 17:31 —FDIC and RTC policies on foreclosure consent and redemption rights
- § 17:32 Governmentally or privately insured mortgages

IV. SELECTION OF TYPE OF FORECLOSURE

- § 17:33 Generally

V. TITLE SEARCH

- § 17:34 Generally

- APPENDIX 17A. State Statutes of Limitation on Mortgage Enforcement
- APPENDIX 17B. State Case Law Authority on Automatic Acceleration Under Due-on-Sale Clauses
- APPENDIX 17C. State Case Law Authority on Lender Waiver and Estoppel
- APPENDIX 17D. State Practices and Costs for Record Searches
- APPENDIX 17E. Preemption of State Due-on-Sale Laws 12 C.F.R. §§ 191.1 to 191.6 (eff. 7/12/2011)

CHAPTER 18. JUDICIAL FORECLOSURE

I. IN GENERAL

- § 18:1 Generally
- § 18:2 One Action Rule

II. JURISDICTION AND VENUE

- § 18:3 Generally
- § 18:4 Standing

III. PARTIES TO BE JOINED AS DEFENDANTS

- § 18:5 In general
- § 18:6 Distinguishing between necessary and proper defendants
- § 18:7 Tenants—Junior tenants
- § 18:8 —Senior tenants
- § 18:9 Other lenders—Senior lenders
- § 18:10 —Junior lenders
- § 18:11 Mechanics and materialmen
- § 18:12 Judgment creditors
- § 18:13 Holders of equitable claims—In general
- § 18:14 —Particular equitable claims—Equitable mortgages
- § 18:15 — —Vendor liens
- § 18:16 — —Vendee liens
- § 18:17 Effect of omitting defendants—In general
- § 18:18 —Properly omitted parties

TABLE OF CONTENTS

§ 18:19 —Improperly omitted necessary parties

IV. PARTIES TO BE JOINED AS PLAINTIFFS

§ 18:20 Generally

V. DRAFTING THE COMPLAINT

§ 18:21 Generally

VI. HEARING OR TRIAL

§ 18:22 In general

§ 18:23 Burden of proof and evidence—Burden of proof

§ 18:24 —Production of original note

§ 18:25 —Litigation of title or adverse claim

VII. RESTRICTIONS ON FORECLOSURE SALE TO PROTECT BORROWER INTERESTS

§ 18:26 Generally

§ 18:27 Wrongful foreclosure action before foreclosure decree entered

VIII. MARSHALLING OF ASSETS

§ 18:28 In general

§ 18:29 Inverse order of alienation

§ 18:30 Two funds doctrine

§ 18:31 Request for marshalling

§ 18:32 Marshalling not applicable

IX. DETERMINING PRIORITIES

§ 18:33 Generally

X. FORECLOSURE FOR COVENANT VIOLATIONS

§ 18:34 Generally

XI. APPOINTMENT OF RECEIVER

§ 18:35 Generally

XII. JUDGMENT OR DECREE

§ 18:36 Matters covered

§ 18:37 Costs, taxes, and interests

§ 18:38 Attorney's fees

§ 18:39 Appeal

XIII. FORECLOSURE SALE

§ 18:40 Notice requirements

- § 18:41 Sale in parcels or in bulk
- § 18:42 Restrictions on sale price
- § 18:43 Foreclosing lender as purchaser
- § 18:44 Official conducting sale
- § 18:45 Conduct of sale
- § 18:46 Confirmation of sale
- § 18:47 Title obtained by purchaser
- § 18:48 Possession by purchaser
- § 18:49 Disposition of proceeds

XIV. DEFICIENCY JUDGMENTS

- § 18:50 In general
- § 18:51 Procedure for obtaining deficiency judgment
- § 18:52 Restrictions on deficiency judgments

XV. STATUTORY REDEMPTION

- § 18:53 Generally

XVI. STRICT FORECLOSURE

- § 18:54 Generally

APPENDIX 18A. State Statutes Governing Judicial Foreclosure

Volume 2

CHAPTER 19. NONJUDICIAL FORECLOSURE

I. IN GENERAL

- § 19:1 Generally

II. PREREQUISITES

- § 19:2 Generally

III. PARTY CONDUCTING SALE; PURCHASE BY LENDER

- § 19:3 Generally

IV. NOTICE OF SALE

- § 19:4 Generally
- § 19:5 Breach of contract

V. APPOINTMENT OF RECEIVERS AND COLLECTION OF RENTS AND PROFITS DURING FORECLOSURE

- § 19:6 Generally

TABLE OF CONTENTS

VI. PRELIMINARIES TO SALE

- § 19:7 Cure of default
- § 19:8 Military service of borrower
- § 19:9 Title search or trustee's sale guarantee
- § 19:10 Bankruptcy, receivership, and federal tax liens
- § 19:11 Sale by parcels or in bulk
- § 19:12 Obtaining original note and mortgage or deed of trust
- § 19:13 Nonmonetary defaults—Default based on due-on-sale or due-on-encumbrance clauses
- § 19:14 —Other nonmonetary defaults

VII. THE SALE

- § 19:15 Bidding
- § 19:16 Postponements of sale

VIII. TRUSTEE'S DEED

- § 19:17 Generally

IX. PROCEEDS FROM THE SALE

- § 19:18 Generally
- § 19:19 Surplus proceeds

X. FORECLOSURE OF INSTALLMENT LAND SALES CONTRACTS

- § 19:20 Generally

XI. ATTACKS ON VALIDITY OF FORECLOSURE SALE

- § 19:21 Injunction to prevent sale
- § 19:22 Action to set aside sale
- § 19:23 —Waiver of defenses
- § 19:24 —Wrongful foreclosure
- § 19:25 Invasion of privacy
- § 19:26 Stability of titles and proof of compliance with statutes
- § 19:27 Duty of lender to disclose property defects to bidders
- § 19:28 Raising defense in post-foreclosure proceeding

XII. DUTIES AND LIABILITIES OF TRUSTEE IN FORECLOSURE

- § 19:29 Duties of trustee in general
- § 19:30 Liability of trustee for wrongful foreclosure
- § 19:31 Duty of trustee to investigate right to foreclose
- § 19:32 Duty of trustee to disclose defects to purchaser

XIII. CONSTITUTIONALITY OF NONJUDICIAL FORECLOSURE SALES

- § 19:33 Generally

APPENDIX 19A. State Statutes Sanctioning and Governing
Nonjudicial Foreclosure

**CHAPTER 20. CONSUMER FINANCIAL
PROTECTION BUREAU (“CFPB”)**

I. INTRODUCTION

- § 20:1 Introduction and creation of the Consumer Financial Protection Bureau (“CFPB”)
- § 20:2 Federal Preemption of State Consumer Protections and Prerequisites to Foreclosure
- § 20:3 Core Functions of the Consumer Financial Protection Bureau (CFPB)
- § 20:4 Supervision and examination manual

APPENDIX 20A. Consumer Financial Protection Bureau (CFPB)
References

**CHAPTER 21. REVISED ARTICLE 9 AND REAL
PROPERTY**

- § 21:1 Introduction
- § 21:2 Change in scope and description of collateral
- § 21:3 —Real property interests
- § 21:4 — —Real property generally
- § 21:5 — —Notes secured by mortgages
- § 21:6 — —Leases and rents
- § 21:7 — —Fixtures
- § 21:8 — —Manufactured homes
- § 21:9 —Supporting obligations
- § 21:10 —Proceeds
- § 21:11 —Descriptions of collateral
- § 21:12 —Promissory notes
- § 21:13 — —Sales of promissory notes
- § 21:14 — — —Treatment of sale of notes under former Article 9
- § 21:15 — — —Change in definitions
- § 21:16 — — —Attachment
- § 21:17 — — —Automatic perfection
- § 21:18 — — —Recharacterization and perfection by filing
- § 21:19 — —Promissory notes as collateral
- § 21:20 — — —Perfection by filing
- § 21:21 — — —Security interest in mortgage
- § 21:22 —Sales of participation interests
- § 21:23 — —Treatment of participation interests under former Article 9
- § 21:24 — —Change in definitions
- § 21:25 — —Attachment
- § 21:26 — —Automatic perfection
- § 21:27 — —Recharacterization and perfection by filing

TABLE OF CONTENTS

§ 21:28	Governing law
§ 21:29	—Perfection generally
§ 21:30	—Perfection of fixtures, timber, and as-extracted collateral
§ 21:31	—Priority
§ 21:32	Filing of financing statements
§ 21:33	—Filing office
§ 21:34	— —Generally
§ 21:35	— —Fixtures
§ 21:36	— —Timber to be cut and as-extracted collateral
§ 21:37	— —Transmitting utilities
§ 21:38	—No signature required
§ 21:39	—Mortgage as financing statement—Perfection
§ 21:40	— —Lapse of financing statement
§ 21:41	— —Assignment
§ 21:42	—Effect of bankruptcy upon lapse
§ 21:43	—Insufficient legal descriptions
§ 21:44	—Legal descriptions for crops
§ 21:45	Definitions of parties—“Debtor,” “obligor,” and “secondary obligor”
§ 21:46	—Secured party in representative capacity
§ 21:47	Default and remedies
§ 21:48	—Default
§ 21:49	—Cumulative remedies
§ 21:50	—Action on note
§ 21:51	—Foreclosing on personal property separately from real property—Generally
§ 21:52	— —Fixtures
§ 21:53	—Collection rights of secured parties and buyers of promissory notes—Secured parties
§ 21:54	— —Collecting payments
§ 21:55	— —Foreclosing on mortgage
§ 21:56	— —Disposition of note and transfer statement
§ 21:57	— —Purchasers of promissory notes
§ 21:58	—Taking possession of collateral
§ 21:59	—Sale of collateral
§ 21:60	— —Preparation of collateral for sale
§ 21:61	— —Notice of sale
§ 21:62	— —Purchasing collateral
§ 21:63	— —Warranties
§ 21:64	— —Disposition of proceeds of sale by junior creditors
§ 21:65	—Retaining collateral in satisfaction of debt
§ 21:66	—Deficiency and failure to comply
§ 21:67	— —Debtor’s remedy for secured party’s failure to comply
§ 21:68	— —Involuntary strict foreclosure
§ 21:69	Transition rules
§ 21:70	Conclusion

APPENDIX 21A. Revised UCC Article 9 State Enactments

CHAPTER 22. CONFIRMATION OF SALE AND DEFICIENCY JUDGMENTS

I. IN GENERAL

§ 22:1 Generally

II. JUDICIAL AND EQUITABLE CONTROLS

§ 22:2 Sale in conformity with statutes

§ 22:3 Judicial discretion in confirming sale—Sale confirmation necessary for deficiency judgment; Other effects

§ 22:4 —Confirmation even though sale price is inadequate

§ 22:5 —Gross inadequacy of sale price

§ 22:6 —Resale after failure to confirm

§ 22:7 —Rights and obligations of purchaser

§ 22:8 —Purchase by lender

III. TITLE OBTAINED BY PURCHASER

§ 22:9 Generally

IV. STATUTORY CONTROLS

§ 22:10 Historical background

§ 22:11 Appraisal statutes—In general

§ 22:12 —Appraisal as upset amount

§ 22:13 —Redemption right based on appraisal

§ 22:14 —Appraisal as restriction on deficiency judgment

§ 22:15 —Limited effectiveness of appraisal statutes

§ 22:16 Fair market value statutes—In general

§ 22:17 —Statutes limited to lender purchases and/or private sales

§ 22:18 —Method for determining fair market value

§ 22:19 Statutes prohibiting deficiency judgments

§ 22:20 Statutes dealing with court powers

§ 22:21 —Statutory grounds for withholding confirmation

§ 22:22 —Power to vacate confirmed sale

§ 22:23 —Power to establish an upset price

§ 22:24 —Power to delay or enjoin sale

§ 22:25 Other statutory controls—One-action statutes

§ 22:26 —Foreclosure first statutes

§ 22:27 —Election of remedies statutes

§ 22:28 —Statutory extension of equitable redemption

§ 22:29 —Statutory right to redeem after sale

§ 22:30 —Moratoria and mediation statutes

§ 22:31 Dormant foreclosure judgments

V. ANTIDEFICIENCY STATUTES AND GUARANTORS

§ 22:32 Generally

TABLE OF CONTENTS

APPENDIX 22A. State Laws and Practices Regarding
Confirmation of Sale and Deficiency Judgments

CHAPTER 23. REDEMPTION RIGHTS

I. INTRODUCTION

- § 23:1 In general
- § 23:2 Foreclosing equity of redemption: “Foreclosure”
- § 23:3 Statutory redemption

II. STATUTORY DELAY OF FORECLOSURE SALE

- § 23:4 Generally

III. REDEMPTION RIGHT BASED ON SALE PRICE

- § 23:5 Generally

IV. TIME PERIOD TO REDEEM AFTER SALE

- § 23:6 Generally

V. PARTIES ENTITLED TO REDEEM

- § 23:7 Redemption before foreclosure sale
- § 23:8 Redemption after foreclosure sale

VI. REQUIREMENTS FOR REDEMPTION AND EFFECTS

- § 23:9 Before foreclosure
- § 23:10 After foreclosure

VII. SOLDIERS’ AND SAILORS’ CIVIL RELIEF ACT

- § 23:11 Generally

APPENDIX 23A. State Laws and Practices Regarding Redemption
Rights

CHAPTER 24. FEDERAL COURTS: EXECUTION SALES AND FORECLOSURES

I. INTRODUCTION

- § 24:1 Generally

II. JURISDICTIONAL BASIS

- § 24:2 Diversity of citizenship
- § 24:3 Federal government or agency as plaintiff or defendant
- § 24:4 Foreclosure as proceeding in rem or quasi in rem

- § 24:5 Federal Anti-Injunction Act precludes stay of pending state foreclosure action: 28 U.S.C.A. § 2283
- § 24:6 Federal conservators and receivers—Introduction
- § 24:7 —Appointment of Federal Deposit Insurance Corporation (FDIC) or Resolution Trust Corporation (RTC)
- § 24:8 —Abstention
- § 24:9 —Retention of federal jurisdiction

III. EXECUTION SALES

- § 24:10 Generally

IV. JUDICIAL SALES UNDER ORDER OF COURT

- § 24:11 Federal foreclosure statutes
- § 24:12 Choice of federal or state law—Private party suits based on diversity of citizenship
- § 24:13 —Suits by United States or federal agency
- § 24:14 —Choice of law between two states

CHAPTER 25. TRANSFER OF MORTGAGED PROPERTY BY THE BORROWER

I. IN GENERAL

- § 25:1 Generally

II. RIGHT OF BORROWER TO TRANSFER PROPERTY AND DUE-ON-SALE CONSIDERATIONS

- § 25:2 Generally

III. TRANSFERS: SUBJECT TO MORTGAGE, WITH ASSUMPTION OF MORTGAGE, OR FREE OF MORTGAGE

- § 25:3 In general
- § 25:4 Transfers subject to mortgage
- § 25:5 Transfers with assumption of mortgage—Liability of assuming: Transferee to transferor
- § 25:6 —Continuing liability of transferor after assumption
- § 25:7 —Liability of assuming: Transferee to lender
- § 25:8 —Assuming transferee's defenses against lender
- § 25:9 —Requirements for assumption: Statute of frauds and parol evidence questions

IV. TRANSFER FREE OF MORTGAGE AND PREPAYMENT PENALTIES

- § 25:10 In general
- § 25:11 Prepayment penalties in commercial mortgages—In general

TABLE OF CONTENTS

- § 25:12 —Right to repay note
- § 25:13 —Reasonable prepayment charges
- § 25:14 —Challenges to “yield equivalent” formula
- § 25:15 —Federal bankruptcy code rules
- § 25:16 —Enforcement of reasonable prepayment clauses
- § 25:17 —Usury issues
- § 25:18 —Conclusion

V. FEDERAL RESTRICTIONS ON PREPAYMENT PENALTIES IN DUE-ON-SALE SITUATIONS

- § 25:19 Generally

VI. EFFECT OF LENDER EXTENDING PAYMENT TIME UPON TRANSFER

- § 25:20 In general
- § 25:21 Where promissory note is negotiable instrument

VII. TRANSFER OF A PORTION OF MORTGAGED LAND

- § 25:22 Generally

VIII. TRANSFER UPON BORROWER’S DEATH

- § 25:23 Generally

IX. EFFECT OF TRANSFER ON LIABILITY OF GUARANTORS, COSIGNERS, OR ENDORSERS

- § 25:24 Generally
- APPENDIX 25A. State Prepayment Statutes
- APPENDIX 25B. Bibliography

CHAPTER 26. LAW OF FRAUDULENT TRANSFERS

I. OVERVIEW

- § 26:1 In general
- § 26:2 Historical background
- § 26:3 Elements of actual and constructive fraudulent transfers
- § 26:4 Chapter organization

II. UNIFORM ACTS

- § 26:5 Uniform Fraudulent Conveyance Act (U.F.C.A.) and Uniform Fraudulent Transfer Act (U.F.T.A.)
- § 26:6 States that have not adopted uniform acts
- § 26:7 Definition of terms

III. CONSIDERATION OR VALUE RECEIVED BY DEBTOR

- § 26:8 Role in determining fraudulence
- § 26:9 Under the U.F.C.A.
- § 26:10 Under the U.F.T.A.: “Reasonably equivalent value”

IV. TRANSFERS AND FORECLOSURE SALES

- § 26:11 Generally

V. DISTINCTION BETWEEN FRAUDULENT TRANSFERS AND PREFERENCES; PREFERENTIAL INSIDER TRANSFERS

- § 26:12 Generally

VI. INTENTIONAL FRAUDULENT CONVEYANCES

- § 26:13 In general
- § 26:14 Proving debtor’s intent to defraud
- § 26:15 Conveyances made by debtor with belief of inability to pay

VII. CONSTRUCTIVE FRAUD—ACTUAL INTENT NEED NOT BE PROVED

- § 26:16 In general
- § 26:17 Transfers by insolvents without fair consideration
- § 26:18 Transfers by debtor without fair consideration leaving unreasonably diminished assets
- § 26:19 Partnership property

VIII. FRAUDULENT TRANSFERS IN BANKRUPTCY

- § 26:20 In general
- § 26:21 Noncollusive foreclosure sales
- § 26:22 Preferences

IX. RIGHTS AND LIABILITIES OF ORIGINAL PARTIES AND PURCHASERS

- § 26:23 Original parties—Debtor and transferee—Good faith transferee for value is protected
- § 26:24 —Nonfraudulent transfer for less than full value
- § 26:25 Purchasers from transferee

X. REMEDIES AVAILABLE TO CREDITORS AND PURCHASERS

- § 26:26 Prior judgment not needed to avoid fraudulent conveyance
- § 26:27 Classes of potential plaintiffs
- § 26:28 Actions creditors can bring—Action to set aside transfer

TABLE OF CONTENTS

- § 26:29 —Action against property (based on presumption that transfer was nullity)
- § 26:30 Remedies under U.F.C.A.—Creditors with matured claims
- § 26:31 —Creditors with unmatured claims
- § 26:32 Remedies under U.F.T.A.

XI. STATUTES OF LIMITATIONS AND LACHES

- § 26:33 Generally

XII. LEVERAGED BUYOUT AS A FRAUDULENT CONVEYANCE

- § 26:34 Lack of good faith due to knowledge of insolvency
- § 26:35 Protection under U.F.C.A. § 9(1) for new transferee from original transferee
- § 26:36 U.F.C.A. § 9(2) lien of transferee who has paid less than full value
- § 26:37 Constructive fraud in leveraged buyouts

XIII. RIGHT TO JURY TRIAL

- § 26:38 Right to jury trial—Generally

APPENDIX 26A. State Laws on Fraudulent Transfers

APPENDIX 26B. Uniform Fraudulent Transfer Act

CHAPTER 27. TRANSFER OF MORTGAGE BY LENDER

- § 27:1 Introduction
- § 27:2 Methods of transfer of interests in mortgages
- § 27:3 Business practices and problems—In general
- § 27:4 —Secondary market for institutional lenders
- § 27:5 —Temporary loans between lenders
- § 27:6 —Mortgage brokers
- § 27:7 —Participating lenders
- § 27:8 —Asset securitization and commercial mortgage backed securities
- § 27:9 —Syndicated or consortium loans
- § 27:10 —Joint venture or partnership
- § 27:11 —Miscellaneous transfers
- § 27:12 —Is the promissory note negotiable?
- § 27:13 —Problem areas
- § 27:14 Summary of methods to protect assignees
- § 27:15 —Sale of note and mortgage
- § 27:16 —Transfer of security interest
- § 27:17 Preferred method of transferring mortgages
- § 27:18 Criticism of relying on negotiability for securitized home mortgages
- § 27:19 Law applied to transfer of mortgages

- § 27:20 Transfer of both mortgage and note required
- § 27:21 Transfer of mortgage: Recording statutes—State recording statutes
- § 27:22 Litigation Over MERS and Other Transfers of Mortgages
- § 27:23 Litigation over MERS and other transfers of mortgages—Mortgage Electronic Recording System (MERS)
- § 27:24 —Critique of Mortgage Electronic Recording System (MERS)
- § 27:25 —Example of routine assignment of notes secured by mortgages
- § 27:26 Effects of assignments
- § 27:27 Litigation over MERS and other transfers of mortgages—Standing and real party in interest
- § 27:28 —Standing for judicial action and who owns the note?
- § 27:29 —Role of MERS in non-judicial foreclosures
- § 27:30 —Requirements for assignment of the mortgage
- § 27:31 —Evidence of MERS ownership of the promissory note secured by the mortgage
- § 27:32 —Authority of MERS to execute the assignment of *note or mortgage*
- § 27:33 —Authority of servicer to file proof of claim in bankruptcy and prosecute motion for relief from the automatic stay
- § 27:34 —Office of the Comptroller of the Currency Consent Order against major servicers including MERS
- § 27:35 MERS settlements
- § 27:36 Transfer of note only
- § 27:37 Transfer of note and mortgage
- § 27:38 Outright assignment/sale—Sale or transfer of security interest
- § 27:39 —Significance of sale instead of transfer of interest in note to secure debt—Under UCC Article 9
- § 27:40 — —Purchaser of mortgage is protected in bankruptcy of seller: 11 U.S.C.A. § 541(d)
- § 27:41 —Cases illustrating whether sale took place
- § 27:42 Protection of secondary market: 11 U.S.C.A. § 541(d) and constructive trusts—Purpose of § 541(d)
- § 27:43 —Section 541(d) does not protect fraud or fraudulent conveyances
- § 27:44 —Section 541(d) does not protect preferential transfers
- § 27:45 —Section 541(d) not limited to institutional transfers
- § 27:46 — —Conflict between § 541(d) and trustee’s strong-arm powers
- § 27:47 —Trustee’s strong-arm powers under § 544(a)
- § 27:48 —Courts holding that § 541(d) prevails over trustee
- § 27:49 —Courts holding that property not in estate under Section 541(d) can come into estate under § 544(a)
- § 27:50 —Constructive trusts—In general
- § 27:51 — —Case law application
- § 27:52 — —Conflict between 11 U.S.C.A. §§ 544(a) and 541(d)

TABLE OF CONTENTS

§ 27:53	— —Time at which rights under constructive trust arise
§ 27:54	Transfer of security interest in note and mortgage— Summary
§ 27:55	—Transfer of security interest
§ 27:56	Competing claims for priority—Bankruptcy
§ 27:57	—Receivership
§ 27:58	—Judgment creditors of assignor
§ 27:59	—Parties holding interest in land
§ 27:60	Holder in due course and estoppel
§ 27:61	Perfection of security interest—Significance of perfection
§ 27:62	—Perfection of promissory note secured by mortgage— Perfection of security interest in note by filing financing statement
§ 27:63	— —Perfection of security interest in note by possession
§ 27:64	— —Possession of mortgage
§ 27:65	— —Assignee of security interest not protected by 11 U.S.C.A. § 541(d)
§ 27:66	— —Recording of mortgage does not perfect note
§ 27:67	— —State statutory provisions for recording assignments
§ 27:68	Holder of perfected pledge of note versus parties having rights against assignor-pledgor
§ 27:69	Transfer of interests in note and in mortgage—In general
§ 27:70	—Question of whether transfer of security interest in note transfers interest in mortgage—Source of problem
§ 27:71	— —Courts bifurcating transfer of security interest in note and interest in real property
§ 27:72	— —Perfection of note perfects mortgage
§ 27:73	— —Transfer of mortgage also transfers note mortgage secures
§ 27:74	— —Conflicting assignments, third-party rights and effect of recording
§ 27:75	— —Conflicting assignments, third-party rights and effect of recording—Mortgage obtained by fraud
§ 27:76	— —Mortgage on wrongfully obtained property held in resulting trust
§ 27:77	— —Wrongful release by original mortgagee
§ 27:78	— —Mortgagee acquires fee after assigning mortgage
§ 27:79	— —Special problems with deeds of trust
§ 27:80	— —Effect of negotiable note
§ 27:81	— —Nonnegotiable note or assignee is not holder in due course—Effect of recording system
§ 27:82	— — —Patent equities of maker of note
§ 27:83	Holder in due course: Summary
§ 27:84	Holder in due course: In general
§ 27:85	Negotiable notes: Holder in due course rule— Negotiability and negotiation
§ 27:86	—Requirements for negotiability
§ 27:87	— —Variable interest rate notes
§ 27:88	—Requirements for holder in due course

- § 27:89 — —In general: Section 3-302(a)
 - § 27:90 — —Holder
 - § 27:91 — — —Holder in due course—Value
 - § 27:92 — — — —Good faith
 - § 27:93 — — — —Without notice
 - § 27:94 —Special rights of federal agencies
 - § 27:95 —Rights of holder in due course—In general
 - § 27:96 — —Real defenses
 - § 27:97 — —Personal defenses
 - § 27:98 — —Enforcement of mortgage—Defenses raised by obligor of note
 - § 27:99 — — —Third party defenses to mortgage
 - § 27:100 — —Shelter provision
 - § 27:101 —Limitations on holder in due course rule
 - § 27:102 — —Case law restrictions: “Close-connected” doctrine
 - § 27:103 — —Uniform Consumer Credit Code
 - § 27:104 — — —Consumer credit sales
 - § 27:105 — — —Consumer loans
 - § 27:106 — —Federal Trade Commission rule
 - § 27:107 — —Post petition transfers in bankruptcy
 - § 27:108 Payment by borrower to assignor of mortgage—In general
 - § 27:109 —Negotiable notes
 - § 27:110 —Assignee is not holder in due course and nonnegotiable notes
 - § 27:111 Estoppel certificates
 - § 27:112 Mortgage participation agreements—In general
 - § 27:113 — —Sale or transfer of security interest
 - § 27:114 —Bankruptcy of lead lender—Prior to revised Article 9
 - § 27:115 — —Revised Article 9
 - § 27:116 —Dishonesty of lead lender
 - § 27:117 Default and remedies
 - § 27:118 Mortgage-backed securities: standing to lift automatic stay to foreclose and other problems with foreclosure—
Introduction
 - § 27:119 —Law applied
 - § 27:120 —Standing
 - § 27:121 —Enforcement of lost, destroyed, or stolen instrument
- APPENDIX 27A. Mortgage Electronic Recording System (MERS)—
Litigation over MERS and Other Transfer of
Mortgages Arranged by Jurisdiction

CHAPTER 28. TERMINATION OF GOVERNMENTALLY OR PRIVATELY INSURED MORTGAGES

I. INTRODUCTION TO INSURED OR GUARANTEED MORTGAGES

- § 28:1 Generally

TABLE OF CONTENTS

II. VETERANS ADMINISTRATION (VA) MORTGAGES

- § 28:2 Introduction
- § 28:3 Direct loans to veterans
- § 28:4 VA loan guarantees
- § 28:5 VA loan servicing guidelines
- § 28:6 Decision to terminate loan—In general
- § 28:7 —Reporting default
- § 28:8 —Reporting interim loan status
- § 28:9 —Filing notice of intention to foreclose
- § 28:10 —Reinstatement and continued servicing
- § 28:11 Deeds in lieu of foreclosure
- § 28:12 Foreclosure of VA loan—In general
- § 28:13 —Recording of notice of default with copy to VA
- § 28:14 —VA appraisal and instructions—In general
- § 28:15 — —Specified amount
- § 28:16 — —If VA does not specify amount
- § 28:17 — —Foreclosure by lender
- § 28:18 Conveying property to VA after foreclosure—Election to convey
- § 28:19 —Right to convey
- § 28:20 —Conditions for conveyance
- § 28:21 Bankruptcy of borrower
- § 28:22 Repurchase of loans by VA
- § 28:23 Summary

III. HOUSING AND URBAN DEVELOPMENT (HUDFHA) MORTGAGES

- § 28:24 Introduction
- § 28:25 HUD multifamily mortgage insurance—Eligibility
- § 28:26 —Assignment of mortgages not in default; Section 224(g)(4)
- § 28:27 —Defaults and election to assign mortgage to HUD or to convey title to HUD
- § 28:28 —Assignment of mortgage to HUD
- § 28:29 —Conveyance of title to HUD
- § 28:30 — —Foreclosure of mortgage
- § 28:31 — —Acquisition of title other than through foreclosure
- § 28:32 — —Transfer of title and application for insurance claim
- § 28:33 —Insurance claims
- § 28:34 — —Assignment of mortgage
- § 28:35 — —Conveyance of title to HUD
- § 28:36 —HUD foreclosure of assigned multifamily mortgages
- § 28:37 HUD single-family mortgage insurance—Introduction
- § 28:38 —Delinquency and default
- § 28:39 — —Date of default
- § 28:40 — —Notice of delinquency
- § 28:41 — —Reinstatement of defaulted mortgage

- § 28:42 — —Attorney’s fees and costs—Allowable fees
- § 28:43 — — —Full and two-thirds reimbursement
- § 28:44 — — — —Fees related to acquisition of title
- § 28:45 — — — —Fees related to eviction or gaining possession
- § 28:46 — — — —Fees related to bankruptcy proceedings
- § 28:47 — — — —Fees for special services
- § 28:48 — — — —Fees related to deficiency judgments
- § 28:49 — — — —Varying percentage of costs reimbursed
- § 28:50 —HUD’s foreclosure alternatives and loss mitigation—
Background
- § 28:51 — —Early default counseling
- § 28:52 — —Actions to promote foreclosure alternatives/loss
mitigation
- § 28:53 — —Special forbearance
- § 28:54 — —Partial claims
- § 28:55 — —Modifications/recastings
- § 28:56 — —Preforeclosure sales
- § 28:57 — —Deeds in lieu of foreclosure
- § 28:58 —Claims without conveyance of title
- § 28:59 —Assignment of single-family mortgage to HUD
- § 28:60 —Conveyance of home properties to HUD and mortgage
insurance claims—In general
- § 28:61 — —Time requirements
- § 28:62 — —Title requirements
- § 28:63 — —Deeds-in-lieu of foreclosure
- § 28:64 — —Direct conveyance
- § 28:65 — —Occupancy and possession of property
- § 28:66 — —Condition of property at conveyance
- § 28:67 — —Bankruptcy of mortgagor
- § 28:68 — —Deficiency judgments
- § 28:69 — —Claim payment
- § 28:70 —Foreclosure by HUD of single-family mortgages assigned
to HUD
- § 28:71 — —Outline of foreclosure procedures
- § 28:72 — —Notice requirements
- § 28:73 — —Mortgagor protections
- § 28:74 — —Effect on state law
- § 28:75 —Disposition of HUD-acquired single-family property
- § 28:76 —Coinsured mortgages
- § 28:77 Subsidized rental projects

IV. PRIVATELY INSURED MORTGAGES

- § 28:78 Introduction
- § 28:79 Claims procedure
- § 28:80 MGIC claims procedure

V. FARMERS HOME ADMINISTRATION (FMHA) MORTGAGES

- § 28:81 Farmers Home Administration mortgages

TABLE OF CONTENTS

- APPENDIX 28A. HUD Nonjudicial Foreclosure of Multifamily Mortgages—Guide
- APPENDIX 28B. HUD Single-Family 203 Mortgage Claim Procedure
- APPENDIX 28C. HUD Nonjudicial Foreclosure of Single Family Mortgages—Guide
- APPENDIX 28D. Disposition of HUD-Acquired Single Family Property

CHAPTER 29. SPECIAL CONSIDERATIONS FOR JUNIOR LENDERS AND LIENHOLDERS

I. INTRODUCTION

- § 29:1 Generally

II. JUNIOR LIENHOLDERS—OTHER THAN SECURED LENDERS

- § 29:2 Generally

III. TYPES OF JUNIOR MORTGAGES

- § 29:3 Purchase money mortgages
- § 29:4 Creative financing arrangements
- § 29:5 Hard money mortgages
- § 29:6 Reordered priority through subordination—Enforceability of subordination agreements—Subordination
- § 29:7 —Enforceability of executory subordination agreements
- § 29:8 —Enforceability of consensual subordination agreements
- § 29:9 —Priorities between mortgages and leases
- § 29:10 —Conditional subordination
- § 29:11 Mortgages based on purchase of other than real property
- § 29:12 Documentation to protect junior lenders

IV. WRAPAROUND MORTGAGES

- § 29:13 Introduction
- § 29:14 Effect on due-on-sale clauses
- § 29:15 Effect in foreclosure proceedings
- § 29:16 Tax considerations

V. SENIOR OR JUNIOR LENDERS TAKING POSSESSION OF RENTS AS ADDITIONAL SECURITY

- § 29:17 Generally

VI. SECOND MORTGAGE STATUTES TO PROTECT BORROWERS

- § 29:18 Generally

VII. RIGHTS OF JUNIOR LENDERS UPON FORECLOSURE BY SENIOR LENDER

- § 29:19 Introduction
- § 29:20 Deed in lieu of foreclosure
- § 29:21 Disputes between lenders regarding priorities—Optional and obligatory advances
- § 29:22 Injunction against foreclosure of senior mortgage
- § 29:23 Junior lender bidding at foreclosure of senior mortgage
- § 29:24 Reinstatement of senior mortgage being foreclosed
- § 29:25 Junior lender's redemption rights
- § 29:26 Senior lender's duty to sell in particular manner—Marshaling and sale in parcels
- § 29:27 Foreclosure by lender holding senior and junior mortgages
- § 29:28 Foreclosure by both junior and senior lenders
- § 29:29 Disposition of foreclosure surplus

VIII. FORECLOSURE BY JUNIOR LENDER

- § 29:30 Senior lender unaffected
- § 29:31 Notice to senior lender
- § 29:32 Deficiency judgments—In general
- § 29:33 —Fair market value statutes
- § 29:34 —Restrictions on deficiency judgments based on purchase money mortgages
- § 29:35 —Prohibition of deficiency judgments following nonjudicial foreclosure
- § 29:36 —Effect of one-action statutes on junior lenders
- § 29:37 Purchase by mortgagor after junior liens/mortgages eliminated by foreclosure of senior mortgages
- § 29:38 —Effect of foreclosure purchase by junior interest on mortgagor and other junior interests
- § 29:39 —Mortgagor or successor purchasing under statutory redemption
- § 29:40 Modifying junior home liens in Chapter 13 bankruptcy

IX. PRIORITY AFTER MODIFICATION OR REPLACEMENT OF SENIOR MORTGAGE

- § 29:41 Release and replacement of senior mortgage
- § 29:42 Effect on junior lienors of modification of senior mortgage
- § 29:43 Effect of reservation of rights in mortgage to make modifications
- § 29:44 Mortgagor's right to terminate reservation of rights in mortgage to make modifications

X. EQUITABLE SUBROGATION TO RETAIN PRIORITY OF MORTGAGE PAID OFF

- § 29:45 Generally

TABLE OF CONTENTS

XI. INTERCREDITOR AGREEMENTS

§ 29:46 Intercreditor agreements between senior and junior
creditors

CHAPTER 30. VIOLATION OF USURY LAWS

I. INTRODUCTION

§ 30:1 Generally

II. REMEDIES FOR USURIOUS CONTRACTS

§ 30:2 Generally

III. DEFINITION AND ELEMENTS OF USURY

§ 30:3 Generally

§ 30:4 Loan or forbearance of money

§ 30:5 Interest rate higher than legal rate

§ 30:6 Wrongful intent

IV. CONFLICT OF LAWS PROBLEMS

§ 30:7 Generally

V. CONSTITUTIONALITY OF USURY STATUTES

§ 30:8 Generally

**VI. STATUTORY EXEMPTIONS AND OTHER TYPICAL
PROVISIONS**

§ 30:9 Generally

**VII. STATE CONSTITUTIONAL PROVISIONS
GOVERNING USURY**

§ 30:10 Generally

**VIII. FEDERAL PREEMPTION OF STATE USURY
LAWS**

§ 30:11 Generally

APPENDIX 30A. Bibliography—Usury

PART E. BANKRUPTCY LAW

CHAPTER 31. BANKRUPTCY—OVERVIEW

I. INTRODUCTION

§ 31:1 Terminology

- § 31:2 Topical overview
- § 31:3 Purposes of bankruptcy
- § 31:4 Bankruptcy Reform Act of 1994 and Bankruptcy Abuse Prevention and Consumer Protection Act of 2005

II. APPLICABLE LAW

- § 31:5 Applicable statutes and rules
- § 31:6 Coverage of bankruptcy in this treatise

III. BANKRUPTCY COURTS

- § 31:7 In general
- § 31:8 Jurisdiction of bankruptcy and district courts—District court
- § 31:9 —Jurisdiction—related to jurisdiction after confirmation
- § 31:10 —Bankruptcy courts
- § 31:11 *Stern v. Marshall* and the scope of the judicial authority of the Bankruptcy Court as limited by Article III of the Constitution
- § 31:12 Jurisdiction of bankruptcy and district courts—Removal from state court and remand to state court
- § 31:13 Appeals
- § 31:14 Abstention
- § 31:15 Preclusion in bankruptcy and the *Rooker-Feldman* Doctrine
- § 31:16 —Res judicata and collateral estoppel
- § 31:17 —*Rooker-Feldman* Doctrine
- § 31:18 —Statutory preclusion of jurisdiction
- § 31:19 Right to conduct jury trials

IV. TRUSTEES AND UNITED STATES TRUSTEE

- § 31:20 Trustee—In general
- § 31:21 — —Trustee's standing to sue third parties on behalf of estate's creditors
- § 31:22 —Trustee in Chapter 7
- § 31:23 —Trustee under Chapters 12 and 13
- § 31:24 —Trustee under Chapter 11
- § 31:25 —Liability of trustee
- § 31:26 Examiner

V. AUTOMATIC STAY

- § 31:27 In general
- § 31:28 —Exceptions to stay: § 362(b)
- § 31:29 Domestic support proceedings: § 362(b)(2)
- § 31:30 Property tax liens: § 362(b)(18)
- § 31:31 Case following entry of order entered under Section 362(d)(4): § 362(b)(20)
- § 31:32 Continuation of eviction of residential debtor: §§ 362(b)(22) and 362(l)

TABLE OF CONTENTS

- § 31:33 Endangerment of property or illegal use of controlled substances on property: § 362(b)(23)
- § 31:34 Transfer that is not avoidable under Bankruptcy Code Sections 544 or 549: § 362(b)(24)
- § 31:35 When automatic stay terminates: § 362(c)
- § 31:36 Discouraging bad faith repeat filings: §§ 362(c)(3) and (4)
- § 31:37 Basis for court lifting stay: § 362(d)
- § 31:38 Single asset real estate: § 362(d)(3)
- § 31:39 Curbing abusive filings: § 362(d)(4)
- § 31:40 Prompt resolution of motions to lift stay: § 362(e) and (f)
- § 31:41 Burden of proof on lifting stay: § 362(g)
- § 31:42 Personal property: § 362(h)
- § 31:43 Debt repayment plan and presumption of good faith: §§ 362(i) and (j)
- § 31:44 Violation of automatic stay—Damages for violation of stay: § 362(k)
- § 31:45 —Preemption of remedies other than under bankruptcy code
- § 31:46 —Are actions in violation of stay void or voidable?
- § 31:47 Freezing debtor’s bank account while seeking relief from stay

VI. TYPES OF BANKRUPTCY CASES

- § 31:48 Voluntary cases
- § 31:49 Involuntary cases—Requirements
- § 31:50 —Grounds for continuation or dismissal
- § 31:51 —Use of property pending court action
- § 31:52 —Debtor protection against improper petitions
- § 31:53 —Advisability of involuntary petition
- § 31:54 Chapter 7 liquidations—Purpose of Chapter 7
- § 31:55 —Debtor’s property subject to bankruptcy—In general
- § 31:56 — —Rights of partnership trustee against general partners
- § 31:57 —Treatment of mortgages under Chapter 7
- § 31:58 — —Classification into secured and unsecured claims
- § 31:59 — —Operation of debtor’s business
- § 31:60 — —Sale of collateral by trustee
- § 31:61 — —Stripping down and voiding liens in Chapter 7
- § 31:62 — — —*Dewsnup v. Timm*
- § 31:63 — — —“Stripping down” and “stripping off” totally unsecured liens in Chapter 7
- § 31:64 Chapter 11 reorganizations—Qualifications for filing under Chapter 11
- § 31:65 —Purpose of Chapter 11
- § 31:66 —Listing of property; Listing and notifying creditors; Meeting of creditors
- § 31:67 —Appointment of trustee and management of property during reorganization
- § 31:68 —Avoiding powers of trustee or debtor in possession

- § 31:69 —Executory contracts and unexpired leases
- § 31:70 —Requirements of adequate protection and relief from stay
- § 31:71 —Sale of mortgaged property during reorganization
- § 31:72 —Preparation of plan of reorganization
- § 31:73 —Terms of plan—Classification of claims
- § 31:74 — —Concept of nonimpairment of claims
- § 31:75 —Confirmation of plan: Cram down provisions
- § 31:76 —Effect of confirmation
- § 31:77 —Effect of failure to carry out plan
- § 31:78 Chapter 12 family farmer reorganizations
- § 31:79 Chapter 13 adjustment of debts by individuals—
Qualification for Chapter 13
- § 31:80 —Choice of Chapters 7, 11, or 13
- § 31:81 —Trustee
- § 31:82 —Plan—In general
- § 31:83 — —Modification of claims
- § 31:84 —Confirmation of plan
- § 31:85 —Performance of plan and discharge
- § 31:86 —Conversion to Chapter 7 liquidation
- § 31:87 —Treatment of mortgages under Chapter 13
- § 31:88 —Application of *Timbers* case

VII. USE, SALE, OR LEASE OF PROPERTY OF ESTATE

- § 31:89 In general
- § 31:90 Cash collateral
- § 31:91 Sale or lease in ordinary course of business
- § 31:92 Sale or lease not in ordinary course of business
- § 31:93 Sale of property free and clear of interest
- § 31:94 Sale of co-owned property
- § 31:95 Collusive bidding
- § 31:96 Ipso facto clauses do not prevent sale
- § 31:97 Good faith purchasers protected

VIII. CREDIT AND WORKING CAPITAL FOR THE DEBTOR

- § 31:98 In general
- § 31:99 Unsecured debt in ordinary course of business
- § 31:100 Unsecured debt other than in ordinary course of business
- § 31:101 Special priorities
- § 31:102 Superpriority
- § 31:103 Reversal or modification on appeal

IX. TURNOVER OF PROPERTY FROM COURT-APPOINTED RECEIVER TO TRUSTEE IN BANKRUPTCY

- § 31:104 Introduction

TABLE OF CONTENTS

§ 31:105	Bankruptcy Code sections
§ 31:106	Factors considered by bankruptcy courts—Immediate turnover not required
§ 31:107	—Turnover is general rule
§ 31:108	—Likelihood of successful reorganization
§ 31:109	—Debtor’s equity in property
§ 31:110	—Automatic stay in force
§ 31:111	—Availability of funds to support property
§ 31:112	—Creditor’s ability to infuse capital
§ 31:113	—Mismanagement by debtor
§ 31:114	—Failure to comply with corporate formalities
§ 31:115	—Fraudulent behavior by debtor
§ 31:116	—Avoidance issues
§ 31:117	—Best interest of all creditors
§ 31:118	—Receiver procured by under-secured creditor
§ 31:119	—Interests of debtor
§ 31:120	—Luxury for debtor
§ 31:121	—Pre-bankruptcy consent to receivership
§ 31:122	—Interests of receiver
§ 31:123	—Pre-petition performance by receiver
§ 31:124	—Receivership fees and costs
§ 31:125	—Release of property by receiver
§ 31:126	—Exercise of governmental police or regulatory power
§ 31:127	—Federal abstention policy
§ 31:128	—Bankruptcy filed solely to remove receiver
§ 31:129	—Conditional turnover orders
§ 31:130	—Presence of ancillary proceedings

X. GOVERNMENTAL SOVEREIGN IMMUNITY IN BANKRUPTCY

§ 31:131	Generally
----------	-----------

XI. DISCHARGEABLE DEBTS

§ 31:132	Availability of discharge
§ 31:133	Effect of discharge
§ 31:134	Protection of debtor from acts of discrimination: Code § 525—In general
§ 31:135	Discrimination by governmental units: § 525(a)

XII. SETOFF AND RECOUPMENT

A. RIGHT OF SETOFF AGAINST THE ESTATE

§ 31:136	Setoff in general
§ 31:137	Setoffs as preferences
§ 31:138	Setoffs and turnover
§ 31:139	Conflict between setoffs and discharge in bankruptcy

B. RECOUPMENT

§ 31:140	In general
----------	------------

- § 31:141 “Same transaction” or “logical relationship”
- § 31:142 Pre-petition and post-petition claims
- § 31:143 Recoupment and bankruptcy restrictions

CHAPTER 32. BANKRUPTCY—LIQUIDATION UNDER CHAPTER 7 OR 11

- § 32:1 Introduction and coverage of chapter
- § 32:2 Overview of Chapter 7 bankruptcy
- § 32:3 Eligibility for Chapter 7
- § 32:4 Choice of Chapter 7, 11, 12 or 13
- § 32:5 Liquidation in Chapter 11: Code § 1123(a)(5)(D)
- § 32:6 Nonbankruptcy insolvency proceedings
- § 32:7 —In general
- § 32:8 —Foreclosure
- § 32:9 —Common law and statutory alternatives to Chapter 7 liquidation
- § 32:10 Involuntary Chapter 7 cases
- § 32:11 Conversion of cases from another chapter to Chapter 7 or dismissal
- § 32:12 —Conversion from Chapter 11 to Chapter 7
- § 32:13 — —Debtor’s right to conversion to Chapter 7: Code § 1112(a)
- § 32:14 — —Discretionary conversion to Chapter 7 or dismissal: Code § 1112(b) in general
- § 32:15 — —Discretionary conversion to Chapter 7 or dismissal: Code § 1112(b) in general—Continuing loss and absence of likelihood of reorganization: Code § 1112(b)(1)
- § 32:16 — — —Inability to effectuate plan: Code § 1112(b)(2)
- § 32:17 — —Discretionary conversion to Chapter 7 or dismissal: Code § 1112(b) in general—Hearing on motion: BAPCPA Code § 1112(b)(3)
- § 32:18 — —Discretionary conversion to Chapter 7 or dismissal: Code § 1112(b)(4) in general—What constitutes cause under 1112(b): BAPCPA Code § 1112(b)(4)
- § 32:19 — —Discretionary conversion to Chapter 7 or dismissal: Code § 1112(b) in general—Denial of confirmation: pre-BAPCPA Code § 1112(b)(5)
- § 32:20 — — —Pre-BAPCPA Conversion or dismissal of confirmed Chapter 11
- § 32:21 — —Discretionary conversion to Chapter 7 or dismissal: pre-BAPCPA Code § 1112(b) in general—Revocation of confirmation: Code § 1112(b)(6)
- § 32:22 — —Discretionary conversion to Chapter 7 or dismissal: Code § 1112(b) in general—Inability to effectuate substantial consummation: pre-BAPCPA Code § 1112(b)(7)
- § 32:23 — — —Material default under confirmed plan: pre-BAPCPA Code § 1112(b)(8)
- § 32:24 — — —Termination by condition specified in plan: pre-BAPCPA Code § 1112(b)(9)

TABLE OF CONTENTS

§ 32:25	— — —Non-payment of fees: pre-BAPCPA Code § 1112(b)(10)
§ 32:26	— — —Best interest of creditors
§ 32:27	— —Farmer or non-profit corporation: Code § 1112(c)
§ 32:28	— —Other grounds for conversion of Chapter 11 or dismissal
§ 32:29	— —Effect of conversion of Chapter 11 to Chapter 7
§ 32:30	—Conversion of Chapter 12 to Chapter 7 or dismissal: Code § 1208(a)
§ 32:31	—Conversion of Chapter 13 to Chapter 7 or dismissal
§ 32:32	Conversion from Chapter 7 to another chapter— Conversion in general
§ 32:33	—Conversion to Chapter 11; Code § 706(b)
§ 32:34	—Conversion to Chapter 12 or 13
§ 32:35	United States trustee
§ 32:36	Appointment of trustee to Chapter 7 case
§ 32:37	Duties of Chapter 7 trustee
§ 32:38	—Section 341(a) meeting
§ 32:39	—Administration of no-asset cases
§ 32:40	—Claims bar date
§ 32:41	—Examine proofs of claims
§ 32:42	—Abandonment of property by trustee
§ 32:43	—Turnover demands
§ 32:44	—Executory contracts and unexpired leases
§ 32:45	—Trustee’s avoidance powers
§ 32:46	—Oppose discharge of debtor: Code § 704(6)
§ 32:47	—Subordination of claims
§ 32:48	—Use, sale, or lease of property of estate
§ 32:49	—Estate assets involving periodic payments
§ 32:50	—Income tax considerations
§ 32:51	—Distribution under Sections 725 and 726
§ 32:52	Liability of trustee: Standard of care
§ 32:53	Environmentally contaminated property
§ 32:54	Compensation of trustees and professionals
§ 32:55	Exemptions
§ 32:56	—Homestead exemption
§ 32:57	— —Bankruptcy Abuse Prevention and Consumer Protection Act of 2005
§ 32:58	—Debtor’s avoidance of liens using § 522(f)(1)
§ 32:59	Dismissal of Chapter 7 case
§ 32:60	—Voluntary dismissal
§ 32:61	—Dismissal for cause: Code § 707(a)
§ 32:62	—Dismissal of case or conversion to case under Chapter 11 or 13: Needs-based screening under § 707(b)
§ 32:63	—Refiling after dismissal
§ 32:64	Discharge of debts
§ 32:65	—Discharge and effect of discharge
§ 32:66	— —Liability of non-debtor entities for discharged debt
§ 32:67	— —Valid liens after discharge

- § 32:68 — —Effect of discharge on community property: Code §§ 524(a)(3) and 524(b)
- § 32:69 — —Discharge of environmental claims in bankruptcy
- § 32:70 — —Denial of discharge: Code § 727(a)
- § 32:71 — —Denial of discharge: Code § 727(a)—Chapter 7 discharges only for individuals: Code § 727(a)(1)
- § 32:72 — —Denial of discharge for fraudulent conveyances: Code § 727(a)(2)
- § 32:73 — —Denial of discharge—Financial disclosure: Code § 727(a)(3)
- § 32:74 — — —False oath or claims: Code § 727(a)(4)
- § 32:75 — — —Loss of assets: Code § 727(a)(5)
- § 32:76 — — —Refusal to testify or obey court order: Code § 727(a)(6)
- § 32:77 — — —Prior discharge in 11: Code § 727(a)(8)
- § 32:78 — — —Prior discharge in 12 or 13: Code § 727(a)(9)
- § 32:79 — —Procedure for denial of discharge: Code § 727(c)
- § 32:80 — —Revocation of discharge: Code §§ 727(d) and (e)
- § 32:81 Denial of discharge: Code § 727(a)—Revocation of discharge—Reopening case: Code § 350(b)
- § 32:82 Discharge of debts—Reaffirmation agreements: Code §§ 524 (c) and (d)
- § 32:83 — —Exceptions to discharge under Chapters 7, 11, 12 or 13: Code § 523
- § 32:84 — —Discharge exception for taxes: Code § 523(a)(1)
- § 32:85 — —Discharge exception based on fraud: Code § 523(a)(2)
- § 32:86 — — —False pretenses, false representation, or actual fraud: Code § 523(a)(2)(A)
- § 32:87 — — —Use of false financial statement: Code § 523(a)(2)(B)
- § 32:88 — —Exception for unscheduled debts: Code § 523(a)(3)
- § 32:89 — —Fiduciary fraud, or defalcation, embezzlement, larceny: Code § 523(a)(4)
- § 32:90 — —Alimony, maintenance, or support: Code § 523(a)(5)
- § 32:91 — —Willful and malicious injury: Code § 523(a)(6)
- § 32:92 — —Governmental fines and penalties, criminal restitution: Code § 523(a)(7)
- § 32:93 — —Unscheduled debts in prior case: Code § 523(a)(10)
- § 32:94 — —Fraud or defalcation regarding financial institution: Code §§ 523(a)(11) and 523(e)
- § 32:95 — —Commitment and capital of financial institutions: Code § 523(a)(12)
- § 32:96 — —Spousal property settlement and hold harmless agreement debts: Code § 523(a)(15)
- § 32:97 — —Condominium fees: Code § 523(a)(16)
- § 32:98 — —Violation of federal or state securities laws: Code § 523(a)(19)
- § 32:99 — —Other exceptions
- § 32:100 — —Collateral estoppel and claim preclusion in nondischargeability

TABLE OF CONTENTS

- § 32:101 —Procedures for discharge exceptions
- § 32:102 — —Exceptions that must be litigated in bankruptcy court
- § 32:103 — —Discharge exceptions other than § 523(2), (4), (6) or (15)
- § 32:104 Redemption of personal property
- § 32:105 Strip down of liens in Chapter 7
- § 32:106 Partnerships in Chapter 7
- § 32:107 —Rights of partnership trustee against general partners: Code § 723
- § 32:108 — —Right of partnership trustee against general partners: Code § 723(a)
- § 32:109 — — —Limited to personal liability of general partner
- § 32:110 — — —Right to jury trial
- § 32:111 —Rights of partnership trustee against general partners: Code § 723—Right of partnership trustee against general partners: Code § 723(a)—Statute of limitations for trustee’s action
- § 32:112 — — —Determination of deficiency
- § 32:113 — — —Trustee must first proceed against general partners: Code § 723(b)
- § 32:114 — — —Trustee’s recovery against estate of debtor general partner: Code § 723(c)
- § 32:115 —Rights of partnership trustee against general partners: Code § 723—Right of partnership trustee against general partners: Code § 723(a)—Distribution of surplus recovery: Code § 723(d)

APPENDIX 32A. Needs-Based Bankruptcy

CHAPTER 33. BANKRUPTCY—SECTION 363(B) USE, SALE, OR LEASE OF BANKRUPTCY ASSETS OTHER THAN IN THE ORDINARY COURSE OF BUSINESS

- § 33:1 Introduction
- § 33:2 —Locating case citations
- § 33:3 Traditional Chapter 11 reorganization using a confirmed plan
- § 33:4 Advantages of liquidation using sale under § 363(b)
- § 33:5 Criticism of use of 363(b) to liquidate assets
- § 33:6 Factors as to whether there is a good business reason to effect a 363 sale before confirmation
- § 33:7 Prohibition of “*sub rosa*” plans
- § 33:8 Procedure for sale of the bankruptcy estate’s assets under § 363(b)
- § 33:9 —§ 363(b) bidding process and use of “stalking horse” bidder
- § 33:10 —Prohibition on collusive bidding: Code § 363(n)
- § 33:11 Financing for the sale of assets to a new or surviving entity

- § 33:12 Purchasing free and clear of interests and claims: Code § 363(f)
- § 33:13 —Applicable nonbankruptcy law permits sale of such property free and clear of such interest: Code § 363(f)(1)
- § 33:14 —Such entity consents: Code § 363(f)(2)
- § 33:15 —Such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property: Code § 363(f)(3)
- § 33:16 —Such interest is in bona fide dispute: Code § 363(f)(4)
- § 33:17 —Such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest: Code § 363(f)(5)
- § 33:18 Cases addressing the construction and application issues relating to § 363(f) sale of assets free and clear of liens, claims, or encumbrances
- § 33:19 —What is the scope of “interests” in property in § 363(f)?
- § 33:20 —Successor liability
- § 33:21 State conveyance transfer taxes for § 363(b) sales
- § 33:22 Local rules applicable to § 363(b) sales or 363(f) sales
- § 33:23 Appeals of orders authorizing asset sales do not affect the validity of sales to entities that purchased the assets in good faith: 11 U.S.C.A. § 363(m)
- § 33:24 Liquidating pursuant to confirmed plan under § 1123(a)(5)(D) instead of liquidating pursuant to § 363(b) sale of assets
- § 33:25 Settlement of bankruptcy estate claims as a disposition of estate property under § 363
- § 33:26 Chapter 7 bankruptcy—§ 363(b) use, sale, or lease of property of estate, other than in the ordinary course of business
- § 33:27 Chapter 13 bankruptcy—§ 363(b) use, sale, or lease of property of estate, other than in the ordinary course of business

CHAPTER 34. BANKRUPTCY— REORGANIZATION UNDER CHAPTER 11

I. INTRODUCTION

- § 34:1 Relationship to other book chapters
- § 34:2 Background

II. BACKGROUND AND OSTENSIBLE PURPOSE OF THE BANKRUPTCY CODE

- § 34:3 Generally
- § 34:4 Bankruptcy Reform Act of 1994—Security interest in rents
- § 34:5 —Automatic stay in single asset real estate cases
- § 34:6 —*DePrizio* case
- § 34:7 —Rights of nondebtor lessee when lease is rejected

TABLE OF CONTENTS

§ 34:8 Chapter 7 and Chapter 11

III. POWERS GRANTED UNDER CHAPTER 11

- § 34:9 Automatic stay
- § 34:10 Preferential transfers and fraudulent transfers
- § 34:11 Subordination on equitable grounds—§ 510(c)
- § 34:12 Fraudulent transfers
- § 34:13 Rejection of unexpired leases and executory contracts
- § 34:14 Debtor use of assets—Adequate protection

IV. ECONOMIC BENEFITS TO DEBTOR

§ 34:15 Generally

V. WHO CONTROLS THE SYSTEM

§ 34:16 Generally

VI. GENERAL OVERVIEW OF THE BANKRUPTCY PROCESS

- § 34:17 Filing petitions, early motions, and responses
- § 34:18 —Assignment of rents and use of cash collateral
- § 34:19 —Jurisdiction and venue
- § 34:20 —Relief from automatic stay—In general under § 362(d)
- § 34:21 — —Under § 362(d)(3) as single asset real estate
- § 34:22 Reorganization by debtor or trustee
- § 34:23 Involuntary petitions
- § 34:24 Exclusive period: Developing plan of reorganization—Term of exclusive period
- § 34:25 —Proof of claim
- § 34:26 —Separation of debt into secured and unsecured claims
- § 34:27 —Classification of claims
- § 34:28 Reaching consensus for plan and obtaining confirmation
- § 34:29 Emerging from bankruptcy

VII. SECURED CREDITORS' STRATEGIES AND REMEDIES

§ 34:30 Generally

VIII. UNDERSTANDING THE SECURED CREDITORS' OPTIONS

- § 34:31 Asking and answering questions
- § 34:32 Reviewing loan files
- § 34:33 Assessing property's value—Significance of valuation
- § 34:34 —Approaches to valuation in bankruptcy—Prior to *Rash* case
- § 34:35 — —After *Rash* case

- § 34:36 — — —Valuation for confirmation
- § 34:37 — — —Valuation for lifting stay
- § 34:38 — — —Valuation for sale under § 363(f)

IX. LIMITING DEBTOR'S CONTROL OVER PROPERTY

- § 34:39 Appointment of trustee or examiner
- § 34:40 Involuntary Chapter 7 or 11

X. OBTAINING AN INTEREST IN CASH COLLATERAL

- § 34:41 Perfection of assignment of rents
- § 34:42 Value of cash and prepetition hoarding
- § 34:43 Cash collateral motions

XI. MOVING FOR RELIEF FROM AUTOMATIC STAY

- § 34:44 Grounds for relief
- § 34:45 —Relief due to cause
- § 34:46 — —Valuation of property in bankruptcy—Purpose of adequate protection
- § 34:47 — — —Interpretation of adequate protection
- § 34:48 —Adequate protection of rents
- § 34:49 —Adequate protection of hard collateral
- § 34:50 —Relief due to no equity and property is unnecessary for reorganization
- § 34:51 Moving for dismissal or conversion to Chapter 7—Case filed in bad faith
- § 34:52 —Unconfirmable plan or other grounds for dismissal

XII. CHAPTER 11 PLAN

- § 34:53 Who can file plan
- § 34:54 Disclosure statement and plan

XIII. VOTING AND CLASSIFICATION

- § 34:55 Classes in general
- § 34:56 Unimpaired classes and their treatment
- § 34:57 Voting of impaired classes
- § 34:58 Classification tactics—Case split
- § 34:59 —Bankruptcy review commission proposal
- § 34:60 —Proposed legislation—H.R. 3150
- § 34:61 Creditors' committees

XIV. CONFIRMATION

- § 34:62 Requirements for confirmation
- § 34:63 Effect of confirmation—In general and discharge
- § 34:64 —Effect of confirmation on liens—Liens pass through bankruptcy unaffected
- § 34:65 — —Forcing creditor to participate in bankruptcy

TABLE OF CONTENTS

- § 34:66 — —Due process and lack of notice
- § 34:67 — —Res judicata effect of confirmation
- § 34:68 — —Res judicata effect of plan provisions contrary to applicable law
- § 34:69 — —Lien must be provided for in plan
- § 34:70 — —Plan does not expressly provide for lien
- § 34:71 — —Altering secured claims—In general
- § 34:72 — — —Lien stripping

XV. CRAM DOWN PLANS, VARIATIONS, AND ALTERNATIVES

- § 34:73 Cram down
- § 34:74 Example of unsuccessful attempt to cram down secured creditor—*River East Plaza*
- § 34:75 New value exception to absolute priority rule
- § 34:76 Survival of new value exception—Case law—*LaSalle* case
- § 34:77 —Background of *LaSalle* case
- § 34:78 —Analysis of *LaSalle* case
- § 34:79 —Future of “new value”: What happens next?
- § 34:80 —Status of *LaSalle* on remand
- § 34:81 —Conclusion on *LaSalle*
- § 34:82 —Bankruptcy review commission proposals
- § 34:83 Section 1111(b)(2) election
- § 34:84 Feasibility requirements of cram down plan
- § 34:85 Purchasing claims to block confirmation and avoid cram down
- § 34:86 Final words on cram down
- § 34:87 Alternative: Prepackaged plans

XVI. DEBTOR-IN-POSSESSION (DIP) FINANCING

- § 34:88 Generally

XVII. CONCLUSION

- § 34:89 Generally

CHAPTER 35. BANKRUPTCY—CHAPTER 13 ADJUSTMENT OF DEBTS BY INDIVIDUALS

I. NATURE OF CHAPTER 13

- § 35:1 Congressional objectives
- § 35:2 Bankruptcy Abuse Prevention and Consumer Protection Act of 2005
- § 35:3 Choice of Chapters 7, 11, 12, or 13—Choice of Chapter 7 or 13
- § 35:4 —Choice of Chapter 11 or 13
- § 35:5 — —Expense under Chapters 11 and 13

- § 35:6 — —Amount paid to creditors under Chapters 11 and 13
- § 35:7 — —Debtor's control over reorganization plan
- § 35:8 — —Discharge obtained under Chapters 11 and 13
- § 35:9 — —Chapter 13 co-debtors protected by automatic stay
- § 35:10 — —Chapter 11 normally does not have trustee
- § 35:11 — —Stripping down of mortgages
- § 35:12 — —Choice of Chapter 12 or 13
- § 35:13 Debtors engaged in business—Qualifications—In general
- § 35:14 —Corporations and partnerships
- § 35:15 —Duties of debtor and trustee
- § 35:16 —Disposable income standard
- § 35:17 —Assumption, assignment or rejection of contracts and leases
- § 35:18 —Modification of plan if debtor's finances improve
- § 35:19 —Operation of single asset real estate

II. ELIGIBILITY FOR CHAPTER 13

- § 35:20 Generally
- § 35:21 Requirement to receive credit counseling
- § 35:22 Effect of failure to be eligible to be debtor

III. COMMENCEMENT OF CASE

- § 35:23 In general
- § 35:24 Debtor's statement
- § 35:25 Meeting of creditors

IV. THE AUTOMATIC STAY

- § 35:26 In general
- § 35:27 Exception for evictions
- § 35:28 Relief from stay—For cause
- § 35:29 —Under Section 362(d)(2)
- § 35:30 —Expedited hearing on automatic stay
- § 35:31 —Pre-confirmation relief from stay
- § 35:32 Stay of action against codebtor
- § 35:33 Exception for postpetition property taxes

V. CHAPTER 13 TRUSTEE

- § 35:34 Generally

VI. DUTIES, RIGHTS, AND POWERS OF DEBTOR

- § 35:35 Duties, rights, and powers of debtor—Generally

VII. CLAIMS OF CREDITORS

- § 35:36 Generally

VIII. THE CHAPTER 13 ESTATE

- § 35:37 Generally

TABLE OF CONTENTS

IX. CONVERSION OR DISMISSAL

- § 35:38 By debtor
- § 35:39 Involuntary conversion to Chapter 11
- § 35:40 Involuntary conversion to Chapter 7 or dismissal
- § 35:41 Effect of conversion or dismissal—In general
- § 35:42 —Property of estate after conversion of Chapter 13 to Chapter 7

X. THE CHAPTER 13 PLAN

- § 35:43 Filing plan
- § 35:44 Mandatory provisions
- § 35:45 Optional provisions

XI. MODIFYING THE RIGHTS OF CREDITORS

- § 35:46 Generally

XII. CURING OR WAIVING DEFAULTS

- § 35:47 Generally

XIII. ASSUMPTION, ASSIGNMENT OR REJECTION OF CONTRACTS AND LEASES

- § 35:48 In general
- § 35:49 —Before confirmation
- § 35:50 —Assumption, assignment or rejection in plan
- § 35:51 Installment land contracts—In general
- § 35:52 —Debtor is vendor
- § 35:53 —Debtor is vendee—In general
- § 35:54 — —Installment contract construed as mortgage
- § 35:55 — —Installment contract construed as executory
- § 35:56 Assumption of unexpired lease—Lease must be unexpired
- § 35:57 —Debtor must cure and provide adequate assurance
- § 35:58 Rights of tenants when debtor/lessor rejects lease

XIV. AVOIDING POWERS OF TRUSTEE OR DEBTOR

- § 35:59 Trustee
- § 35:60 Debtor—Protection of exempt property from involuntary liens—Debtor's avoidance of lien under Section 522(f)—Significance of lien avoidance
- § 35:61 —Provisions of Section 522(f)
- § 35:62 —Liens avoidable under Section 522(f)
- § 35:63 —Section 522(f)(1) requirement of fixing of lien
- § 35:64 —Whether lien impairs exemption
- § 35:65 —Debtor's use of trustee's avoidance powers under § 522(g)
- § 35:66 —Section 522(h): Debtor's avoiding liens using trustee's avoiding power
- § 35:67 —Debtor's avoidance as equivalent to trustee's

XV. MODIFICATION OF PLAN BEFORE CONFIRMATION

§ 35:68 Generally

XVI. CONFIRMATION OF PLAN

- § 35:69 Procedure
- § 35:70 Compliance with Bankruptcy Code
- § 35:71 Secured claims—Value of secured claims—In general
- § 35:72 —Interest on unmatured claims
- § 35:73 —Consenting claimants or claim outside plan
- § 35:74 —Nonconsenting claimants: Cram down—In general
- § 35:75 — —Interest rate on installments in cram down
- § 35:76 — —Release of collateral to lienholder
- § 35:77 Unsecured claims
- § 35:78 Feasibility of plan
- § 35:79 Disposable income standard
- § 35:80 Good faith requirement
- § 35:81 Full payments of priority claims

XVII. MODIFICATION OF PLAN AFTER CONFIRMATION

- § 35:82 Code provisions
- § 35:83 Changed circumstances requirement for modification
- § 35:84 Modification and disposable income standard

XVIII. EFFECT OF CONFIRMATION

§ 35:85 Generally

XIX. PAYMENTS UNDER PLAN

- § 35:86 In general
- § 35:87 Priority claims
- § 35:88 Payments outside plan

XX. REVOCATION OF CONFIRMATION

§ 35:89 Generally

XXI. DISCHARGE

- § 35:90 With completion of payments
- § 35:91 Exceptions to discharge
- § 35:92 Exception for prior discharge: § 1328(f)
- § 35:93 Management instructional course
- § 35:94 Hearing on Section 522(q) violations
- § 35:95 Without completion of payments
- § 35:96 Effect of discharge on liens—In general
- § 35:97 —Reliance on confirmation process: Burden on creditor

TABLE OF CONTENTS

- § 35:98 —Reliance on claims allowance process: Burden on debtor
- § 35:99 —Adequate notice of lien avoidance must be given
- § 35:100 Nondischargeability of condominium or cooperative fees
- § 35:101 Reaffirmation agreements

XXII. TREATMENT OF MORTGAGES IN CHAPTER 13

- § 35:102 Nature of problem
- § 35:103 Prepetition workouts
- § 35:104 Timing of petition
- § 35:105 Curing default or modifying mortgage—In general
- § 35:106 —Curing after acceleration
- § 35:107 —Foreclosure sale date as termination of time to cure home mortgages—Code Section 1322(c)(1)
- § 35:108 — —Curing mortgages that mature prior to petition
- § 35:109 —Modifying home mortgages—Cramdown—Mortgages that become due after petition but prior to final payment under plan
- § 35:110 — —Mortgages that become due/mature prior to petition
- § 35:111 — —Curing postconfirmation defaults
- § 35:112 — —Other issues
- § 35:113 —After judgment but before sale: Nonresidential mortgages
- § 35:114 —Curing during statutory redemption period
- § 35:115 —Amount necessary to cure/interest on arrearages
- § 35:116 — —Agreements entered into on or before October 22, 1994—In general
- § 35:117 — — —Preconfirmation interest—In general
- § 35:118 — — —Oversecured creditor
- § 35:119 — — —Payment of interest on undersecured mortgages—Preconfirmation interest
- § 35:120 — — —Postconfirmation interest on arrearages
- § 35:121 — — —Interest rate
- § 35:122 — — —Reasonable fees, costs or charges
- § 35:123 — —Agreements entered into after October 22, 1994
- § 35:124 —Reasonable time to cure
- § 35:125 —Curing nonmonetary defaults
- § 35:126 “Strip down” and other issues for home mortgages—Introduction
- § 35:127 —Curing home mortgages/mortgage secured only by debtor’s residence—“Strip down,” “cram down” or “bifurcation”: *Nobelman* case
- § 35:128 — —When is mortgage secured only by debtor’s residence: Section 1322(b)(2)?
- § 35:129 — — —“Boiler plate” additional security
- § 35:130 — — —Cross collateralization clauses
- § 35:131 — — —Release of subsidiary liens
- § 35:132 — — —Effect of income produced at debtor’s residence
- § 35:133 — —Applicability of Section 1322(b)(2) to short-term, nonpurchase money loans

- § 35:134 — —Applicability of Section 1322(b)(2) to junior mortgages
- § 35:135 — — —Bankruptcy reform proposals for junior mortgages
- § 35:136 — —Applicability of Section 1322(b)(2) to mobile homes
- § 35:137 — —Debtor optional filing under Chapter 11 to circumvent Section 1322(b)(2)
- § 35:138 — —Interest on arrearages on home mortgages
- § 35:139 — —Commencement of payments
- § 35:140 — —Postconfirmation default in payments
- § 35:141 Mortgages secured other than by debtor’s residence—In general
- § 35:142 — —Alternative of right to cure or modify and cram down—Rights of debtor
- § 35:143 — —Valuation of secured claim
- § 35:144 — —Modification of mortgagee’s claim and discharge—In general
- § 35:145 — —Surrendering collateral to creditor for sale
- § 35:146 — —Debtor’s profit on sale of “stripped down” property
- § 35:147 — —Cure of mortgage—No discharge
- § 35:148 — —Commencement of payments
- § 35:149 Multiple or serial filings—In general
- § 35:150 — —Curing in Chapter 13 after Chapter 7 discharge: Chapter “20”
- § 35:151 — —Bankruptcy review commission proposed code amendments—Serial filing by individuals
- § 35:152 Chapter 7 voiding lien that exceeds value of collateral
- § 35:153 Automatic stay
- § 35:154 Relief from stay
- § 35:155 Payments under plan—Start of payments
- § 35:156 — —Debtor as disbursing agent
- § 35:157 Conversion or dismissal
- § 35:158 Nondischargeability of long-term mortgages
- § 35:159 Foreclosure as fraudulent transfer

XXIII. BANKRUPTCY FRAUD

- § 35:160 Generally

APPENDIX 35A. Bankruptcy—Chronological Chapter 13
Bibliography

CHAPTER 36. BANKRUPTCY—EFFECTS ON THE FORECLOSURE PROCESS

I. INTRODUCTION

- § 36:1 In general
- § 36:2 Bankruptcy Reform Act of 1994 and Bankruptcy Abuse Prevention and Consumer Protection Act of 2005

II. PREFILING WORKOUT CONSIDERATIONS

- § 36:3 Generally

TABLE OF CONTENTS

- § 36:4 Lender's perspective
- § 36:5 —Immediate consequences of bankruptcy
- § 36:6 —Tactical benefits of bankruptcy for lender
- § 36:7 — —Reporting and monitoring
- § 36:8 — —Equality concerns
- § 36:9 — —New credit advances
- § 36:10 — —Workout terms
- § 36:11 — —Bankruptcy foreclosure
- § 36:12 —Checklist lender concerns
- § 36:13 — —Lien validity inventory
- § 36:14 — —Prior transfer inventory
- § 36:15 — —Cure and timing
- § 36:16 — —Rent assignments
- § 36:17 — —Completing foreclosure
- § 36:18 — —Interest in cash
- § 36:19 — —Commingling of cash
- § 36:20 — —Deposits of advances
- § 36:21 — —Debtor use of funds
- § 36:22 Debtor's perspective
- § 36:23 —Interest moratorium
- § 36:24 —Dissenters
- § 36:25 —Planning
- § 36:26 —Timing and avoidance
- § 36:27 —Cash reserves
- § 36:28 —Tax considerations
- § 36:29 —Environmental liability
- § 36:30 —Multi-entity networks
- § 36:31 —Single asset partnerships
- § 36:32 Workout options and considerations
- § 36:33 —Workout and bankruptcy position
- § 36:34 —Terms that create exposure

III. IMMEDIATE ISSUES IN BANKRUPTCY REORGANIZATION

- § 36:35 Automatic stay and incomplete foreclosure—Adequate protection
- § 36:36 —Relief from stay for cause: Bad faith
- § 36:37 —Lack of equity and collateral not necessary
- § 36:38 —Junior liens and protection
- § 36:39 —Third-party protection
- § 36:40 —Single asset real estate
- § 36:41 Postpetition cash receipts—Cash collateral
- § 36:42 —Cash collateral orders
- § 36:43 — —Replacement liens
- § 36:44 — —Cross-collateralization
- § 36:45 — —Waiver and validation of transfers
- § 36:46 — —Cash payments
- § 36:47 — —Equity cushion

- § 36:48 — —Personal guarantee of nondebtor
- § 36:49 — —Insurance

IV. COMPLETING THE CASE: ISSUES IN THE PLAN

- § 36:50 Generally
- § 36:51 Basic standards
- § 36:52 Classification of claims and voting
- § 36:53 — —Classifying claims of creditors with collateral
- § 36:54 — —Classifying unsecured claims
- § 36:55 Fair and equitable treatment
- § 36:56 — —Confirmation regarding secured claims
- § 36:57 — —Nonimpairment
- § 36:58 — —Present value standard
- § 36:59 — —Sale and proceeds
- § 36:60 — —Indubitable equivalent
- § 36:61 — —Confirmation regarding unsecured claims and owners—
Dissenting creditors
- § 36:62 — —Property equal in present value
- § 36:63 — —Absolute priority rule
- § 36:64 — —New value exception to absolute priority rule
- § 36:65 — —Classifying deficiency claim

V. CONCLUSION

- § 36:66 Generally

APPENDIX 36A. Bibliography

CHAPTER 37. WHAT COURTS DO TO SECURED CREDITORS IN CHAPTER 11 CRAM DOWN

I. INTRODUCTION

- § 37:1 Generally

II. THE REQUIREMENT NOT TO DISCRIMINATE UNFAIRLY UNDER 11 U.S.C.A. § 1129(b)(1)

- § 37:2 Generally

III. THE IMPLICIT REQUIREMENTS OF “FAIR AND EQUITABLE” UNDER 11 U.S.C.A. § 1129(b)(1)

- § 37:3 Generally

IV. THE EXPLICIT REQUIREMENTS OF “FAIR AND EQUITABLE” UNDER 11 U.S.C.A. § 1129(b)(1)

- § 37:4 In general

TABLE OF CONTENTS

- § 37:5 11 U.S.C.A. § 1129(b)(2)(A)(i): Deferred payments
- § 37:6 —Deferred payment arrangement (with full interest payments and principal stretch-out)—Interest rate
- § 37:7 — —Stretch-out period
- § 37:8 — —Protective covenants
- § 37:9 —Negative amortization arrangement
- § 37:10 —Income bond arrangement
- § 37:11 11 U.S.C.A. § 1129(b)(2)(A)(ii): Sale of collateral—Collateral sale arrangement
- § 37:12 11 U.S.C.A. § 1129(b)(2)(A)(iii): Indubitable equivalent
- § 37:13 —Collateral substitution arrangement
- § 37:14 —Full accrual arrangement
- § 37:15 —Collateral payment arrangement
- § 37:16 —Debtor securities substitution arrangement

V. SUMMARY AND CONCLUSION

- § 37:17 Generally
- § 37:18 Requirements under 11 U.S.C.A. § 1129(b)(1)—No unfair discrimination
- § 37:19 —“Fair and equitable”—Implicit requirements
- § 37:20 Arrangements under 11 U.S.C.A. § 1129(b)(2)(A)(i): Summary—Deferred payment arrangement
- § 37:21 —Negative amortization arrangement
- § 37:22 —Income bond arrangement
- § 37:23 Arrangement under 11 U.S.C.A. § 1129(b)(2)(A)(ii)—Collateral sale arrangement
- § 37:24 Arrangements under 11 U.S.C.A. § 1129(b)(2)(A)(iii)—Collateral substitution arrangement
- § 37:25 —Full accrual arrangement
- § 37:26 —Collateral payment arrangement
- § 37:27 —Debtor securities substitution arrangement

Volume 3

CHAPTER 38. BANKRUPTCY—SINGLE ASSET REAL ESTATE CASES

I. INTRODUCTION

- § 38:1 Generally

II. DEFINITION: WHAT IS SINGLE ASSET REAL ESTATE?

- § 38:2 In general
- § 38:3 Single property or project
- § 38:4 Substantial income, substantial business

III. TREATMENT: WHAT HAPPENS TO SINGLE ASSET REAL ESTATE?

- § 38:5 In general
- § 38:6 Filing plan
- § 38:7 Making monthly payments
- § 38:8 Order within 90 days
- § 38:9 Safe harbor or another weapon?
- § 38:10 Stay relief for what?

IV. SEPARATE CLASSIFICATION OF MORTGAGEE'S UNDERSECURED DEFICIENCY CLAIM

- § 38:11 Generally

V. CONCLUSION

- § 38:12 Generally

APPENDIX 38A. Bankruptcy: Chronological Bibliography—Single Asset Real Estate Cases

CHAPTER 39. BANKRUPTCY—THE ESTATE AND PROPERTY OF THE ESTATE

I. THE ESTATE AND PROPERTY OF THE ESTATE

- § 39:1 Introduction: § 541
- § 39:2 Estate and property of estate: §§ 541–562
- § 39:3 Estate and property of estate: §§ 541–543—Estate in bankruptcy in Chapter 7, 11, 12, and 13 proceedings
- § 39:4 —Scope of property of estate
- § 39:5 —Property of estate—Exempt property
- § 39:6 — —Property held in trust
- § 39:7 — — —Property in which debtor holds only legal title and not equitable interest: § 541(d)
- § 39:8 — — —Express trust
- § 39:9 Estate and property of the estate: §§ 541–543—Property of estate—Property held in trust—Constructive trusts and resulting trusts
- § 39:10 Estate and property of estate: §§ 541–543—Property of estate—Property held in trust—Statutory trust funds
- § 39:11 — —Real property interests
- § 39:12 — — —Community property: § 541(a)(2)
- § 39:13 — — —Tenancy by entirety
- § 39:14 — — —Tenancy in common and joint tenancy
- § 39:15 — — —Funds in escrow
- § 39:16 — — —Miscellaneous real property interests of estate
- § 39:17 Estate and property of state: §§ 541–543—Property recovered by trustee: § 541(a)(3)
- § 39:18 Estate and property of estate: §§ 541–543—Property preserved for benefit of estate: § 541(a)(4)

TABLE OF CONTENTS

- § 39:19 —Property acquired by debtor within 180 days after petition: § 541(a)(5)
- § 39:20 —Proceeds, product, offspring, rents, and profits of estate property: § 541(a)(6)
- § 39:21 —After-acquired property by estate: § 541(a)(7)
- § 39:22 —Exceptions to property of estate: § 541(b)
- § 39:23 —Invalid “bankruptcy clause”: § 541(c)
- § 39:24 —Turnover of property and accounting to trustee or debtor in possession: § 542(a)
- § 39:25 —Setoff and recoupment: § 542(b) and (c)
- § 39:26 —Property held by custodian or receiver: § 543
- § 39:27 Abandonment of property of the estate: § 554

II. TRUSTEE’S AVOIDING POWERS

- § 39:28 Overview of trustee’s avoiding power

III. CODE SECTION 544(A): AVOIDANCE BASED ON HYPOTHETICAL UNSECURED CREDITOR

- § 39:29 Code § 544(a)—Hypothetical unsecured creditor
- § 39:30 — —§ 544(a) generally
- § 39:31 — —Hypothetical lien creditor

IV. TRUSTEE AS HYPOTHETICAL BONA FIDE PURCHASER OF REAL ESTATE

- § 39:32 Trustee as hypothetical bona fide purchaser of real estate: § 544 (a)(3)
- § 39:33 —Limitation in § 544 avoiding powers due to actual or constructive knowledge of debtor

V. CODE SECTION 544 (B): AVOIDANCE BASED ON ACTUAL UNSECURED CREDITOR STATUS

- § 39:34 Trustee as successor to actual creditors: § 544(b)

VI. AVOIDING EQUITABLE INTERESTS AND CONSTRUCTIVE TRUSTS

- § 39:35 Avoiding equitable interests and constructive trusts
- § 39:36 —Statutory provisions
- § 39:37 —Minority view: § 541(d) prevails over trustee’s strong-arm powers under § 544(a)
- § 39:38 —Majority view: § 544(a) prevails over § 541(d)
- § 39:39 —Avoiding equitable liens other than constructive trusts

VII. AVOIDING STATUTORY LIENS: § 545

- § 39:40 Avoiding statutory liens: § 545 in general
- § 39:41 Avoiding statutory liens: § 545—Liens that become effective upon financial disaster: § 545(1)

- § 39:42 —Bona fide purchaser test: § 545(2)
- § 39:43 —Landlord's liens: §§ 545(3), 545(4)
- § 39:44 —Trust fund laws

VIII. LIMITATION ON AVOIDING POWERS: § 546

- § 39:45 Limitation on avoiding powers: § 546
- § 39:46 Warehouse liens
- § 39:47 Limitation on avoiding powers: § 546—Time limits on avoidance actions: § 546(a)
- § 39:48 —Right to perfect creditor's interest under nonbankruptcy law: § 546(b)
- § 39:49 —Relationship between Section 546(b) and Section 362
- § 39:50 —Post-petition perfection
- § 39:51 —Relationship of § 546(b) to §§ 547 and 548
- § 39:52 —Right to reclaim goods: § 546(c)

IX. AVOIDANCE AS PREFERENCE: § 547

- § 39:53 90-day transfers that are avoidable as preference
- § 39:54 —Definitions in § 547(a)
- § 39:55 —Elements of preference and burden of proof
- § 39:56 —Transfers of interest of debtor
- § 39:57 — —When "transfer" occurs for preference purposes
- § 39:58 —To or for benefit of creditor
- § 39:59 —For or on account of antecedent debt
- § 39:60 —Made while debtor was insolvent
- § 39:61 —Resulting in greater distribution than in Chapter 7 distribution: Equality principle
- § 39:62 —Resulting in greater distribution than in Chapter 7 distribution: Payments to secured and unsecured creditors
- § 39:63 —Resulting in greater distribution than in Chapter 7 distribution: Foreclosure sale by oversecured creditor as preference
- § 39:64 —Resulting in greater distribution than in Chapter 7 distribution: Time of transfer
- § 39:65 —Resulting in greater distribution than in Chapter 7 distribution: Source of payment
- § 39:66 Transfers that are not avoidable as preference
- § 39:67 —No debtor/creditor relationship
- § 39:68 —If creditor gives new value in exchange for debtor's property: § 547(c)(1)
- § 39:69 —Debtor's debts incurred in ordinary course of business: § 547(c)(2)
- § 39:70 —Security interests for enabling loans: § 547(c)(3)
- § 39:71 —Subsequent advances of new value: § 547(c)(4)
- § 39:72 —Security interests in inventory or receivables: § 547(c)(5)
- § 39:73 —Avoidable statutory liens: § 547(c)(6)
- § 39:74 —Alimony, maintenance or support: § 547(c)(7)

TABLE OF CONTENTS

- § 39:75 —Minor debts: § 547(c)(8) and (c)(9)
- § 39:76 Voidable transfers to reimburse surety: § 547(d)
- § 39:77 Preferential transfers to insiders
- § 39:78 —Transfers for benefit of insiders

X. AVOIDING FRAUDULENT TRANSFERS: § 548

- § 39:79 Fraudulent transfers: Introduction
- § 39:80 Trustees' use of Code § 548 to avoid fraudulent transfers and obligations
- § 39:81 Requirements for fraudulent transfer: § 548(a)
- § 39:82 —Interest of debtor

XI. TRANSFERS MADE WITH FRAUDULENT INTENT

- § 39:83 Transfers made with actual fraudulent intent:
§ 548(a)(1)(A)
- § 39:84 —Burden of proof
- § 39:85 —Fraudulent intent cases

XII. CONSTRUCTIVELY FRAUDULENT TRANSFERS

- § 39:86 Constructively fraudulent transfers: § 548(a)(1)(B)
- § 39:87 —Transfers for less than reasonably equivalent value while insolvent
- § 39:88 — —Reasonably equivalent value
- § 39:89 — — —Foreclosure and forced sales
- § 39:90 — — — —After *BFP* case
- § 39:91 Transfer to general partner: § 548(b)

XIII. GOOD FAITH TRANSFEREE OF FRAUDULENT TRANSFER

- § 39:92 Exception for good faith transferee who takes for value:
§ 548(c)

XIV. AVOIDING POSTPETITION TRANSFERS

- § 39:93 Avoiding postpetition transfers: § 549
- § 39:94 —Postpetition transfers made before order of relief in involuntary cases: § 549(b)
- § 39:95 —Good faith purchaser without knowledge: § 549(c)

XV. LIABILITY OF TRANSFEREE OF AVOIDED TRANSFER

- § 39:96 Liability of transferee of avoided transfer: § 550
- § 39:97 —Good faith transferee for value: § 550(b)
- § 39:98 —Limitation on liability of non-insider transferee for avoided transfer: § 550(c)
- § 39:99 —Good faith transferee's lien for improvements: § 550(e)

CHAPTER 40. BANKRUPTCY—EFFECT ON LEASES AND EXECUTORY CONTRACTS

I. IN GENERAL

§ 40:1 Generally

II. SUMMARY

§ 40:2 Generally

III. TRUSTEES' POWER TO ASSUME, ASSIGN, OR REJECT LEASES AND EXECUTORY CONTRACTS

- § 40:3 Leases and executory contracts within § 365—Leases
- § 40:4 —Executory contracts—In general
- § 40:5 — —Debtor's only uncompleted obligation is to pay money
- § 40:6 — —Broker's listing agreement and right to commission
- § 40:7 Distinction between residential leases and nonresidential leases
- § 40:8 Leases terminated or expired prior to bankruptcy—In general
- § 40:9 —Nonresidential leases
- § 40:10 —Residential leases
- § 40:11 Trustee cannot require lender to honor commitment to furnish loan to a bankrupt
- § 40:12 Assumption of leases that are in default
- § 40:13 Assumption of shopping center leases that are in default
- § 40:14 Trustee's assignment of debtor's leases
- § 40:15 Trustees' power to assume or reject contracts for sale of land
- § 40:16 Court approval of decision to assume or reject
- § 40:17 Trustee's assumption of partnership or limited liability company agreement

IV. TIME WITHIN WHICH TRUSTEE MUST ASSUME OR REJECT; OBLIGATIONS OF TRUSTEE

- § 40:18 In general
- § 40:19 Lease of personal property
- § 40:20 Effect of Section 108(b) on time to assume or reject
- § 40:21 Lease of nonresidential real property
- § 40:22 —Acts required for assumption during time limit: Case split
- § 40:23 —Motion filed but not granted within time limit
- § 40:24 —Assumption by conduct of parties
- § 40:25 —Estoppel or waiver as legal basis
- § 40:26 —Effect of failure to assume or reject within time limit—Debtor is lessee
- § 40:27 — —Debtor is lessor

TABLE OF CONTENTS

§ 40:28 Assumption or rejection of residential lease by debtor

V. EFFECT OF ASSUMPTION OR REJECTION BY TRUSTEE

§ 40:29 Assumption or rejection of lease where debtor is lessee—In general

§ 40:30 —Landlord’s claim for future rent under rejected lease: § 502(b)(6)

§ 40:31 —Liability for prepetition breach

§ 40:32 —Lifting of stay prior to assumption or rejection

§ 40:33 —Liability for lease period prior to rejection or assumption: “Gap” period—Nonresidential lease—Full lease amount or necessary expenses to preserve estate?

§ 40:34 — — —Effective date of rejection

§ 40:35 — — —Superpriority for administrative rent

§ 40:36 — — —Is rent payable at time of rejection?

§ 40:37 — — —Effect of failure to perform during gap period

§ 40:38 — — —Proration of expenses

§ 40:39 — — —Residential lease

§ 40:40 — — —Leases of personal property

§ 40:41 —Effect of assumption

§ 40:42 —Rejection after assumption—After assumption but before rejection

§ 40:43 — — —Rejection following assumption

§ 40:44 Rejection of lease where debtor is landlord

§ 40:45 Trustee assumption or rejection of contract for sale of property or timeshare—Debtor is vendor—Vendee is in possession

§ 40:46 —Vendee is not in possession

§ 40:47 —Debtor is vendee—Installment land sales contracts

§ 40:48 — — —Other contracts with debtor as vendee—Assumption by vendee/debtor

§ 40:49 — — —Rejection by vendee/debtor

VI. INVALIDATION OF IPSO FACTO BANKRUPTCY CLAUSES

§ 40:50 Generally

VII. LENDER’S RIGHT TO RENTS AFTER COMMENCEMENT OF BANKRUPTCY BY LANDLORD-BORROWER

§ 40:51 Generally

APPENDIX 40A. Bibliography

CHAPTER 41. BANKRUPTCY—FARMS AND RANCHES

I. INTRODUCTION

- § 41:1 Relationship to other bankruptcies
- § 41:2 Farm/ranch problems

II. “FARMERS” UNDER THE BANKRUPTCY CODE

- § 41:3 Definition
- § 41:4 Importance of “farmer” status
- § 41:5 Involuntary farmer liquidations

III. PROPERTY ISSUES IN THE FARM CASE

- § 41:6 Property of estate
- § 41:7 Special types of farm property—Interests in co-ops
- § 41:8 —Crops and rights to crops
- § 41:9 —Government program benefits
- § 41:10 Postpetition property
- § 41:11 —Crops
- § 41:12 —Milk and livestock
- § 41:13 —Government programs
- § 41:14 —Postpetition rents

IV. OPERATING THE FARM BUSINESS UNDER CHAPTER 11

- § 41:15 Generally
- § 41:16 Redemption in Chapter 11
- § 41:17 —Real property redemption
- § 41:18 —Personal property redemption
- § 41:19 Sale, use, or lease of property of estate—Overview
- § 41:20 —Cash collateral and adequate protection
- § 41:21 —Restrictions on sales and leases
- § 41:22 Chapter 11 financing
- § 41:23 Executory contracts and unexpired leases
- § 41:24 —Assumption or rejection of farm leases
- § 41:25 —Installment land contracts (contract for deeds)

V. REORGANIZATION OF THE FARMING OPERATION UNDER CHAPTER 11

- § 41:26 Introduction
- § 41:27 Plan objectives—Confirmation over creditor’s objections
- § 41:28 —Scaling down of debt
- § 41:29 —Extension of debt
- § 41:30 —Property transfers as debt payment
- § 41:31 —Sales of assets

TABLE OF CONTENTS

- § 41:32 Barriers to confirmation in farm case
- § 41:33 —Feasibility
- § 41:34 —Cramdown limitations

VI. CHAPTER 12 REORGANIZATIONS

- § 41:35 Introduction
- § 41:36 Eligibility
- § 41:37 Definition of “family farmer”: §§ 101(18), (19), (20), (21)
- § 41:38 Definition of “family fisherman”: §§ 101(19B), (19B)
- § 41:39 Operating farm business under Chapter 12—Use of property
- § 41:40 —Trustee
- § 41:41 —Sales of property
- § 41:42 —Adequate protection
- § 41:43 Reorganization plans—Deadlines and duration
- § 41:44 —Contents of plan: § 1222
- § 41:45 —Treatment of creditors
- § 41:46 —Confirmation of plan: § 1225
- § 41:47 —Plan confirmation
- § 41:48 —Modification of plan after confirmation
- § 41:49 Discharge
- § 41:50 Conversion and dismissal
- § 41:51 Taxes
- § 41:52 Application of *Timbers* case

VII. STRIPPING DOWN AND VOIDING LIENS

- § 41:53 In general
- § 41:54 In Chapters 7, 11 and 13
- § 41:55 In Chapter 12 reorganization

CHAPTER 42. BANKRUPTCY—ANTICIPATORY LEASE DRAFTING STRATEGIES

I. INTRODUCTION

- § 42:1 Generally

II. OVERVIEW OF THE BANKRUPTCY LAW

- § 42:2 Automatic stay
- § 42:3 Expired and terminated leases
- § 42:4 Injunctive powers

III. UNEXPIRED LEASES

- § 42:5 Election to assume or reject
- § 42:6 Rejection
- § 42:7 Assumption

- § 42:8 Assignment
- § 42:9 Shopping centers

IV. PROTECTIVE CLAUSES

- § 42:10 Generally

V. EARLY TERMINATION CLAUSES

- § 42:11 Generally
- § 42:12 Insolvency and net worth clauses
- § 42:13 —Model lease clause: Annual balance sheet
- § 42:14 —Model lease clause: Events of default
- § 42:15 —Model lease clause: Waiver of relief
- § 42:16 Continuous operation clauses
- § 42:17 —Model lease clause: Continuous operation
- § 42:18 Abandonment
- § 42:19 Limited cure periods and termination-on-multiple-breach clauses

VI. SECURITY FOR FUTURE PERFORMANCE

- § 42:20 Generally
- § 42:21 Security deposits
- § 42:22 —Model lease clause: Security deposit
- § 42:23 Letters of credit

VII. CLAUSES THAT IMPEDE ASSUMPTION AND ASSIGNMENT

- § 42:24 Generally
- § 42:25 Use clauses
- § 42:26 Assignment clauses
- § 42:27 —Model lease clause: Assignment and right of first refusal

VIII. REQUIRING TENANT AND ASSIGNEE ASSURANCES AND PRECAUTIONS

- § 42:28 Adequate protection
- § 42:29 Adequate assurance of future performance

CHAPTER 43. BANKRUPTCY—EQUITABLE SUBORDINATION

I. LEGAL BASIS FOR EQUITABLE SUBORDINATION

- § 43:1 Generally

II. FACTUAL SITUATIONS JUSTIFYING SUBORDINATION

- § 43:2 Generally

TABLE OF CONTENTS

III. STANDARDS FOR EQUITABLE SUBORDINATION

- § 43:3 In general
- § 43:4 Relationship to claimant's claim
- § 43:5 Remedy is remedial, not penal
- § 43:6 Claim is subordinated but not disallowed
- § 43:7 Burden of proof—In general
- § 43:8 —*Missionary Baptist* district court decision
- § 43:9 —Reversal and remand by court of appeals
- § 43:10 Equitable subordination without inequitable conduct

IV. HOLDING CREDITORS TO FIDUCIARY STANDARD

- § 43:11 Definition of fiduciary
- § 43:12 Creditors not ordinarily fiduciaries
- § 43:13 Exception where creditor controls debtor
- § 43:14 Difficulty of proving that creditor controlled debtor
- § 43:15 —Cases of creditor subordination
- § 43:16 —Cases where creditor was not subordinated

V. SUBORDINATION IS NOT LIMITED TO CLAIMS OF FIDUCIARIES

- § 43:17 Subordination of noninsiders and nonfiduciaries
- § 43:18 Controlling creditors treated like fiduciaries

VI. MISREPRESENTATION TO OTHER CREDITORS

- § 43:19 Generally

VII. SUBORDINATION AGREEMENTS AND EQUITABLE SUBORDINATION

- § 43:20 Generally

VIII. EQUITABLE SUBORDINATION AS CORE PROCEEDING

- § 43:21 Generally

IX. RECHARACTERIZATION INSTEAD OF EQUITABLE SUBORDINATION

- § 43:22 Recharacterization contrasted with equitable subordination

CHAPTER 44. BANKRUPTCY—CONFLICTS BETWEEN BANKING REGULATORS AND BANKRUPTCY TRUSTEE

I. INTRODUCTION

- § 44:1 Background

§ 44:2 Plan of chapter

II. PROCEDURAL MATTERS: FDIC/RTC AND DEBTOR ASSERT CLAIMS AGAINST ONE ANOTHER

§ 44:3 Generally

III. SPECIAL RIGHTS OF FEDERAL BANKING REGULATORS TO COLLECT THE ASSETS OF A FAILED INSTITUTION

§ 44:4 Generally

IV. SPECIAL POWERS OF CONSERVATOR/RECEIVER AND REGULATORS

§ 44:5 General powers of bankruptcy trustee in conflict with
special statutes

§ 44:6 Anti-injunction statute: 12 U.S.C.A. § 1821(j)

§ 44:7 FDIC claims procedure

§ 44:8 Avoiding powers of FDIC

V. CONFLICT WITH THE SPECIAL POWERS OF THE BANKRUPTCY TRUSTEE

§ 44:9 Equitable subordination cases

§ 44:10 Avoidable transfers

§ 44:11 —Bankruptcy Code § 544(a)

§ 44:12 —Bankruptcy Code § 547

§ 44:13 — —Pre-FIRREA cases

§ 44:14 — —Post-FIRREA cases

§ 44:15 Fraudulent transfers: Bankruptcy Code § 548

§ 44:16 Bankruptcy Code protections for good faith transferees

§ 44:17 Conclusions

VI. SAVINGS ASSOCIATION HOLDING COMPANY PETITIONS FOR BANKRUPTCY RELIEF

§ 44:18 Generally

§ 44:19 OTS regulatory authority

§ 44:20 Permissible activities

§ 44:21 Payment of dividends

§ 44:22 “Cross-guarantees” of commonly-controlled institutions

§ 44:23 Holding company bankruptcies: Enjoining government
agencies

§ 44:24 Statutory answers: Bankruptcy Code §§ 365(o) and
507(a)(8)

§ 44:25 Are capital maintenance agreements “contractual”
obligations?

TABLE OF CONTENTS

**VII. DISCHARGEABILITY OF BANKING
REGULATORS' CLAIMS AGAINST INDIVIDUAL
DEBTORS**

- § 44:26 Sections 523(a)(11) and (12)
- § 44:27 Must FDIC and RTC prove reliance in action under § 523(a)(2)?

APPENDIX 44A. Bibliography, Selected References

**CHAPTER 45. BANKRUPTCY—ANCILLARY
AND CROSS-BORDER CASES**

I. INTRODUCTION

- § 45:1 Background and Objectives of Chapter 15
- § 45:2 In general

II. ANCILLARY PROCEEDINGS UNDER THE 2005 ACT

- § 45:3 Requirements of Chapter 15
- § 45:4 Foreign main proceeding
- § 45:5 Foreign nonmain proceeding
- § 45:6 Chapter 15 applied: Relief and standards—Relief during “gap period”
- § 45:7 —Relief upon recognition being granted
- § 45:8 Nonautomatic relief: Foreign main and nonmain proceedings
- § 45:9 Relief in foreign main proceedings
- § 45:10 Automatic stay of Section 362
- § 45:11 Operation of business, use and sale of debtor’s U.S. assets
- § 45:12 Protection of creditors’ interests
- § 45:13 Comity under Chapter 15

**III. FURTHER REFINEMENT OF CROSS-BORDER
INSOLVENCY PRACTICE**

- § 45:14 Duty to cooperate and reconcile relief

**PART F. THIRD PARTY CLAIMS AND
LIABILITIES**

**CHAPTER 46. PRIORITIES AMONG LIEN
CLAIMANTS**

I. INTRODUCTION

- § 46:1 Classification of lender-creditor rights by liens and priorities
- § 46:2 Overview: Determination of priorities

§ 46:3 Effect of foreclosure

II. REAL PROPERTY RECORDING ACTS

- § 46:4 In general
- § 46:5 Notice and notice—Race acts
- § 46:6 Interpretation of act
- § 46:7 Race Type Act
- § 46:8 Interests and conveyances outside acts—Recordable interests
 - § 46:9 —Interests protected without recording
 - § 46:10 —Mechanics' liens—Relation back
 - § 46:11 —Records in other places
 - § 46:12 Reliability of search
 - § 46:13 Bona fide purchasers—Payment of value
 - § 46:14 —Lack of notice
 - § 46:15 Searching title—In general
 - § 46:16 —Official tract indexes
 - § 46:17 —Name indexes—Grantor and grantee
 - § 46:18 Chain of title problems—In general
 - § 46:19 —Wild deeds
 - § 46:20 —Late recorded deed
 - § 46:21 —Estoppel by deed/after acquired title
 - § 46:22 —References in collateral documents
 - § 46:23 Search in private title plants
 - § 46:24 Statutory clearing of title—Curative acts
 - § 46:25 —Marketable title acts
 - § 46:26 *Torrens* system

III. PRIORITY OF PURCHASE MONEY MORTGAGES

§ 46:27 Generally

IV. VENDOR'S LIEN

§ 46:28 Generally

V. "AFTER-ACQUIRED PROPERTY" CLAUSES

§ 46:29 Generally

VI. "FUTURE ADVANCES" CLAUSES

- § 46:30 In general
- § 46:31 Optional and obligatory advances
- § 46:32 Notice required to defeat lender's claim to priority for optional advance
- § 46:33 Special problems of construction lenders

VII. MECHANICS' AND MATERIALMEN LIENS

§ 46:34 In general

TABLE OF CONTENTS

- § 46:35 Parties with lien
- § 46:36 Limits on amount of lien
- § 46:37 Determination of priority—In general
- § 46:38 —Date of attachment of lien
- § 46:39 Owner's and lender's protection against mechanics' liens—
In general
- § 46:40 —Control of disbursements
- § 46:41 —Bonds and guarantees
- § 46:42 —Lien waivers and no-lien clauses
- § 46:43 —Title insurance
- § 46:44 Stop notices

VIII. PRIORITY AS TO FIXTURES

- § 46:45 Generally

IX. FEDERAL TAX LIENS

- § 46:46 In general
- § 46:47 Establishment of federal tax lien
- § 46:48 Priority of federal tax lien—Priority for lien interests
arising before filing of tax lien
- § 46:49 —Priority for lien interests arising after filing of tax lien
- § 46:50 —Priority for funds disbursed by secured lenders after tax
lien filing—In general
- § 46:51 — —Forty-five day grace period under Section 6323(d)
- § 46:52 — —Priority for advances made under real property
construction or improvement financing
- § 46:53 Termination of federal tax liens through mortgage
foreclosure
- § 46:54 IRS eases debt rules

X. LOCAL TAX AND OTHER STATUTORY LIENS

- § 46:55 In general
- § 46:56 Local tax liens in bankruptcy—Automatic stay
- § 46:57 —Automatic stay and tax liens
- § 46:58 —Conclusion

XI. PRIORITY OF JUDGMENT LIENS

- § 46:59 Creation of judgment liens
- § 46:60 Priority

XII. EFFECT OF FILING LIS PENDENS

- § 46:61 Generally

XIII. PRIORITY OF NOTES SECURED BY THE SAME MORTGAGE

- § 46:62 Generally

XIV. CHANGE IN PRIORITY THROUGH SUBORDINATION

§ 46:63 Generally

XV. SIMULTANEOUS RECORDING

§ 46:64 Generally

XVI. RETENTION OF LIEN PRIORITY AND RIGHTS THROUGH SUBROGATION

- § 46:65 Subrogation in general
- § 46:66 Exclusion of “volunteers” from subrogation
- § 46:67 Requirements for subrogation
- § 46:68 —Payment of entire obligation
- § 46:69 —Knowledge of intervening lien
- § 46:70 —Extent and limits on subrogation
- § 46:71 —Standby letter of credit
- § 46:72 —Right of surety or insurer to subrogation
- § 46:73 —Purchasers of encumbered property
- § 46:74 —Waiver of subrogation rights
- § 46:75 Right to contribution and indemnity

XVII. SUBROGATION BIBLIOGRAPHY

§ 46:76 Generally

XVIII. PRIORITY AFTER MODIFICATION OR REPLACEMENT OF SENIOR MORTGAGE

§ 46:77 Generally

- APPENDIX 46A. State Statutes Governing Mechanics’ and Materialmen Liens
- APPENDIX 46B. State Statutes Governing Recording
- APPENDIX 46C. Jurisdictional References on Priority of Liens—Retention of Mortgage Priority, Construction Loans, Lender’s Obligation to Control Disbursements, Mechanics’ Liens, Dragnet Clauses

CHAPTER 47. LIABILITY OF BONDING COMPANIES

I. INTRODUCTION

§ 47:1 Generally

II. SURETYSHIP IN GENERAL

§ 47:2 Definition

TABLE OF CONTENTS

§ 47:3 Suretyship distinguished from insurance and guaranty

III. FORM OF SURETY BONDS

§ 47:4 General
§ 47:5 Nature of obligations
§ 47:6 Bond forms

IV. TYPES OF SURETY BONDS

§ 47:7 Bid bond
§ 47:8 Performance bond
§ 47:9 Dual obligees
§ 47:10 Payment bonds
§ 47:11 Other bonds

V. UNDERWRITING BY THE SURETY

§ 47:12 Generally

VI. BID BOND PROBLEMS

§ 47:13 Generally

VII. PERFORMANCE BOND PROBLEMS

§ 47:14 In general
§ 47:15 Investigation by surety
§ 47:16 Financing contractor
§ 47:17 Completion by surety using contractor
§ 47:18 Default of contractor
§ 47:19 Completion by surety using another contractor
§ 47:20 Surety's tender of completing contractor to owner
§ 47:21 Problems stemming from completing contractor
§ 47:22 Surety's arrangement for protective bid
§ 47:23 Cash settlement of bond obligation
§ 47:24 Surety does nothing
§ 47:25 Hazardous waste problems
§ 47:26 Bankruptcy of contractor
§ 47:27 Suggestions for obligees

VIII. PROBLEMS STEMMING FROM FAST TRACK OPERATIONS

§ 47:28 Generally

IX. ACTIONS ON PERFORMANCE BONDS

§ 47:29 Duty to proceed against contractor
§ 47:30 Surety's defense of fraud in procurement of bond
§ 47:31 Coverage of prior defaults
§ 47:32 Material alterations

- § 47:33 Release of contractor
- § 47:34 Owner's minimizing of its damages
- § 47:35 Damages
- § 47:36 Limitations
- § 47:37 Arbitration

X. PAYMENT BOND PROBLEMS

- § 47:38 Generally

XI. SUBROGATION

- § 47:39 Generally

XII. CONCLUSION

- § 47:40 Generally

APPENDIX 47A. GSA-FAR Standard Form 25, Performance Bond
and GSA-FAR Standard Form 25-A, Payment
Bond

CHAPTER 48. LIABILITY OF TITLE INSURERS

I. INTRODUCTION

- § 48:1 Generally

II. SCOPE OF COVERAGE OF TITLE INSURANCE

- § 48:2 Title insurance fundamentals
- § 48:3 Title insurance policy—Standard policy
- § 48:4 —Standard risks assumed by insurer
- § 48:5 —Lender's policy
- § 48:6 — —Invalidity or unenforceability of lien of insured mortgage
- § 48:7 — —Priority of any lien or encumbrance over insured mortgage lien
- § 48:8 — —Lack of priority over mechanics' liens
- § 48:9 — —Invalidity of assignment of insured mortgage
- § 48:10 —Insured interest
- § 48:11 —Exclusions from coverage
- § 48:12 — —Violations of laws and exercise of governmental police powers
- § 48:13 —Items excepted from policy coverage
- § 48:14 —Conditions

III. LIMITS ON TITLE INSURANCE PROTECTION

- § 48:15 Title insurer's alternatives under policy to indemnification of its insureds—Introduction
- § 48:16 —Paying the policy amount

TABLE OF CONTENTS

- § 48:17 —Settling the claim
- § 48:18 —Defending and establishing title as insured
- § 48:19 —Purchasing the indebtedness secured by an insured mortgage
- § 48:20 Paying the insured's loss—Basic indemnification obligations

IV. SPECIAL RISKS IN FORECLOSURES, WORKOUTS, AND BANKRUPTCIES

- § 48:21 Generally

V. FORECLOSURES AND DEEDS IN LIEU

- § 48:22 Title risks in foreclosure proceedings—Mortgagees' risks—Foreclosure guaranty
- § 48:23 —Mortgagors' defenses
- § 48:24 —Foreclosure sale purchasers' risks—Omitted parties
- § 48:25 — —Mortgagors' appeals
- § 48:26 — —Redemption rights
- § 48:27 — —Avoidance of foreclosure sale as fraudulent conveyance
- § 48:28 Commitment to insure high bidder at foreclosure sale—Generally
- § 48:29 Deeds in lieu of foreclosure—Avoidance pursuant to creditors' rights laws
- § 48:30 —Whether satisfaction of antecedent debt constitutes payment of new value
- § 48:31 —Recharacterization of deed as mortgage
- § 48:32 —Whether mortgage lien merges into fee
- § 48:33 Reliance on original lender's policy versus obtaining new owner's policy

VI. BANKRUPTCIES

- § 48:34 Generally
- § 48:35 Avoidance of fraudulent conveyances
- § 48:36 Avoidance of preferential transfers
- § 48:37 —Deeds in lieu of foreclosure
- § 48:38 —Conveyances granted to secure antecedent debt
- § 48:39 —Delayed mortgage recordings
- § 48:40 Recharacterization issues
- § 48:41 Sales of property from bankruptcy estate

VII. WORKOUTS

- § 48:42 Relevant policy clauses
- § 48:43 Relevant endorsements
- § 48:44 Mechanics' liens
- § 48:45 Mortgages or deeds granted on account of antecedent debt
- § 48:46 Mortgagee's option to purchase mortgaged land

VIII. INSURING OVER THE CREDITORS' RIGHTS EXCLUSION

§ 48:47 Generally

IX. TITLE INSURERS' LIABILITY FOR ESCROW AND CLOSING SERVICES

§ 48:48 Title insurers' liability for escrow and closing services—
Introduction

§ 48:49 —Title companies' duties as escrow and closing agents

§ 48:50 Title insurance underwriter's liability for agents' escrows
and closings—Pursuant to closing protection letter

§ 48:51 — —Who is protected

§ 48:52 — —Nexus between title insurance policies and closing
protection letters

§ 48:53 — —Measure of loss under closing protection letters

§ 48:54 — —Underwriter's liability for agents' acts absent closing
protection letter

APPENDIX 48A. ALTA Owner's Policy (June 17, 2006)

APPENDIX 48B. ALTA Loan Policy (June 17, 2006)

APPENDIX 48C. Comparison of ALTA 1992 Loan Policy and ALTA
2006 Loan Policy

APPENDIX 48D. Jurisdictions Recognizing a Duty in Tort of Title
Insurers to Make a Reasonable Search and
Disclosure

CHAPTER 49. LIABILITY OF GUARANTORS

I. INTRODUCTION

§ 49:1 Generally

II. DRAFTING THE GUARANTEE

§ 49:2 Generally

III. DEFENSES ARISING UNDER CONTRACT LAW

§ 49:3 Generally

IV. DEFENSES ARISING UNDER SURETYSHIP LAW

§ 49:4 Generally

V. DEFENSES ARISING UNDER CORPORATION LAW

§ 49:5 Generally

§ 49:6 Ultra vires doctrine

VI. PROCEDURAL CONSTRAINTS

§ 49:7 Generally

TABLE OF CONTENTS

VII. CREDITORS' RIGHTS ISSUES

§ 49:8 Generally

VIII. FRAUDULENT CONVEYANCES

§ 49:9 Generally

§ 49:10 Intentional or constructive fraud

§ 49:11 Adequate consideration

§ 49:12 Financial condition

IX. EFFECT OF AUTOMATIC STAY

§ 49:13 Generally

X. VOIDABLE PREFERENCE ISSUES

§ 49:14 Generally

APPENDIX 49A. Bibliography

APPENDIX 49B. Guarantee Agreement

**CHAPTER 50. APPRAISAL FRAUD, FIRREA,
AND CURRENT APPRAISAL PRACTICE**

I. BACKGROUND

§ 50:1 Generally

II. PERSPECTIVE ON THE PROBLEM

§ 50:2 Generally

III. GOVERNMENTAL ACTION AND FIRREA

§ 50:3 Generally

IV. LIABILITY OF APPRAISERS

§ 50:4 In general

§ 50:5 Liability for "opinion"; privity

§ 50:6 Fraud versus negligence

V. MECHANICS OF DECEPTION

§ 50:7 Generally

VI. BUILDING A FRAUD CASE

§ 50:8 Generally

VII. APPRAISAL PROFESSION TODAY

§ 50:9 Conflicts of interest

CHAPTER 51. FRAUDULENT AND NEGLIGENT MORTGAGE ORIGINATIONS

I. INTRODUCTION

- § 51:1 Introduction
- § 51:2 Scope of chapter

II. MORTGAGE FRAUD REPORTING

- § 51:3 Mortgage fraud reporting—Federal reporting
- § 51:4 —Reporting acts of appraisers and brokers to Mortgage Asset Research Institute

III. ENFORCEMENT OF FRAUDULENT MORTGAGE

- § 51:5 Enforcement of fraudulent mortgage

IV. PREDATORY LENDING

- § 51:6 Predatory home mortgage lending
- § 51:7 —Remedies for predatory lending—In general
- § 51:8 — —Regulatory settlements

V. SECONDARY MARKET

- § 51:9 Secondary market—Introduction
- § 51:10 —Reliance and sale of loans in secondary market
- § 51:11 —Enforcement of indemnification and insurance claims for fraudulent loan originations

VI. OVERVALUATION OF REAL PROPERTY SECURITY

- § 51:12 Mortgage fraud: components of overvaluation
- § 51:13 —Fraud
- § 51:14 —Mortgage fraud: wholesale originations
- § 51:15 —Mortgage fraud: control of overvaluation through management
- § 51:16 —Mortgage fraud: recommendations for improved appraisal practice by the Appraisal Institute

VII. DEFECTIVE APPRAISALS

- § 51:17 Fraud by appraisers
- § 51:18 —Overvaluation and increased default risk
- § 51:19 —Loan-to-value ratios
- § 51:20 —Claims against appraisers—Federal causes of action—RICO, 18 U.S.C.A. 1961
- § 51:21 — —State tort claims
- § 51:22 — —Appraiser negligence and negligent misrepresentation
- § 51:23 — —Appraiser unfair trade practices

TABLE OF CONTENTS

- § 51:24 — — —Deceit/Fraud by appraiser
- § 51:25 — — —Civil conspiracy
- § 51:26 — — —Appraiser's fiduciary duty

VIII. MORTGAGE BROKERS

- § 51:27 Claims against mortgage brokers
- § 51:28 Sample Broker's Agreement

IX. TITLE COMPANIES

- § 51:29 Claims against title companies—Introduction
- § 51:30 —Title insurance liability for agents' escrows and closings
- § 51:31 —Closing protection letters

X. NOTARIES

- § 51:32 Claims against notaries

XI. ATTORNEYS

- § 51:33 Claims against attorneys

XII. IDENTITY THEFT

- § 51:34 Identity theft in mortgage originations
- § 51:35 Co-makers on the obligations
- § 51:36 Rights of the victims and the criminal in stolen property

CHAPTER 52. LIABILITY AND REMEDIES FOR FRAUD OR FALSE CLAIMS RELATED TO REAL ESTATE OR REAL ESTATE FINANCING OR MORTGAGE-BACKED SECURITIES

I. INTRODUCTION

- § 52:1 Liability and remedies for fraud and false claims—
Introduction
- § 52:2 Characteristics of fraud
- § 52:3 Background of the recent economic crisis
- § 52:4 Relationship of this chapter to other chapters in this
treatise

IA. FEDERAL BANKRUPTCY CRIMES

- § 52:5 Federal bankruptcy crimes

II. CHOICE OF USING CIVIL AND/OR CRIMINAL REMEDIES

- § 52:6 Choice of using civil or criminal remedies

III. COMMON LAW FRAUD

- § 52:7 Definition and characteristics of Common Law fraud

IV. FRAUD ENFORCEMENT AND RECOVERY ACT OF 2009

- § 52:8 Fraud Enforcement and Recovery Act of 2009 (FERA)—
Introduction
- § 52:9 Fraud Enforcement and Recovery Act of 2009—
Appropriations for enforcement
- § 52:10 —Private mortgage lenders are now “Financial
Institutions”
- § 52:11 —False statements in mortgage applications to private
lenders
- § 52:12 —The Stimulus Plan and TARP
- § 52:13 —Commodities and derivatives fraud
- § 52:14 —Federal money laundering statutes

V. FRAUDULENT CONVEYANCES OR TRANSFERS

- § 52:15 Fraudulent conveyances or transfers

VI. SECURITIES FRAUD

- § 52:16 Statutory civil and criminal liability and remedies for
securities fraud
- § 52:17 —Securities coverage in other chapters and literature
- § 52:18 —Settlement of securities cases
- § 52:19 —SEC overview of enforcement
- § 52:20 —Implied rights of action
- § 52:21 —SEC charges Goldman Sachs with fraud in structuring
and marketing of Collateralized Debt Obligation (CDO)
tied to subprime mortgages
- § 52:22 — —Goldman Sachs Defense: *Wells* submission
- § 52:23 — —Settlement of *SEC v. Goldman Sachs* case
- § 52:24 —U.S. authorities have a mixed record so far in cases
connected to the financial crisis
- § 52:25 —SEC mortgage-related securities cases
- § 52:26 Actions by purchasers of mortgage-related securities

VII. DENIAL OR REVOCATION OF DISCHARGE IN BANKRUPTCY

- § 52:27 Denial or revocation of discharge in bankruptcy

VIII. RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS, “RICO”

- § 52:28 Civil and criminal Racketeer Influenced and Corrupt
Organizations, “RICO” Statute: 18 U.S.C.A §§ 1961 TO
1968

IX. FEDERAL CIVIL FALSE CLAIMS ACT AND QUI TAM ACTIONS

- § 52:29 The Civil Federal False Claims Act and qui tam actions:
31 U.S.C.A. §§ 3729 to 3733

TABLE OF CONTENTS

- § 52:30 Fraud against funds administered by the United States
- § 52:31 “Reverse” false claims
- § 52:32 The “public disclosure” jurisdictional bar: § 3730(e)(4)(B)
- § 52:33 Civil False Claims Act litigation

X. CRIMINAL FEDERAL FRAUD STATUTES AND FALSE CLAIMS STATUTES

- § 52:34 Criminal fraud statutes and criminal false claims statutes—Criminal statutes for false claims, statements and conspiracy: 18 U.S.C.A. §§ 286, 287 and 1001

XI. WILLFULLY OVERVALUING LAND, PROPERTY OR SECURITY

- § 52:35 Willfully overvaluing land, property or security: 18 U.S.C.A. § 1014

XII. MAIL AND WIRE FRAUD

- § 52:36 Mail and wire fraud: 18 U.S.C.A. §§ 1341 and 1343 and Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)

XIII. BANK FRAUD

- § 52:37 Bank fraud: 18 U.S.C.A. § 1344

XIV. STATE AND LOWER ENTITIES FALSE CLAIMS ACTS

- § 52:38 State and lower governmental entities false claims acts

XV. RESIDENTIAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)

- § 52:39 Residential Estate Settlement Procedures Act (RESPA): 12 U.S.C.A. §§ 2601 et seq.

XVI. TRUTH IN LENDING ACT (15 U.S.C.A. §§ 1601 TO 1667F) AND REGULATION Z

- § 52:40 Truth in Lending Act (15 U.S.C.A. §§ 1601 to 1667f) and Regulation Z

XVII. EQUAL CREDIT OPPORTUNITY ACT

- § 52:41 Equal Credit Opportunity Act (ECOA): 15 U.S.C.A. §§ 1691 et seq.

XVIII. FAIR HOUSING ACT

- § 52:42 Fair Housing Act: 42 U.S.C.A. §§ 3601 et seq.

XIX. HOME MORTGAGE DISCLOSURE ACT (HMDA)

§ 52:43 Home Mortgage Disclosure Act (HMDA): 12 U.S.C.A.
§§ 2801 to 2811

XX. FEDERAL TRADE COMMISSION ACT (FTCA)

§ 52:44 Federal Trade Commission Act (FTCA)

XXI. INTERSTATE FRAUD AND INTERSTATE LAND SALES FULL DISCLOSURE ACT

§ 52:45 Interstate Fraud and Interstate Land Sales Full
Disclosure Act: 15 U.S.C.A. §§ 1701 et seq.

XXII. LIABILITY UNDER ENVIRONMENTAL STATUTES

§ 52:46 Liability under environmental statutes

XXIII. CLASS ACTIONS AS THE PROCEDURE FOR STATUTORY FRAUD CASES

§ 52:47 Class actions as the procedure for statutory fraud cases

XXIV. FRAUD IN THE TRANSFER OF INTERESTS IN REAL PROPERTY

§ 52:48 Fraud in the transfer of interests in real property

CHAPTER 53. THE *D'OENCH, DUHME* DOCTRINE AND 12 U.S.C.A. § 1823(E)

I. INTRODUCTION

§ 53:1 Generally

II. WHEN AN INSTITUTION FAILS

§ 53:2 Generally

III. THE *D'OENCH, DUHME* DOCTRINE: FROM INCEPTION TO EXPANSION

§ 53:3 Scope of pristine *D'Oench, Duhme*

§ 53:4 12 U.S.C.A. § 1823(e): Congress codifies basic *D'Oench, Duhme* principle

§ 53:5 —Interplay between *D'Oench, Duhme* decision and Section 1823(e)

§ 53:6 —Single *D'Oench, Duhme* doctrine phenomenon

IV. MODERN EXPANSION OF THE *D'OENCH, DUHME* DOCTRINE

§ 53:7 Generally

TABLE OF CONTENTS

- § 53:8 *Langley* decision: Fortification of *D'Oench, Duhme* doctrine
- § 53:9 Application of *D'Oench, Duhme* doctrine beyond pristine *D'Oench, Duhme*
- § 53:10 —Applying *D'Oench, Duhme* despite knowledge by FDIC or RTC of borrower's defense
- § 53:11 —Applying *D'Oench, Duhme* doctrine regardless of borrower's innocent conduct
- § 53:12 —Applying *D'Oench, Duhme* to private parties who purchase assets of insolvent institution
- § 53:13 —FDIC or RTC reliance on debtor's misrepresentation to prevent discharge in bankruptcy under § 523(a)(2)
- § 53:14 Federal holder in due course doctrine—Prior to *O'Melveny* case
- § 53:15 —After *O'Melveny* case

V. PREEMPTION OF *D'OENCH, DUHME* COMMON-LAW DOCTRINE BY 12 U.S.C.A. § 1823(E)

- § 53:16 Generally

VI. DEFENSES TO THE *D'OENCH, DUHME* DOCTRINE

- § 53:17 Generally
- § 53:18 Real defenses
 - § 53:19 —Fraud in factum
 - § 53:20 —Illegality
 - § 53:21 —Knowledge by FDIC
 - § 53:22 —Duress
- § 53:23 Equitable defenses
 - § 53:24 —*Meo/Woodstone* defense
 - § 53:25 —Estoppel of government
- § 53:26 Other limitations on *D'oench, Duhme* doctrine
 - § 53:27 —Bilateral agreements
 - § 53:28 —Tort actions
 - § 53:29 —Statutory actions

VII. CONCLUSION

- § 53:30 Generally

CHAPTER 54. FIXTURES, CROPS AND AGRICULTURAL LIENS

I. SUMMARY

- § 54:1 In general
- § 54:2 Priority of fixtures under UCC § 9-313 (1962)
- § 54:3 Priority of fixtures under former UCC § 9-313 (1972) and revised Article 9-334
- § 54:4 Text of Revised Article 9-334

II. THE HISTORY AND PURPOSE OF FORMER § 9-313 AND REVISED § 9-334

- § 54:5 Generally
- § 54:6 Benefits of UCC article 9 as security device
- § 54:7 —Notice
- § 54:8 —Priority
- § 54:9 Uniformity
- § 54:10 Defining fixture
- § 54:11 —Uniform Conditional Sales Act
- § 54:12 —U.C.C.: 1962
- § 54:13 —U.C.C.: 1972 and Revised Article 9
- § 54:14 — —Ordinary building materials under U.C.C
- § 54:15 — —Trade fixtures law under Uniform Commercial Code

III. FIXTURE SECURITY INTEREST: CREATION, ATTACHMENT, AND FILING FOR PERFECTION

- § 54:16 Creation and attachment
- § 54:17 Conflicting claims
- § 54:18 Filing procedures for perfection
- § 54:19 —Defining “fixture filing”
- § 54:20 —Real estate description in fixture filing
- § 54:21 Timber and as-extracted collateral

IV. PRIORITY RULES FOR FIXTURE FINANCING UNDER REVISED § 9-334

- § 54:22 Generally
- § 54:23 General rule
- § 54:24 Exceptions to general rule—Overview
- § 54:25 —First to file rule
- § 54:26 —Purchase money security interest
- § 54:27 — —Construction mortgages
- § 54:28 — —Readily removable machines and replacement domestic appliances
- § 54:29 —Nonpurchase money security interest priority over subsequently arising real estate interest
- § 54:30 — —Common-law approach
- § 54:31 — —U.C.C. approach
- § 54:32 — —Requirements for priority
- § 54:33 —Purchase money security interest priority over antecedent real estate interests
- § 54:34 — —Requirements for priority
- § 54:35 —Construction mortgage
- § 54:36 — —Methods for defeating construction mortgagee’s priority
- § 54:37 — —Policies underlying construction mortgagee priority
- § 54:38 —Readily removable machines and replacement domestic appliances

TABLE OF CONTENTS

- § 54:39 — — Chattel filing
- § 54:40 — — Readily removable
- § 54:41 — — Readily removable factory or office machines
- § 54:42 — — Replacement domestic appliances
- § 54:43 — — Priority exception for judicial liens
- § 54:44 — — Priority exception for manufactured homes
- § 54:45 — — Priority exception for crops and agricultural liens
- § 54:46 — — — Priority exception for crops
- § 54:47 — — — Priority exception for agricultural liens
- § 54:48 — Consent to security interest by owner or encumbrancer
- § 54:49 — Priority exception debtor with right to remove fixtures
(tenant fixtures)

V. REMEDIES UNDER THE CODE

- § 54:50 Generally

VI. FIXTURES IN BANKRUPTCY

- § 54:51 Summary
- § 54:52 Bankruptcy: Trustee avoiding powers
- § 54:53 Special rules for fixtures
- § 54:54 Summary of current rules and warning of some potential
pitfalls
- § 54:55 Modification of home mortgages in Chapter 13
- § 54:56 Landlord/tenant cases involving fixtures
- § 54:57 Consumer bankruptcy cases involving fixtures
- § 54:58 Fixtures cases involving manufactured homes

VII. Magnuson-Moss Warranty Act

- § 54:59 Introduction
- § 54:60 Coverage of fixtures

VIII. CONCLUSION

- § 54:61 Generally

APPENDIX 54A. Priority of Fixtures and Crops—State Statutes

APPENDIX 54B. Bibliography

PART G. INCOME TAX CONSEQUENCES

CHAPTER 55. TAX CONSEQUENCES TO BORROWERS, INVESTORS, AND LENDERS

I. INTRODUCTION

- § 55:1 Generally

II. BASIC STATUTORY FRAMEWORK FOR DEALING WITH CANCELLATION OF INDEBTEDNESS INCOME

- § 55:2 Generally
- § 55:3 Amount realized versus cancellation of indebtedness income
- § 55:4 Exclusion of COD from gross income—Section 108—Generally
- § 55:5 —Bankruptcy and insolvency
- § 55:6 — —Definition of Title 11 case
- § 55:7 — —Insolvency exception
- § 55:8 — — —Nonrecourse liabilities
- § 55:9 — — —Contingent liabilities
- § 55:10 — — —Exempt assets excluded
- § 55:11 — — —Partnership interests
- § 55:12 — — —Reduction of tax attributes
- § 55:13 — — —Order of reduction
- § 55:14 — — —Amount of reduction
- § 55:15 — — —Ordering rules
- § 55:16 — — —Election to reduce depreciable basis
- § 55:17 — — —Special rules for pass-through entities
- § 55:18 — — —Partnerships and LLCs
- § 55:19 — — —S corporations
- § 55:20 — —Discharge of accrued interest
- § 55:21 — —Nonbankrupt and solvent taxpayers
- § 55:22 — —Discharge of deferred deductions—Section 108(e)(2)
- § 55:23 — —Purchase price adjustments
- § 55:24 — — —Judicial exception to recognition
- § 55:25 — — —Statutory exception to recognition—Section 108(e)(5)
- § 55:26 — — —Application of Section 108(e)(5) to partnerships
- § 55:27 — — —Reduction in basis
- § 55:28 — — —Qualified real property indebtedness—Section 108(a)(1)(D)—Generally
- § 55:29 — — —Application of Section 108(a)(1)(D) to partnerships and LLCs
- § 55:30 — — —Application of Section 108(a)(1)(D) to S corporations
- § 55:31 — —Reduction of nonrecourse indebtedness—*Fulton Gold* and Rev. Rul. 91-31—*Fulton Gold*
- § 55:32 — —Rev. Rul. 82-202
- § 55:33 — —*Gershkowitz*
- § 55:34 — —Does *Fulton Gold* still have any vitality?
- § 55:35 — —Rev. Rul. 91-31
- § 55:36 — —Commentary and summary
- § 55:37 — —Additional provisions of Section 108
- § 55:38 — —Acquisition of debt by related party—Section 108(e)(4)
- § 55:39 — — —Definition of related party

TABLE OF CONTENTS

§ 55:40	— — —Effective date of regulations
§ 55:41	— — —Direct acquisitions of debt
§ 55:42	— — —Indirect acquisitions of debt
§ 55:43	— — —Correlative adjustments
§ 55:44	— — —Exceptions
§ 55:45	— — —Additional regulations
§ 55:46	— — —Contributions to capital—Section 108(e)(6)—Contributions to corporations—Section 108(e)(6)
§ 55:47	— — —Contributions to partnerships and LLCs
§ 55:48	— — —Debt-for-equity exchanges—Pre-1993 Section 108(e)(10) and post-1993 Section 108(e)(8)
§ 55:49	— — —Corporated exchanges—Before December 31, 1994
§ 55:50	— — — —After December 31, 1994
§ 55:51	— — —Partnership and LLC exchanges
§ 55:52	— — —Debt-for-debt exchanges and debt modifications—Section 108(e)(10)
§ 55:53	Information returns required for creditors in discharge—Returns for foreclosure and abandonment of security
§ 55:54	—Returns required by certain financial and governmental entities

III. DEBT-FOR-DEBT EXCHANGES AND DEBT MODIFICATIONS

§ 55:55	General rules
§ 55:56	Modification
§ 55:57	—General rule
§ 55:58	—Alterations by operation of terms
§ 55:59	—Failure to perform
§ 55:60	—Time of modification
§ 55:61	Significant modifications
§ 55:62	—General rule
§ 55:63	—Bright-line and safe harbor rules—Change in yield
§ 55:64	— —Change in timing of payments
§ 55:65	— —Change in obligor or security—Substitution of new obligor
§ 55:66	— — —Addition or deletion of co-obligor
§ 55:67	— — —Change in security or credit enhancement
§ 55:68	— — —Change in priority of debt
§ 55:69	— — —Changes in nature of debt instrument
§ 55:70	— — —Accounting or financial covenants
§ 55:71	Tax consequences to lender
§ 55:72	—Accrual method lenders
§ 55:73	—Cash method lenders
§ 55:74	—Possible tax planning opportunities
§ 55:75	Tax consequences to debtor
§ 55:76	Determining issue price—Application of OID principles
§ 55:77	—Definition of OID
§ 55:78	—Stated redemption price at maturity

- § 55:79 —Issue price
- § 55:80 — —General rule of Section 1274
- § 55:81 — — —Adequate stated interest
- § 55:82 — — —Imputed principal amount
- § 55:83 — — —Potentially abusive situations
- § 55:84 — —Modifications occurring in connection with sales
- § 55:85 — — —Presale modifications
- § 55:86 — — —Postsale modifications
- § 55:87 — —Modifications of pre-1985 seller debt
- § 55:88 — —Contingent reductions of debt
- § 55:89 — —Modifications of installment notes
- § 55:90 — — —Section 453B
- § 55:91 — — —Dispositions under Section 453B
- § 55:92 — — —Modification not resulting in dispositions
- § 55:93 — — —Modifications that constitute disposition

IV. VOLUNTARY AND INVOLUNTARY FORECLOSURES AND OTHER DISPOSITIONS OF PROPERTY

- § 55:94 Sale or exchange treatment
- § 55:95 —Like-kind exchange treatment in anticipation of foreclosure or deed-in-lieu of foreclosure
- § 55:96 —Allocation of proceeds between principal and accrued interest
- § 55:97 Recourse debt—Bifurcated approach—Generally
- § 55:98 —Determining fair market value
- § 55:99 —Conversion of recourse debt to nonrecourse debt
- § 55:100 Nonrecourse debt—One or two transactions?
- § 55:101 Partial nonrecourse debt
- § 55:102 Definitions: Nonrecourse versus recourse—Generally
- § 55:103 —Trustee's abandonment
- § 55:104 Timing of gain or loss
- § 55:105 Examples

V. TAX CONSEQUENCES TO LENDERS

- § 55:106 Accrual of interest
- § 55:107 Reacquisition of real property by seller—Section 1038—General rule
- § 55:108 —Requirements of Section 1038
- § 55:109 —Exception to general nonrecognition rule
- § 55:110 —Basis and holding period of reacquired property
- § 55:111 —Special rules—Development of property prior to reacquisition
- § 55:112 — —Subsequent pledge of installment note
- § 55:113 — —Prior treatment of installment note as worthless
- § 55:114 Acquisition of property by nonseller
- § 55:115 Bad debt deduction

TABLE OF CONTENTS

VI. SPECIAL PARTNERSHIP AND LLC ISSUES

§ 55:116	Generally
§ 55:117	General statutory scheme
§ 55:118	—Determining partner’s basis in his partnership interest—General rules
§ 55:119	— —Impact of Section 752
§ 55:120	—Distributions in excess of basis—Section 731(a)(1)
§ 55:121	—Determining partner’s share of partnership’s liabilities—Section 752—Generally
§ 55:122	— —Recourse liabilities
§ 55:123	— —Nonrecourse liabilities
§ 55:124	—Partnership allocations—Section 704(b)—Generally
§ 55:125	— —Allocations attributable to nonrecourse liabilities—Minimum gain chargebacks—General rules
§ 55:126	— — —Minimum gain chargebacks
§ 55:127	— — —Allocating deductions
§ 55:128	— —Revaluing partnership’s assets—Book-ups and book-downs of capital accounts
§ 55:129	—At-risk rules—Section 465—General rules
§ 55:130	— —At-risk amounts
§ 55:131	— —Amounts not included in at-risk amount
§ 55:132	— —Recapture of prior losses
§ 55:133	Partnership workouts involving debt forgiveness—Recognition at partnership level
§ 55:134	—Allocation of COD among partners
§ 55:135	— —General partnerships
§ 55:136	— —Limited partnerships
§ 55:137	— — —Nonrecourse debt
§ 55:138	— — —Recourse debt
§ 55:139	— — —Special allocations of COD
§ 55:140	—Revenue Ruling 92-97—Allocating COD income among partners
§ 55:141	— —Fact patterns
§ 55:142	— —Section 704(b)
§ 55:143	— —Timing of basis reduction
§ 55:144	— —Cancellation of nonrecourse debt
§ 55:145	Admitting new partner to partnership
§ 55:146	—Third party as new partner
§ 55:147	— —Direct admission
§ 55:148	— — —Book adjustments made
§ 55:149	— — —Book adjustments not made
§ 55:150	— —Use of subpartnership
§ 55:151	—Admitting nonrecourse lender to partnership
§ 55:152	— —Recharacterization of debt as partner nonrecourse
§ 55:153	— —Impact on shares of liabilities
§ 55:154	— —Minimum gain chargeback—Debt exchanged for partnership interest
§ 55:155	— — —Debt remains outstanding

- § 55:156 — —Impact on future deductions
- § 55:157 Revenue Ruling 93-7—Distributions of partner notes—
Fact pattern
- § 55:158 —Analysis and holding

VII. BANKRUPTCY RULES

- § 55:159 Generally
- § 55:160 Individuals—Section 1398—Generally
- § 55:161 —Creation of separate estate
- § 55:162 —Taxable year of estate
- § 55:163 —Taxation of estate
- § 55:164 — —Income of estate
- § 55:165 — —Deductions of estate
- § 55:166 — —Computation and payment of tax
- § 55:167 —Termination of bankruptcy estate
- § 55:168 —Taxable year of debtor—General rules
- § 55:169 — —Utility of short-period election
- § 55:170 —Shifting income to bankruptcy estate—Abandonments
- § 55:171 Partnerships and corporations—Section 1399

VIII. BANKRUPTCY ABUSE PREVENTION AND CONSUMER PROTECTION ACT OF 2005

- § 55:172 Introduction
- § 55:173 Sec. 701. Treatment of Certain Tax Liens
- § 55:174 Sec. 702. Treatment of Fuel Tax Claims
- § 55:175 Sec. 704. Rate of Interest on Tax Claims
- § 55:176 Sec. 705. Priority of Tax Claims
- § 55:177 Sec. 706. Priority Property Taxes Incurred
- § 55:178 Sec. 707. No Discharge of Fraudulent Taxes in Chapter
13
- § 55:179 Sec. 708. No Discharge of Fraudulent Taxes in Chapter
11
- § 55:180 Sec. 709. Stay of Tax Proceedings Limited to Prepetition
Taxes
- § 55:181 Sec. 710. Periodic Payment of Taxes in Chapter 11 Cases
- § 55:182 Sec. 711. Avoidance of Statutory Liens Prohibited
- § 55:183 Sec. 712. Payment of Taxes in the Conduct of Business
- § 55:184 Sec. 713. Tardily Filed Priority Tax Claims
- § 55:185 Sec. 714. Income Tax Returns Prepared by Tax
Authorities
- § 55:186 Sec. 715. Discharge of the Estate's Liability for Unpaid
Taxes
- § 55:187 Sec. 716. Requirement to File Tax Returns to Confirm
Chapter 13 Plans
- § 55:188 Sec. 717. Standards for Tax Disclosure
- § 55:189 Sec. 718. Setoff of Tax Refunds
- § 55:190 Sec. 719. Special Provisions Related to the Treatment of
State and Local Taxes

TABLE OF CONTENTS

§ 55:191 Sec. 720. Dismissal for Failure to Timely File Tax Returns

APPENDIX 55A. Bibliography—Income and Real Property Tax

CHAPTER 56. TAXATION AND TAX CONSEQUENCES OF REAL ESTATE WORKOUTS

I. INTRODUCTION

§ 56:1 In general

II. WILL THE WORKOUT RESULT IN COD INCOME?

A. GENERAL

§ 56:2 In general

B. IS A DEBT BEING FORGIVEN OR REDUCED?

§ 56:3 Debt forgiven or reduced

§ 56:4 —Could the taxpayer deduct the debts being forgiven?

§ 56:5 —Can the taxpayer qualify for a purchase price reduction?

§ 56:6 — —Historical background

§ 56:7 — —Section 108(e)(5)

§ 56:8 — —Application of Section 108(e)(5) to partnerships

§ 56:9 — —Reduction in basis

§ 56:10 —Does it matter whether the debt is nonrecourse?—*Fulton Gold*

§ 56:11 — — —Rev. Rul. 82-202

§ 56:12 — — —*Gershkowitz*

§ 56:13 — — —Does *Fulton Gold* still have any vitality?

§ 56:14 — — —Rev. Rul. 91-31

§ 56:15 — — —Section 108(e)(8)

§ 56:16 — — —Commentary and summary

§ 56:17 —Debt for equity exchanges

§ 56:18 — —Corporate exchanges

§ 56:19 — —Partnership exchanges

§ 56:20 — — —Proposed regulations

§ 56:21 — — —Rules for partnerships prior to 2004 Legislation

C. HAS THE DEBT BEEN MODIFIED?—FINAL REGULATIONS UNDER SECTION 1001

§ 56:22 In general

§ 56:23 The final regulations under Section 1001

§ 56:24 The stakes

§ 56:25 —Consequences to debtor

§ 56:26 — —Recognition of COD income

§ 56:27 — — —Issue price of the modified debt instrument involving publicly traded debt

- § 56:28 — —Recognition of COD Income—Issue price of the modified debt instrument if the debt is not publicly traded
- § 56:29 — —Classification of instrument
- § 56:30 — —Consequences to creditor
- § 56:31 — —Recognition of gain/ordinary income
- § 56:32 — — —Original creditor
- § 56:33 — — —Purchaser of debt instrument
- § 56:34 — — —OID with respect to modified debt instrument
- § 56:35 — —Impact on special taxpayers
- § 56:36 — —Classification of debt instrument
- § 56:37 — —Impact on special types of debt instruments
- § 56:38 — —Conclusion
- § 56:39 — —Background—Section 1001
- § 56:40 — — —*Cottage Savings*
- § 56:41 — —The proposed 1001 regulations
- § 56:42 — —The final 1001 regulations—General
- § 56:43 — —Scope of final 1001 regulations
- § 56:44 — —Modifications
- § 56:45 — —Significant modifications
- § 56:46 — —Effective date
- § 56:47 — —Impact of final 1001 regulations—On workouts
- § 56:48 — — —Planning opportunities
- § 56:49 — —Worthless debt deductions

D. HAS THE DEBT BEEN PURCHASED BY A RELATED PERSON?

- § 56:50 In general
- § 56:51 — —Definition of related party
- § 56:52 — —Effective date of regulations
- § 56:53 — —Direct acquisitions of debt
- § 56:54 — —Indirect acquisitions of debt
- § 56:55 — —Correlative adjustments
- § 56:56 — —Exceptions
- § 56:57 — —Additional regulations
- § 56:58 — —Planning

E. PARTNER SATISFACTION OF PARTNERSHIP OBLIGATION

- § 56:59 In general
- § 56:60 — —Satisfaction by former partner
- § 56:61 — —“Contribution” by current partner

TABLE OF CONTENTS

**III. WHAT CAN THE DEBTOR DO IF HE REALIZES
COD INCOME?**

A. BASIC RULES

§ 56:62 In general

B. TEMPORARY COD INCOME DEFERRAL RULE

§ 56:63 Temporary COD income deferral rule

§ 56:64 —Coordination with the exclusion provisions

§ 56:65 —Special rules for partnerships

§ 56:66 —Special rules for debt-for-debt exchanges

**C. THE BANKRUPTCY AND INSOLVENCY
EXCLUSIONS**

§ 56:67 In general

§ 56:68 —Definition of Title 11 case

§ 56:69 —Insolvency exception

§ 56:70 — —Contingent liabilities

§ 56:71 — —Exempt assets

§ 56:72 — —Special partnership issues

§ 56:73 —Reduction of tax attributes

§ 56:74 — —Order of reduction

§ 56:75 — —Amount of reduction

§ 56:76 — —Ordering rules

§ 56:77 — —Election to reduce depreciable basis

**D. THE EXCLUSION FOR SOLVENT INDIVIDUALS—
QUALIFIED REAL PROPERTY BUSINESS
INDEBTEDNESS**

§ 56:78 Background

§ 56:79 Definition of qualified real property business indebtedness

§ 56:80 Amount of exclusion

§ 56:81 Basis reduction

§ 56:82 Ordinary income recapture

§ 56:83 Application to partnerships and partnership interests

§ 56:84 —What is the partner's share of a partnership's basis in a
real property?

§ 56:85 —What happens if the partner's share of COD Income
exceeds his share of the partnership's inside basis?

§ 56:86 —How does the partnership reduce its basis?

§ 56:87 —How does the "in contemplation" rule apply to
partnership interests?

§ 56:88 Regulations

§ 56:89 —Making a Section 108(c) election

E. SECTION 108 AND 1017 REGULATIONS

§ 56:90 In general

- § 56:91 Making Section 108(b)(5) and 1017(b)(3)(E) elections
- § 56:92 —Change from current regulations
- § 56:93 Section 108(c) limitations on COD income exclusion
- § 56:94 —Debt over fair market value limitation
- § 56:95 —Depreciable real property basis limitation
- § 56:96 Order of Section 108(b)(2)(E) basis reduction
- § 56:97 —Order of reduction
- § 56:98 —Debtor's partnership interests
- § 56:99 —Operating rules
- § 56:100 —No provision for special requests to IRS
- § 56:101 Modification of ordering rules for basis reductions under sections 108(b)(5) and 108(c)
- § 56:102 —Real property held for sale election
- § 56:103 Anti-abuse rule
- § 56:104 Treatment of partnership interests as depreciable property—Treatment of allocated share of partnership COD income
- § 56:105 — —Partner electing under Section 108(b)(5) or 108(c)

IV. DON'T FORGET ABOUT SUBCHAPTER K

A. GENERAL

- § 56:106 General

B. PARTNERSHIP WORKOUTS INVOLVING DEBT FORGIVENESS

- § 56:107 Recognition at partnership level
- § 56:108 Allocation of COD income among the partners
- § 56:109 —General partnerships
- § 56:110 —Limited partnerships and LLCs

C. ADMITTING A NEW PARTNER TO THE PARTNERSHIP

- § 56:111 In general
- § 56:112 Third party as new partner
- § 56:113 —Direct admission
- § 56:114 Use of subpartnership
- § 56:115 Contributions and distributions of overencumbered property
- § 56:116 Admitting the nonrecourse lender to the partnership
- § 56:117 —Recharacterization of the debt as partner nonrecourse
- § 56:118 —Impact on shares of liabilities
- § 56:119 —Minimum gain chargeback
- § 56:120 —Impact on future deductions

D. ABANDONMENT OF PARTNERSHIP INTERESTS

- § 56:121 In general

TABLE OF CONTENTS

V. WHAT HAPPENS IF A DEBT CANNOT BE WORKED OUT—VOLUNTARY AND INVOLUNTARY FORECLOSURES AND OTHER DISPOSITIONS OF PROPERTY

- § 56:122 Introduction
- § 56:123 Sale or exchange treatment
- § 56:124 —Nonrecourse debt
- § 56:125 ——Treatment of LLC debt
- § 56:126 —Recourse debt
- § 56:127 ——Case law
- § 56:128 ——Rev. Rul. 90-16
- § 56:129 ——Partially recourse debt
- § 56:130 ——Conversion of recourse debt to nonrecourse debt
- § 56:131 —Determining fair market value
- § 56:132 —Tax benefit rule
- § 56:133 —Allocation of proceeds between principal and interest
- § 56:134 —Like-kind exchange in anticipation of foreclosure
- § 56:135 Sales to third party purchasers
- § 56:136 —Purchase without debt modification
- § 56:137 —Purchase with debt reduction

VI. REACQUISITION OF REAL PROPERTY BY SELLER—SECTION 1038

A. GENERAL RULE

- § 56:138 In general

B. REQUIREMENTS OF SECTION 1038

- § 56:139 Requirements of Section 1038—Reacquisitions pursuant to secured party's rights
- § 56:140 —Original seller must reacquire property
- § 56:141 —Original purchaser need not own property
- § 56:142 —Modification of installment note irrelevant
- § 56:143 —Excluded entities
- § 56:144 —Reacquisition during year of sale

C. EXCEPTION TO GENERAL NONRECOGNITION RULE

- § 56:145 Exception to general nonrecognition rule

D. BASIS AND HOLDING PERIOD OF REACQUIRED PROPERTY

- § 56:146 Basis
- § 56:147 Holding period

E. SPECIAL RULES

- § 56:148 Development of property prior to reacquisition

- § 56:149 Subsequent pledge of installment note
- § 56:150 Prior treatment of installment note as worthless

VII. BANKRUPTCY RULES

A. GENERAL

- § 56:151 General

B. INDIVIDUALS—SECTION 1398

- § 56:152 General
- § 56:153 Creation of separate estate
- § 56:154 Taxable year of debtor—General rules
- § 56:155 —Utility of short period election
- § 56:156 —Taxation of the estate
- § 56:157 —Shifting income to the bankruptcy estate—Abandonments

C. PARTNERSHIPS AND CORPORATIONS—SECTION 1399

- § 56:158 Partnerships and corporations—Section 1399

Volume 4

PART H. MISCELLANEOUS RIGHTS AND LIABILITIES

SUBPART H1. POSSESSION, MANAGEMENT, AND DISPOSITION OF REAL PROPERTY

CHAPTER 57. OBTAINING POSSESSION OF REAL PROPERTY

I. IN GENERAL

- § 57:1 Nature of problem
- § 57:2 Organization of this chapter

II. RIGHTS TO POSSESSION

- § 57:3 Introduction
- § 57:4 Estates in fee
- § 57:5 Leasehold interests—In general
- § 57:6 —Duration and creation of leasehold
- § 57:7 Transfer of right to possession—Voluntary transfers of ownership
- § 57:8 —Involuntary transfers of ownership

TABLE OF CONTENTS

- § 57:9 Other possessory interests
- § 57:10 Conclusion

III. TERMINATION OF THE RIGHT TO POSSESSION

- § 57:11 Introduction
- § 57:12 Termination of fee
- § 57:13 Termination of leasehold
- § 57:14 —Expiration of time
- § 57:15 —Upon written notice
- § 57:16 —Default by tenant
- § 57:17 —Constructional rules and doctrines to avoid forfeiture
- § 57:18 —Default by landlord
- § 57:19 —Abandonment and surrender
- § 57:20 —Foreclosure of mortgage
- § 57:21 —Other terminations of leasehold
- § 57:22 Conclusion

IV. OVERVIEW OF REMEDIES TO OBTAIN POSSESSION OF PROPERTY

- § 57:23 Common law remedies
- § 57:24 Summary proceedings in general
- § 57:25 Summary proceeding statutes
- § 57:26 Choosing remedy

V. COMMON LAW REMEDIES

- § 57:27 Self-help—In general
- § 57:28 —Historical background
- § 57:29 —What is peaceable entry?
- § 57:30 —Lease provisions providing for forcible reentry
- § 57:31 —Tenant's remedies for wrongful self-help
- § 57:32 —Landlord's distress remedy
- § 57:33 —Disfavored tactic
- § 57:34 Ejectment—When to use common law remedy
- § 57:35 —Basic elements
- § 57:36 —No effect on title
- § 57:37 —Seldom used remedy

VI. SUMMARY PROCEEDINGS

- § 57:38 In general
- § 57:39 Conditions precedent—Notice to quit
- § 57:40 —Service of notice and summons
- § 57:41 Ascertaining identity of those in possession
- § 57:42 Complaint
- § 57:43 Jurisdiction and venue—Subject matter jurisdiction
- § 57:44 —Personal jurisdiction
- § 57:45 —Venue

- § 57:46 Uncontested actions—Limited time to answer
- § 57:47 —Entry of default
- § 57:48 —Default judgment
- § 57:49 Contested actions—Answer to unlawful detainer complaint
- § 57:50 —Setting case for trial
- § 57:51 —Plaintiff's proof
- § 57:52 —Evidence and testimony
- § 57:53 —Proof of defense
- § 57:54 —Jury trial
- § 57:55 Protections for landlord—Possession prior to trial upon bond
- § 57:56 —Protective orders and escrows
- § 57:57 Defendant's voluntary vacation of premises
- § 57:58 Judgment—In general
- § 57:59 —Supplemental judgments
- § 57:60 Stay of execution and reinstatement

VII. THE EVICTION PROCESS

- § 57:61 Obtaining writ of possession
- § 57:62 Marshal's instructions and eviction
- § 57:63 Delays in eviction process—In general
- § 57:64 —*Arrieta* claimant
- § 57:65 — —1991 amendments
- § 57:66 Abandoned personal property

VIII. DEFENSES

- § 57:67 Devices for delay
- § 57:68 Lack of jurisdiction
- § 57:69 Affirmative defenses—Permissible issues
- § 57:70 —Breach of implied warranty of habitability—In general
- § 57:71 — —Procedure for using defense
- § 57:72 — —Proof of breach
- § 57:73 — —Impact of breach
- § 57:74 — —Limitation—Tenant's duty to repair own damage
- § 57:75 — —Repair and deduct alternative
- § 57:76 —Retaliatory eviction—Nature of defense
- § 57:77 — —Proving retaliatory eviction
- § 57:78 —Defenses applicable in government housing—Good cause required
- § 57:79 — —Definition of good cause
- § 57:80 — —Procedure
- § 57:81 —Defenses based on rent control—Rent control in general
- § 57:82 — —Nature of rent control
- § 57:83 — —Challenges to rent control
- § 57:84 — —Asserting defense
- § 57:85 —Defenses relating to condominiums

TABLE OF CONTENTS

**IX. OBTAINING POSSESSION OF PROPERTY
FOLLOWING FORECLOSURE**

- § 57:86 In general
- § 57:87 Foreclosure purchaser
- § 57:88 Summary proceedings following foreclosure—Notice to quit
- § 57:89 —Ascertaining identity of occupants
- § 57:90 —Complaint
- § 57:91 —Uncontested actions—Defaults
- § 57:92 — —Stipulations
- § 57:93 —Contested actions—Evidence and testimony
- § 57:94 — —Attacking validity of title
- § 57:95 — —Impact of rent control

**X. EFFECT OF BANKRUPTCY ON SUMMARY
PROCEEDINGS**

- § 57:96 In general
- § 57:97 Residential leases—Automatic stay
- § 57:98 —Use of automatic stay to delay or avoid eviction
- § 57:99 —When right to automatic stay terminates
- § 57:100 —Lifting of stay
- § 57:101 —Multiple filings
- § 57:102 —Conveying interest to new debtor
- § 57:103 —Eviction from public housing
- § 57:104 —Legislative response
- § 57:105 Summary proceedings after foreclosure
- § 57:106 Commercial leases
- § 57:107 —Assumption and rejection of unexpired commercial
leases—Pursuant to pre-1984 bankruptcy code
- § 57:108 — —1984 Amendments to Bankruptcy Code
- § 57:109 — —Policy considerations
- § 57:110 —Expired leases
- § 57:111 —Assumption of lease—No pre-petition defaults
- § 57:112 — —Pre-petition defaults
- § 57:113 —Special rules for shopping centers—In general
- § 57:114 — —Adequate assurance for shopping center leases
- § 57:115 — —What constitutes shopping center?
- § 57:116 —Assignment of leases by trustee—Section 365(f) and
exception of Section 365(c)
- § 57:117 — —Assignment of shopping center leases
- § 57:118 —Lease termination clauses
- § 57:119 —Rejection of leases
- § 57:120 —Conclusion

APPENDIX 57A. State Statutes Regarding Summary Proceedings

CHAPTER 58. MANAGEMENT AND DISPOSITION OF REAL ESTATE OWNED (REO)

I. IN GENERAL

- § 58:1 What is real estate owned (REO)?
- § 58:2 Just another owner
- § 58:3 Who, how, and why
- § 58:4 Process
- § 58:5 Pre-foreclosure
- § 58:6 First sixty days
- § 58:7 Operation and management
- § 58:8 Disposition
- § 58:9 Summary

SUBPART H2. ENVIRONMENTAL CONCERNS

CHAPTER 59. HAZARDOUS SUBSTANCES LIABILITY OF SECURED CREDITORS AND OTHERS

I. INTRODUCTION

- § 59:1 Generally
- § 59:2 Liability of Lenders, Secured Creditors and other Owners
for Hazardous Substances and Contamination

II. INNOCENT PURCHASERS AND THE LIABILITY OF FORECLOSING LENDERS—*US V. MARYLAND BANK & TRUST COMPANY*

- § 59:3 Generally
- § 59:4 *U.S. v. Maryland Bank & Trust Co.*—Holding
- § 59:5 —Facts
- § 59:6 —Liability of “owners” under CERCLA
- § 59:7 *US v. Maryland Bank & Trust Co.*—Mortgage, foreclosure,
and current ownership
- § 59:8 Critical analysis of *US v. Maryland Bank & Trust Co.*

III. DEVELOPING THE LAW OF LENDER ENVIRONMENTAL LIABILITY—*MIRABILE, FLEET FACTORS AND THEIR PROGENY*

- § 59:9 In general
- § 59:10 *Mirabile II*—Indicia of ownership: Security interest and
participation
- § 59:11 —Facts and lower court holdings
- § 59:12 *Mirabile* and *Maryland Bank & Trust* compared

TABLE OF CONTENTS

- § 59:13 *Guidice v. BFG Electroplating & Mfg. Co.*
- § 59:14 *United States v. Fleet Factors*—Facts and procedural posture
- § 59:15 —District court decision
- § 59:16 —Court of appeals decision
- § 59:17 *In re Bergsoe Metals Corp.*—Facts
- § 59:18 —Courts decision
- § 59:19 FDIC guidelines for environmental risk program

IV. EPA'S LENDER LIABILITY RULE AND THE CERCLA AMENDMENTS OF 1996

- § 59:20 In general
- § 59:21 EPA's lender liability rule
- § 59:22 The Asset Conservation, Lender Liability, and Deposit Insurance Protection Act of 1996 (The 1996 CERCLA Amendments)—Introduction
- § 59:23 The 1996 CERCLA Amendments—Key provisions
- § 59:24 —Definition of “participate in management”
- § 59:25 —Effect of foreclosure
- § 59:26 —Impact of EPA's Lender Liability Rule
- § 59:27 —Protection of fiduciaries—In general
- § 59:28 — —General rule: Fiduciary not personally liable
- § 59:29 — —Exclusions
- § 59:30 — —Safe harbor for certain fiduciary activities
- § 59:31 — —Prior case law on key elements

V. DEFENSES: “THIRD-PARTY ACTS” AND “INNOCENT PURCHASER/LANDOWNER” AND OTHER STATUTORY PROTECTIONS

- § 59:32 In general
- § 59:33 Initial CERCLA defenses
- § 59:34 The 1986 Superfund Amendments—The “innocent purchaser”/“innocent landowner” defense
- § 59:35 Elements of the innocent purchaser/landowner defense—
Damage caused solely by third party
- § 59:36 —All appropriate inquiry
- § 59:37 —Contractual relationship
- § 59:38 —Exercise of due care
- § 59:39 —Post script—The innocent purchaser as seller
- § 59:40 Practical responses to the innocent purchaser defense
- § 59:41 Further protections
- § 59:42 Exclusions from PRP Status: “contiguous property owners,” “bona fide prospective purchasers,” and “*de micromis* contributors”
- § 59:43 Special settlement authority for bona fide prospective purchasers, owners of contiguous property and *de micromis, de micromis* and other low-level contributors

VI. STATE LIENS AND SUPERLIENS

- § 59:44 In general

- § 59:45 Normal priority environmental liens
- § 59:46 Special priority government liens
- § 59:47 Superliens
- § 59:48 Challenges to superlien laws: *Kessler v. Tarrats*
- § 59:49 The “windfall” lien

VII. LIABILITY OF CORPORATE PARENT FOR CERCLA LIABILITY OF SUBSIDIARY

- § 59:50 In general
- § 59:51 Liability of individual shareholder or officer

VIII. OTHER LIABILITIES

- § 59:52 Other relevant state laws: Regulation of use and transfer of contaminated property
- § 59:53 Other liabilities: lender liability for underground storage tanks
- § 59:54 Other Liabilities: asbestos
- § 59:55 Other Liabilities: Generation, transportation, treatment, storage and disposal of hazardous waste

APPENDIX 59A. Bibliography

CHAPTER 60. INSURANCE COVERAGE FOR ENVIRONMENTAL DAMAGE

I. INTRODUCTION

- § 60:1 Chapter purpose and organization
- § 60:2 General Introduction
- § 60:3 Statutory scheme
- § 60:4 Functions of environmental insurance coverage

II. GENERAL LIABILITY POLICIES

- § 60:5 Development and transformation of policies in response to statutory mandates
- § 60:6 The Pre-1966 accident policy
- § 60:7 The 1966 “occurrence” policy
- § 60:8 The 1973 revision of the comprehensive general liability policy—The “pollution exclusion” and “sudden and accidental” exception
- § 60:9 The 1985-86 commercial general liability policy—“Claims made” and “owned property” issues

III. JUDICIAL CONSTRUCTION OF POLICY COVERAGE

- § 60:10 In general—Cases interpreting environmental coverage in general liability policies
- § 60:11 Contract law vs. insurance law

TABLE OF CONTENTS

- § 60:12 Common law expansion
- § 60:13 Trigger of coverage
- § 60:14 Occurrence
- § 60:15 Damages and reimbursement
- § 60:16 Damages and Preventative costs
- § 60:17 Pollution exclusion clause: “discharges or emissions” and “sudden and accidental”
- § 60:18 Burden to show exception to pollution exclusion clause
- § 60:19 Duty to defend or indemnify
- § 60:20 Bankruptcy
- § 60:21 Judicial consistency

IV. ASBESTOS AND MASS TORT LITIGATION

- § 60:22 Introduction
- § 60:23 Bankruptcy attempts to control asbestos litigation
- § 60:24 Comprehensive legislation

V. LATER STATUTORY ENVIRONMENTAL DEVELOPMENTS

- § 60:25 Brownfields Revitalization Act
- § 60:26 Securities Issues and the Sarbanes-Oxley Act

VI. ENVIRONMENTAL INSURANCE POLICIES

- § 60:27 In general
- § 60:28 Development of environmental insurance products since 1980
- § 60:29 Earlier types of coverage of environmental liabilities: the 1980s Environmental Impairment Liability policy
- § 60:30 Environmental liability coverage—The Pollution Legal Liability (“PLL”)
- § 60:31 —Stop Loss or Cost Cap Insurance
- § 60:32 —PLL/Cost Cap
- § 60:33 —Secured Creditor or Lender Liability Insurance (“SC”)
- § 60:34 —Contractor’s Pollution Liability (“CPL”)
- § 60:35 —Above-ground and underground storage tanks
- § 60:36 —Asbestos In Place Coverage (“AIP”)
- § 60:37 Securing environmental coverage: Recommendations
- § 60:38 Cases interpreting policies covering environmental liabilities
- § 60:39 Reducing or controlling risks

VII. CONCLUSION

- § 60:40 Generally
- § 60:41 Reducing or controlling risks

CHAPTER 61. ENVIRONMENTAL CONCERNS IN PURCHASE AND SALE OF REAL PROPERTY

I. INTRODUCTION

- § 61:1 In general
- § 61:2 Abbreviations
- § 61:3 Transactional risk: RCRA, CERCLA and other laws

II. THE STATUTORY REGIME FOR HAZARDOUS SUBSTANCES IN LAND

- § 61:4 In general: RCRA, and CERCLA
- § 61:5 Summary of RCRA's waste tracking and permit requirements
- § 61:6 Summary of the basic elements of CERCLA's cleanup program
- § 61:7 Waste- and hazard-related definitions—In general
- § 61:8 —“Solid waste,” “hazardous waste,” “hazardous substances” and non-waste materials regulated under waste management law
- § 61:9 Land and facilities covered—Official identification/listing of contaminated and regulated sites
- § 61:10 —Unlisted sites
- § 61:11 Property interests and interest-holders potentially subject to environmental liability
- § 61:12 Special concerns regarding wetlands
- § 61:13 Special provisions motivating the use of “brownfields”
- § 61:14 Special concerns regarding properties and facilities subject to environmental permits
- § 61:15 Enforcement: governmental and citizen-initiated procedures
- § 61:16 Enforcement: Administrative orders and other civil enforcement
- § 61:17 Enforcement: Criminal prosecutions

III. ENVIRONMENTAL DUTIES, LIABILITIES AND CLAIMS, OF OWNER, SELLER AND PURCHASER

- § 61:18 In general
- § 61:19 Owners' civil and criminal liability under environmental statutes
- § 61:20 Cleanup liability
- § 61:21 Reporting obligations
- § 61:22 Ownership for purposes of environmental liability – in general
- § 61:23 Essential definitions: “owner” and “possessor”
- § 61:24 Essential definition: “operator” liability
- § 61:25 Essential definitions: “person in charge”

TABLE OF CONTENTS

- § 61:26 Commencement and termination of ownership for purposes of liability—In general
- § 61:27 When does the transferee accede to liability
- § 61:28 Is there an end to liability? The post-transaction liability of transferor
- § 61:29 Former owners' liability—Tort
- § 61:30 —Statutory
- § 61:31 Divestiture of property to avoid liability—In general
- § 61:32 —Time of disposal
- § 61:33 —Need for disclosure
- § 61:34 —“Current” vs. “former” owner status

IV. DEFENSES, DISCLOSURE AND INQUIRY

- § 61:35 In general
- § 61:36 Limited defenses to ownership-based environmental liabilities
- § 61:37 Defenses and settlements
- § 61:38 Seller's environmental disclosure obligations—In general
- § 61:39 Common law duty to disclose—Materiality
- § 61:40 —Seller's knowledge
- § 61:41 —Obviousness
- § 61:42 Statutory disclosure requirements
- § 61:43 Special disclosure concerns: radon and lead-based paint
- § 61:44 Buyer's duty of inquiry—Common-law
- § 61:45 —Statutory

V. TRANSACTIONAL RESPONSES TO ENVIRONMENTAL LIABILITIES

- § 61:46 In general
- § 61:47 Abandonment of property, equipment or hazardous materials
- § 61:48 Use of alternative transactions to avoid acquisition of ownership
- § 61:49 Contractual allocation and disclosure provisions
- § 61:50 Allocation of risk of loss
- § 61:51 Indemnification and contribution
- § 61:52 Transactional issues arising from CERCLA's settlement provisions
- § 61:53 *De minimis* settlement authority
- § 61:54 “De micromis” settlement authority
- § 61:55 Other settlements between EPA and potential purchasers of contaminated property
- § 61:56 Environmental statutory responsibilities affecting transfer of certain types of properties
- § 61:57 Transfers of property subject to environmental permits
- § 61:58 Other statutory prerequisites of transfer
- § 61:59 Cleanup related consent orders affecting real property to be acquired

VI. NEGOTIATING AND DOCUMENTING THE ENVIRONMENTAL LIABILITY ASPECTS OF THE TRANSACTION

- § 61:60 In general
- § 61:61 Recharacterising or restructuring the purchase transaction
- § 61:62 Foreclosure sale
- § 61:63 Documenting certainty in transactions involving contaminated property
- § 61:64 Assessing environmental risk/determining whether transaction can go forward

VII. PROTECTIONS AND REMEDIES AVAILABLE IN TRANSACTIONS INVOLVING PROPERTY WITH POTENTIAL ENVIRONMENTAL LIABILITY

- § 61:65 In general
- § 61:66 Testing and inspection
- § 61:67 Price adjustments
- § 61:68 Reassessment
- § 61:69 Contractual provisions governing post-transaction activities
- § 61:70 Title insurance
- § 61:71 Environmental opinion letters

CHAPTER 62. ENVIRONMENTAL BROWNFIELDS

I. INTRODUCTION

- § 62:1 Introduction

II. BACKGROUND FOR BROWNFIELDS AMENDMENTS

- § 62:2 Background

III. LIABILITY REFORMS

- § 62:3 Owner/operator liability reforms
- § 62:4 Changes to the innocent landowner defense
- § 62:5 Contiguous property owner defense
- § 62:6 “Bona fide prospective purchaser” exemption and windfall lien
- § 62:7 Limitations on EPA authority at state lead sites
- § 62:8 Brownfields funding
- § 62:9 Comment on Brownfields Amendments

IV. BROWNFIELDS FUNDING

- § 62:10 Brownfields funding

TABLE OF CONTENTS

- § 62:11 Brownfields sites
- § 62:12 Additional areas
- § 62:13 Eligible entities
- § 62:14 Brownfields Site Characterization and Assessment Grant Program
- § 62:15 Brownfields remediation grants and loans
- § 62:16 Conditions and limitations
- § 62:17 Funding for brownfields program “infrastructure”
- § 62:18 Funding for state response programs

V. EFFECT OF BROWNFIELDS AMENDMENTS

- § 62:19 Effect of Brownfields Amendments

CHAPTER 63. ENVIRONMENTAL DUE DILIGENCE: A GUIDE TO LIABILITY RISK MANAGEMENT IN COMMERCIAL REAL ESTATE TRANSACTIONS

I. INTRODUCTION

- § 63:1 Generally

II. FEDERAL AND STATE LEGISLATION

- § 63:2 Generally

III. EMERGING INDUSTRY PRACTICES

- § 63:3 Generally

IV. ASTM STANDARDS

- § 63:4 Background
- § 63:5 Transaction screen
- § 63:6 Environmental Site Assessment—In general
- § 63:7 —Record review
- § 63:8 —Site reconnaissance
- § 63:9 —Owner/occupant interviews
- § 63:10 —Data gaps
- § 63:11 —Report preparation/evaluation

V. LEGAL COMPLIANCE AUDIT

- § 63:12 Generally

VI. CONTINUING DUE DILIGENCE/COMPLIANCE

- § 63:13 In general
- § 63:14 Transaction documents
- § 63:15 Title insurance

§ 63:16 Postcontractual risk management

VII. INTERNAL ENVIRONMENTAL POLICIES

§ 63:17 Generally

VIII. ENVIRONMENTAL CONSULTANTS

§ 63:18 In general

§ 63:19 Selecting consultant

§ 63:20 Contracting with consultant

§ 63:21 Managing consultant

§ 63:22 Disclosure obligations

§ 63:23 Using Phase I reports

IX. CONCLUSION

§ 63:24 Generally

SUBPART H3. FINANCIAL AND SECURITIES CONCERNS

CHAPTER 64. Financial Institutions Reform, Recovery and Enforcement Act (FIRREA)

I. INTRODUCTION

§ 64:1 In general

§ 64:2 Legality of OTS

II. NEW AGENCIES AND FUNCTIONS

§ 64:3 Generally

III. SIGNIFICANT MATTERS AFFECTED BY FIRREA

§ 64:4 Resolution trust corporation

§ 64:5 FDIC as RTC's exclusive manager

§ 64:6 Oversight board

§ 64:7 Deposit insurance

§ 64:8 Brokered deposits

IV. LIMITS ON LOANS AND INVESTMENTS

§ 64:9 In general

§ 64:10 Restrictions on activities of state savings associations

§ 64:11 Prohibition of junk bonds

§ 64:12 Grandfathered investments

§ 64:13 Nonresidential real estate

§ 64:14 Equity investments

TABLE OF CONTENTS

V. LIMITATION ON INSIDER LOANS AND LOANS-TO-ONE-BORROWER

§ 64:15 Generally

VI. HOUSING PROVISIONS

§ 64:16 Generally

VII. CAPITAL STANDARDS

§ 64:17 Generally

§ 64:18 Establishment of equivalent standards

VIII. QUALIFIED THRIFT LENDER

§ 64:19 Generally

IX. THRIFT CONVERSION TO BANK

§ 64:20 Generally

X. ENFORCEMENT

§ 64:21 In general

§ 64:22 Corrective actions

§ 64:23 Civil fines

§ 64:24 Criminal enforcement

§ 64:25 Personal liability

§ 64:26 Informants

XI. LITIGATION POWERS

§ 64:27 *D'Oench* doctrine

§ 64:28 Exhaustion of remedies

§ 64:29 Judicial review

§ 64:30 Claims procedures

§ 64:31 Alternative dispute resolution

§ 64:32 Adjudication by FDIC: *Coit* case

§ 64:33 Priorities

XII. JURISDICTION

§ 64:34 Generally

XIII. RESOLUTION TRUST CORPORATION (RTC)

§ 64:35 Powers and duties of RTC—Objectives of RTC

§ 64:36 —Structure of RTC and advisory boards

§ 64:37 —RTC funding

§ 64:38 —Review of 1988 transactions including “southwest plan” deals

§ 64:39 —RTC general and specific powers—In general

- § 64:40 — —Creation of new entities
- § 64:41 —Documentation of decisions
- § 64:42 —Asset disposal in distressed areas
- § 64:43 —RTC as successor of FSLIC liabilities
- § 64:44 —Standards of conduct for independent contractors
- § 64:45 Disposition of single family property
- § 64:46 Disposition of multifamily property
- § 64:47 Financing of RTC sales—Sale price
- § 64:48 —Seller financing
- § 64:49 —Other federal assistance
- § 64:50 Title to property from RTC
- § 64:51 Sale to purchasers for profit

XIV. PURCHASE AND SALE OF REPOSSESSED ASSETS FROM RTC AND EMERGING ENTITIES

- § 64:52 In general
- § 64:53 Title problems—In general
- § 64:54 —Environmental risks
- § 64:55 —Fraudulent conveyances and preferences
- § 64:56 Valuation problems—In general
- § 64:57 —Title insurance
- § 64:58 Due property diligence problems—Inspections
- § 64:59 —Operating records
- § 64:60 —Other pre-contract inquiries
- § 64:61 —Representations and warranties
- § 64:62 Conflicting RTC policies
- § 64:63 Advisability of purchasing
- § 64:64 Purchasing from other than RTC
- § 64:65 Conclusions on purchasing
- § 64:66 —General suggestions
- § 64:67 —Buying thrifts

CHAPTER 65. REGULATION OF RESIDENTIAL MORTGAGE LENDING AFTER FIRREA

I. INTRODUCTION

- § 65:1 Changing share in mortgage lending
- § 65:2 Types of loans—In general
- § 65:3 —Department of Veterans Affairs (VA) loans
- § 65:4 —Federal Housing Administration (FHA) loans
- § 65:5 —Conventional loans; Federal National Mortgage Association (Fannie Mae); Federal Home Loan Mortgage Corporation (Freddie Mac)

II. ORIGINATION

- § 65:6 Application—Real Estate Settlement Procedures Act (RESPA)—RESPA loans

TABLE OF CONTENTS

- § 65:7 —Information to applicants—Information booklet
- § 65:8 — —Good faith estimate of charges
- § 65:9 — —Transfer of mortgage servicing disclosure
- § 65:10 —Truth-in-Lending Act—Regulation Z—In general
- § 65:11 — —Prepayment penalties in FHA loans
- § 65:12 — —Change in interest rates
- § 65:13 — — —Renewable loans with balloon payments
- § 65:14 — — —Adjustable rate mortgages (ARM)
- § 65:15 —Office of Thrift Supervision (OTS) regulations
- § 65:16 —Discrimination—Equal Credit Opportunity Act (ECOA)
- § 65:17 — —Fair Housing Act
- § 65:18 — —Home Mortgage Disclosure Act after FIRREA
- § 65:19 — —Office of Thrift Supervision (OTS) regulations
- § 65:20 — —OTS loan application register
- § 65:21 Underwriting and processing—In general
- § 65:22 —Real estate appraisal
- § 65:23 Approval or disapproval—Duty to notify applicant
- § 65:24 —Fair Credit Reporting Act
- § 65:25 —Commitment letter and loan agreement
- § 65:26 Preclosing—Flood insurance
- § 65:27 —Borrower inspection of HUD-1
- § 65:28 —Kickbacks and unearned fees
- § 65:29 —Notice of restriction on assumability—VA loans
- § 65:30 — —FHA loans
- § 65:31 Closing—Requirement for new disclosures
- § 65:32 —Rate ceiling on adjustable rate mortgages
- § 65:33 —Buydown of interest rates
- § 65:34 —Right of rescission
- § 65:35 —Signature of spouse
- § 65:36 —Vendor's lien
- § 65:37 —Refinance of homestead
- § 65:38 —Practice of law by nonattorneys
- § 65:39 —Escrow account for taxes and insurance
- § 65:40 —Disbursements from trust fund
- § 65:41 —Assumability of loans—VA loans
- § 65:42 — —FHA loans
- § 65:43 —Restrictions on FHA insurance—Mortgage insurance premiums
- § 65:44 — —Mortgagor equity
- § 65:45 —Forms for insured mortgages
- § 65:46 —FHA prepayment notice
- § 65:47 —Miscellaneous
- § 65:48 Post closing—Home Mortgage Disclosure Act after FIRREA
- § 65:49 —Community Reinvestment Act (CRA) after FIRREA

III. SERVICING

- § 65:50 In general

- § 65:51 Satisfaction and discharge
- § 65:52 Term of loan servicing—Report to Internal Revenue Service (IRS)
- § 65:53 —Disclosure of interest rate adjustment
- § 65:54 —Escrow account statement
- § 65:55 —Notice of transfer of servicing
- § 65:56 —Borrower’s request for information
- § 65:57 —Assumptions
- § 65:58 Foreclosure—In general
- § 65:59 —Notification of counselling services
- § 65:60 —Interview with borrower
- § 65:61 —Partial payments
- § 65:62 —Foreclosure of mortgages—In general
- § 65:63 — —Texas

IV. CONCLUSION

- § 65:64 Generally

CHAPTER 66. SUBPRIME MORTGAGE AND MORTGAGE-BACKED SECURITIZATION LITIGATION

- § 66:1 Introduction
- § 66:2 —Background for securitization and subprime mortgages
- § 66:3 Relationship to other chapters in treatise
- § 66:4 Subprime lending
- § 66:5 Subprime mortgage securitizations in general
- § 66:6 Subprime problems spread to other markets
- § 66:7 Collateralized debt obligations
- § 66:8 Mortgage-backed securitization cases—Introduction
- § 66:9 Actions primarily against originators of mortgages
- § 66:10 —Class actions
- § 66:11 —Derivative actions against originators of mortgages
- § 66:12 Actions primarily against investment banks
- § 66:13 Actions primarily against rating agencies
- § 66:14 —Rating agencies defense of First Amendment and ratings are only “opinions”
- § 66:15 —Actions based on fraud and other grounds
- § 66:16 Actions primarily based on purchase and sale of mortgage-backed securities or interests in the securities
- § 66:17 —Liability for fraud and false claims and SEC enforcement actions for mortgage-related securities
- § 66:18 Prompt and timely notice of breach
- § 66:19 Actions primarily against trust
- § 66:20 Actions primarily against attorneys
- § 66:21 Actions primarily against servicers
- § 66:22 Litigation risk in actions against servicers
- § 66:23 Regulator’s enforcement actions against servicers

TABLE OF CONTENTS

- § 66:24 Servicing and proof of claims problems in consumer cases
 - § 66:25 —Actions of servicer or lender resulting in discharge of debt
 - § 66:26 Federal government and 49 state attorneys general \$25 billion agreement with the nation’s largest mortgage servicers to address mortgage loan servicing and foreclosure abuses
 - § 66:27 Judge signs off on foreclosure settlement
 - § 66:28 Environmental issues in securitized loans
 - § 66:29 Conclusion
- APPENDIX 66A. Subprime Mortgage and Related Litigation—
Treatises and Databases
- APPENDIX 66B. Press Release and Complaint—*United States v. Bank of America*

CHAPTER 67. ASSET SECURITIZATION AND COMMERCIAL MORTGAGE-BACKED SECURITIES

I. INTRODUCTION

- § 67:1 Overview of chapter
- § 67:2 Background for securitization of mortgages
- § 67:3 Commercial mortgage-backed securities (CMBS)
- § 67:4 Purpose and definition of securitization
- § 67:5 Securitization compared to “factoring”
- § 67:6 Securitization compared to participating mortgages
- § 67:7 Advantages of securitization to owners of assets
- § 67:8 Advantages of securitization to investors
- § 67:9 Disadvantages of securitization

II. TYPES OF ASSETS SECURITIZED

- § 67:10 Generally
- § 67:11 Securitization of home mortgages
- § 67:12 Securitization of real estate interests other than home mortgages
- § 67:13 —Pooled transactions: Commercial mortgage-backed securities (CMBS)—In general
- § 67:14 — —Securitization of portfolio loans and conduit lending
- § 67:15 — —Commercial mortgage-backed securities (CMBS) process—General outline of CMBS
- § 67:16 — — —Detailed CMBS process and participants
- § 67:17 Collateralized Debt Obligations (CDO) and Commercial Real Estate (CRE) “CRE CDOs”
- § 67:18 Securitization of real estate interests other than home mortgages—Single-borrower and property-specific transactions
- § 67:19 —Credit lease-backed transactions

§ 67:20 —Equity interests and other types of assets

III. OVERVIEW OF TYPES OF PAYMENT PROCESSES

§ 67:21 Pass-through, pay-through and bonds

§ 67:22 —Pass-through transactions

§ 67:23 —Pay-through transactions

§ 67:24 REMIC

§ 67:25 Collateralized bond obligations (CBO) and collateralized loan obligations (CLO)

IV. RATING AGENCIES

§ 67:26 Generally

V. SPECIAL PURPOSE ENTITY (SPE/SPV) AND BANKRUPTCY REMOTENESS

§ 67:27 Reasons for special purpose entity (SPE/SPV)

§ 67:28 One-tier and two-tier transactions

§ 67:29 Characteristics of special purpose entity (special purpose vehicle)

§ 67:30 —Separateness and separateness covenants

§ 67:31 —Restrictions on powers and operations of SPE

§ 67:32 —Restrictions on other debt or encumbrances

§ 67:33 —Limiting filing of voluntary bankruptcy petition

§ 67:34 Code transferors/originators subject to Bankruptcy Code

§ 67:35 Bankruptcy risks—Substantive consolidation

§ 67:36 —Fraudulent transfers

§ 67:37 —Preferential transfers

§ 67:38 —Recharacterization as not true sale—
Recharacterization—In general

§ 67:39 — —*LTV* case

§ 67:40 — —Consequences of recharacterization

§ 67:41 —Bankruptcy risk in conduit lending

§ 67:42 —Revised Article 9 and securitization: Sales of promissory notes and participating loans to SPE/SPV

§ 67:43 —Treatment of sale of notes under former Article 9

§ 67:44 —Change in definitions

§ 67:45 —Attachment

§ 67:46 —Automatic perfection

§ 67:47 —Recharacterization and perfection by filing

§ 67:48 —Participating loans

§ 67:49 —Restrictions on assignment of promissory notes and other payment obligations

§ 67:50 —Securitization of security interests in promissory notes

§ 67:51 —Subordination of investor's interest

§ 67:52 Effectiveness of bankruptcy-remote provisions

§ 67:53 Proposed legislation to protect asset securitization from bankruptcy of originator

TABLE OF CONTENTS

- § 67:54 Opinion letters
- § 67:55 Types of legal entities as SPE
- § 67:56 Costs of securitization

VI. THE TRUSTEE AND SERVICING

- § 67:57 Trustee
- § 67:58 Servicer/master servicer—In general
- § 67:59 —Advancing funds
- § 67:60 —Collection and dissemination of collateral and borrower information
- § 67:61 Sub-servicers
- § 67:62 Property servicer
- § 67:63 Special servicer—Loan modifications and workouts
- § 67:64 —Workouts by servicers compared to workouts by traditional lenders—Early-stage workouts
- § 67:65 — —Late-stage workouts
- § 67:66 Corporate tax on income from foreclosure property

VII. REDUCING RISK OF DEFAULT

- § 67:67 Control of cash
- § 67:68 —Sweep accounts and lock boxes
- § 67:69 —Cash trap
- § 67:70 —Eligible accounts and institutions
- § 67:71 Stress test; debt service coverage ratio (DSCR); loan to value (LTV)
- § 67:72 Geographic diversity
- § 67:73 Overcollateralization
- § 67:74 Representations and warranties
- § 67:75 Restriction on other debt or encumbrances—Restrictions
- § 67:76 —Mezzanine financing and preferred equity
- § 67:77 — —Preferred equity
- § 67:78 — —Mezzanine financing
- § 67:79 —Restrictions—Additional debt by A/B loan to the property-owning entity
- § 67:80 Borrower covenants
- § 67:81 Credit enhancement
- § 67:82 —Guarantees
- § 67:83 —Letters of credit
- § 67:84 Subordination and tranches
- § 67:85 Recourse financing
- § 67:86 —Recourse against mortgagors
- § 67:87 —Recourse against transferor/originator
- § 67:88 Prepayment of mortgage debt
- § 67:89 Periodic operating reports and statements
- § 67:90 Liability for hazardous waste
- § 67:91 Hyperamortization

VIII. WORKOUTS AND PERMITTED CHANGES IN MORTGAGED PROPERTY

- § 67:92 In general
- § 67:93 Nondefault changes in collateral or obligation—
Substitution of collateral: “Defeasance”
- § 67:94 Workouts—Defaults by borrower—Role of special servicer
- § 67:95 —Failure of other than obligor of securitized assets—In
general

IX. TAX CONSIDERATIONS

- § 67:96 Avoidance of tax at pool level—Basis for tax at pool/issuer
level
- § 67:97 —Pass-through certificates
- § 67:98 —Collateral mortgage obligations (CMO)
- § 67:99 —Other structures
- § 67:100 —Taxable mortgage pools (TMP) and REMICs
- § 67:101 REMIC (Real estate mortgage investment company)
- § 67:102 —Qualification as REMIC
- § 67:103 — — —Asset test
- § 67:104 — — —Qualified mortgages—Generally
- § 67:105 — — — —Assumption or mortgage modifications
- § 67:106 — — — —Defective obligation
- § 67:107 — — — —Defeasance provisions
- § 67:108 — — —Credit enhancement
- § 67:109 — — —Cash flow investments
- § 67:110 — — —Qualified reserve funds
- § 67:111 — — —Outside reserve funds
- § 67:112 — — —Investors’ interests
- § 67:113 — — —Regular interests
- § 67:114 — — —Residual interests
- § 67:115 — — —Other rights that are not interests
- § 67:116 — — —Arrangements test
- § 67:117 —Formation of REMIC
- § 67:118 —Taxation of REMIC and interest holders—Tax
treatment of REMIC
- § 67:119 — —Tax treatment of regular interest holders
- § 67:120 — —Tax treatment of residual interest holders
- § 67:121 — —Excess inclusion rules—Generally
- § 67:122 — — —Special rule for thrift institutions
- § 67:123 — — —Excess inclusions of certain institutional investors
- § 67:124 — — —Tax on transfer to disqualified organization
- § 67:125 — — —Noneconomic residuals
- § 67:126 —REMIC interests held by thrift institutions and REITS
- § 67:127 FASIT (financial asset securitization investment trusts)

X. SECURITIES LAWS

- § 67:128 Generally

TABLE OF CONTENTS

XI. ACCOUNTING CONSIDERATIONS

- § 67:129 Generally
- § 67:130 Financial Accounting Standards Board (FASB)
- § 67:131 —FASB Statement No. 125: Securitization transfers before April 1, 2001—Requirements
- § 67:132 Isolation of transferred assets
- § 67:133 Restrictions on transferee/qualifying SPE
- § 67:134 —FASB Statement No. 115
- § 67:135 FASB Statement No. 140: Securitization transfers after March 31, 2001—Purpose of FASB 140
- § 67:136 —Isolation of assets
- § 67:137 —Transferee’s right to pledge or exchange assets
- § 67:138 —No effective control by transferor
- § 67:139 —Summary of FASB Statement No. 140

XII. CONFIDENTIALITY OF LOAN INFORMATION

- § 67:140 Generally

XIII. THE CAPITAL CONSORTIUM: CAPITAL MARKETS INITIATIVES

- § 67:141 Generally
- APPENDIX 67A. Glossary of Terms
- APPENDIX 67B. Bibliography, Selected References
- APPENDIX 67C. Summary of Financial Asset Securitization Investment Trusts (FASITs)

CHAPTER 68. SECURITIES LAWS

I. SECURITIES LAWS

- § 68:1 Generally

II. GENERAL OVERVIEW OF SECURITIZATION

- § 68:2 Introduction
- § 68:3 Benefits of securitization to originator/seller of financial assets
- § 68:4 Selected securitization considerations—Importance of ratings agencies
- § 68:5 —Risks of fixed income investments

III. THE SECURITIES ACT OF 1933

- § 68:6 Generally
- § 68:7 1933 Act registration exemptions
- § 68:8 —1933 Act definition of security
- § 68:9 —1933 Act securities exemptions

- § 68:10 —1933 Act transaction exemptions/private offerings—Section 4(2)
- § 68:11 — —Regulation D—Generally
- § 68:12 — — —Rule 506/accredited investors
- § 68:13 — — —Informational requirements and prohibitions
- § 68:14 — — —Insignificant violations of Regulation D
- § 68:15 — — —Integration
- § 68:16 — —Rule 144A/private resales to institutions
- § 68:17 — — —Qualified institutional buyers (QIBs)
- § 68:18 — — —Disclosure conditions for qualification under Rule 144A
- § 68:19 — — —Interplay between Regulation D and Rule 144A
- § 68:20 — — —PORTAL

IV. THE SECURITIES EXCHANGE ACT OF 1934

- § 68:21 Generally
- § 68:22 Registration requirements
- § 68:23 Reporting requirements

V. TRUST INDENTURE ACT OF 1939

- § 68:24 Generally

VI. THE INVESTMENT COMPANY ACT OF 1940

- § 68:25 Generally
- § 68:26 Rule 3a-7—Generally
- § 68:27 —Requirements
- § 68:28 Section 3(c)(5)(C)
- § 68:29 Section 3(c)(1) and 3(c)(7)
- § 68:30 Section 3(c)(1) “look through” test
- § 68:31 —Prior to the National Securities Market Improvement Act of 1996 (NSMIA)
- § 68:32 —Subsequent to NSMIA
- § 68:33 Section 3(c)(7) “qualified purchaser” exemption
- § 68:34 —Qualified purchaser

VII. STATE SECURITIES LAWS

- § 68:35 Secondary Mortgage Market Enhancement Act of 1984 (SMMEA)
- § 68:36 NSMIA

APPENDIX 68A. Bibliography, Selected References

PART I. CONSTRUCTION LAW AND PRACTICE

CHAPTER 69. CONSTRUCTION LAW AND PRACTICE—SUMMARY

I. IN GENERAL

- § 69:1 Introduction
- § 69:2 Overview of construction process
- § 69:3 Failure of construction projects
- § 69:4 Construction loan agreement and defaults
- § 69:5 Construction loan workouts
- § 69:6 Interim protection for construction lenders
- § 69:7 Foreclosure and other terminations of mortgages
- § 69:8 Bankruptcy law
- § 69:9 Third party claims and liabilities
- § 69:10 Income tax consequences
- § 69:11 Obtaining possession
- § 69:12 Real estate obtained by lender from mortgagor (REO)
- § 69:13 Environmental concerns

APPENDIX 69A. Bibliography—Construction Law and Practice

CHAPTER 70. CONSTRUCTION PROCESS OVERVIEW

I. INTRODUCTION

- § 70:1 Generally

II. PROJECT CHRONOLOGY

- § 70:2 In general
- § 70:3 Planning; feasibility—In general
- § 70:4 —Land acquisition
- § 70:5 —Market studies
- § 70:6 —Project design
- § 70:7 —Cost estimates
- § 70:8 —Selection of owning entity
- § 70:9 Financing commitments—In general
- § 70:10 —Term financing
- § 70:11 —Construction financing
- § 70:12 —Combined financing
- § 70:13 Production—In general
- § 70:14 —Architectural/engineering contracts
- § 70:15 —Construction contracts
- § 70:16 —Marketing
- § 70:17 Completion—In general

- § 70:18 —Term financing
- § 70:19 —Lease/sale closings
- § 70:20 —Operating contracts
- § 70:21 —Project sale

III. PARTIES

- § 70:22 In general
- § 70:23 Developers
- § 70:24 Planners
- § 70:25 Builders
- § 70:26 Lenders
- § 70:27 Regulators
- § 70:28 End users

IV. ATTORNEYS AND THEIR ROLES

- § 70:29 In general
- § 70:30 Developer's counsel—In general
- § 70:31 — —Forecasting
- § 70:32 — —Documentation
- § 70:33 — —Enforcement
- § 70:34 Attorney's opinions—In general
- § 70:35 —Informal opinions
- § 70:36 —Formal opinions
- § 70:37 Documents—In general
- § 70:38 —Table of contents
- § 70:39 —Defined terms
- § 70:40 —Cross references
- § 70:41 —Numbering
- § 70:42 —Pronouns
- § 70:43 —Legalese
- § 70:44 —Length
- § 70:45 —Schedules
- § 70:46 —Packaging

V. PROJECT ECONOMICS

- § 70:47 In general
- § 70:48 5.1 subdivision
- § 70:49 Inflation
- § 70:50 Leverage

VI. LAND ACQUISITION

- § 70:51 In general
- § 70:52 Control devices—In general
- § 70:53 Land acquisition contracts
- § 70:54 Business terms
- § 70:55 Preprinted forms—In general

TABLE OF CONTENTS

- § 70:56 —Format
- § 70:57 —Proprietary interest
- § 70:58 —Letters of intent
- § 70:59 Option agreements
- § 70:60 Development agreements
- § 70:61 Right of refusal agreements
- § 70:62 Reciprocal easement agreements

VII. PURCHASE MONEY FINANCING

- § 70:63 In general
- § 70:64 Completed projects
- § 70:65 Raw land
- § 70:66 Common concerns—In general
- § 70:67 —Prepayment
- § 70:68 —Prior mortgages
- § 70:69 —Management
- § 70:70 —Defenses

VIII. LONG TERM LEASES

- § 70:71 Generally

IX. ARCHITECTURAL CONTRACTS

- § 70:72 In general
- § 70:73 Dealing with architects—In general
- § 70:74 —Control
- § 70:75 —Time
- § 70:76 —Cost estimates
- § 70:77 —Standards
- § 70:78 Definition of services
- § 70:79 Compensation
- § 70:80 Miscellaneous problems

X. TERM FINANCING

- § 70:81 In general
- § 70:82 Lending commitments—In general
- § 70:83 —Take-out commitments
- § 70:84 —Standby commitments
- § 70:85 —Bridge commitments
- § 70:86 —Gap commitments
- § 70:87 Commitment enforcement—In general
- § 70:88 —General rule
- § 70:89 —Default
- § 70:90 Commitment process—In general
- § 70:91 —Application
- § 70:92 —Broker
- § 70:93 —Initial approval

- § 70:94 —Committee approval
- § 70:95 —Commitment issuance
- § 70:96 —Developer's response
- § 70:97 Business terms
- § 70:98 Party issuing commitment
- § 70:99 Borrowing entity
- § 70:100 Conditions subject to early satisfaction
- § 70:101 Conditions not subject to early satisfaction
- § 70:102 Term loan documents—In general
- § 70:103 —Buy-sell agreements

XI. CONSTRUCTION FINANCING

- § 70:104 In general
- § 70:105 Construction lender impediments—In general
- § 70:106 —Project control
- § 70:107 —Collateral value
- § 70:108 —Inadequate remedies
- § 70:109 Construction loan documents—In general
- § 70:110 —Loan agreement
- § 70:111 —Promissory note
- § 70:112 —Mortgage/deed of trust
- § 70:113 —Security agreements
- § 70:114 —Other documents
- § 70:115 Pre-closed loan—In general
- § 70:116 —Project delay
- § 70:117 —Cost savings
- § 70:118 —Declining rates
- § 70:119 —Increasing rates
- § 70:120 —Lien priority
- § 70:121 —Complexity
- § 70:122 Production—In general
- § 70:123 —Retainage
- § 70:124 —Loan balancing
- § 70:125 —Approvals
- § 70:126 —Technical default
- § 70:127 —Term loan closing

XII. OPERATING AGREEMENTS

- § 70:128 In general
- § 70:129 Management agreements
- § 70:130 Impact on financing
- § 70:131 Impact on sale

XIII. CONTRACTS FOR DISPOSITION

- § 70:132 In general
- § 70:133 General considerations—In general
- § 70:134 — —Investigation

TABLE OF CONTENTS

§ 70:135	— —Negotiation
§ 70:136	Description of property
§ 70:137	Purchase price—In general
§ 70:138	—Earnest money
§ 70:139	—Down payment
§ 70:140	—Financed amount
§ 70:141	Title—In general
§ 70:142	—Title exceptions
§ 70:143	—Cost
§ 70:144	—Title examiner
§ 70:145	—Curative work
§ 70:146	Closing—In general
§ 70:147	—Closing documents
§ 70:148	—Closing date
§ 70:149	Project condition—In general
§ 70:150	—“As is” sale
§ 70:151	—Full warranty sale
§ 70:152	—Inspection sale
§ 70:153	Prorations—In general
§ 70:154	—Receipts
§ 70:155	—Disbursements
§ 70:156	—Deposits
§ 70:157	—Employees
§ 70:158	—Insurance
§ 70:159	—Taxes
§ 70:160	Operations pending closing
§ 70:161	Casualty loss
§ 70:162	Default and remedies—In general
§ 70:163	—Liquidated damages
§ 70:164	—Inadequacy
§ 70:165	Order of execution
§ 70:166	Assignment
§ 70:167	Amendment
§ 70:168	Ancillary documents—In general
§ 70:169	—Deeds
§ 70:170	—Bills of sale
§ 70:171	—Price allocation
§ 70:172	—Certified information
§ 70:173	—Certificates of authority
§ 70:174	—Closing memoranda
§ 70:175	—Notice letters
§ 70:176	Escrow instructions
§ 70:177	Variations—In general
§ 70:178	—Sale-leaseback
§ 70:179	—Option; operating lease
§ 70:180	—Sale; installment sale back
§ 70:181	—Sandwich sale; flips
§ 70:182	—Variable price

- § 70:183 —Multiple projects
- § 70:184 Reflections

XIV. DEALING WITH BROKERS

- § 70:185 In general
- § 70:186 Controlling relationship—In general
- § 70:187 —Broker mentality
- § 70:188 —Agency relationship
- § 70:189 —Project information
- § 70:190 Overview of law—In general
- § 70:191 —Statute of frauds
- § 70:192 —Seller liability
- § 70:193 —Determination of employment
- § 70:194 —Failure to close
- § 70:195 —Procuring cause
- § 70:196 —Contract terms
- § 70:197 —Ability to purchase
- § 70:198 —Licensing
- § 70:199 —Multiple commissions
- § 70:200 Customary arrangements—In general
- § 70:201 —Net listings
- § 70:202 —Open listings
- § 70:203 —Exclusive listing
- § 70:204 Written brokerage agreements—In general
- § 70:205 —Negotiable terms
- § 70:206 —Sample form

XV. CONCLUSION

- § 70:207 In general
- § 70:208 Complexity
- § 70:209 Remedies
- § 70:210 Unpredictability

CHAPTER 71. CONSTRUCTION CLAIMS IN BANKRUPTCY

I. INTRODUCTION

- § 71:1 In general

II. CONSTRUCTION PROCESS AND PAYMENT MECHANISMS FOR SUBCONTRACTORS

- § 71:2 Mechanics' and materialmens' liens
- § 71:3 Trust fund statutes
- § 71:4 Bonds

III. OWNER BANKRUPTCY

- § 71:5 Automatic stay

TABLE OF CONTENTS

§ 71:6	Prepetition perfection
§ 71:7	Post-petition perfection and exception from automatic stay: Section 546(b)—Avoiding of liens by trustee
§ 71:8	—Section 546(b)'s requirement of "relation back"
§ 71:9	—Prepetition property interest
§ 71:10	Failure to perfect
§ 71:11	Enforcement actions and automatic stay—State statutes requiring enforcement to perfect
§ 71:12	—Notice under Section 546(b)(2) as substitute for state-required enforcement
§ 71:13	— —Acts constituting notice under Section 546(b)(2)
§ 71:14	— —Distinction between enforcement required to perfect and enforcement in general
§ 71:15	— —Tolling of enforcement under Section 108(c)
§ 71:16	Rights and priorities versus non-debtor entities—Claims against sureties and guarantors
§ 71:17	—Priority in contract proceeds
§ 71:18	—Mechanics' lienors and construction mortgagees
§ 71:19	Mechanics' and materialmen's liens as preferences: Section 547(c)(6)

IV. GENERAL CONTRACTOR BANKRUPTCY

A. PROTECTION OF SUBCONTRACTORS AND SUPPLIERS

§ 71:20	Automatic stay
§ 71:21	Property of estate—In general
§ 71:22	—Unpaid contract proceeds
§ 71:23	— —Funds subject to statutory or express trust—Background
§ 71:24	—Funds subject to statutory or express trust—Later developments
§ 71:25	— —Earmarking and use of joint payee checks
§ 71:26	— —Funds subject to constructive trust—In general
§ 71:27	— — —Later decisions
§ 71:28	Nondischargeability of trust fund claims

B. PROTECTION FOR PROPERTY OWNERS

§ 71:29	Setoff and recoupment—Background
§ 71:30	—Right of setoff
§ 71:31	— —In construction cases
§ 71:32	— —Against subcontractor
§ 71:33	—Recoupment—In general
§ 71:34	— —In construction claims
§ 71:35	Assumption or rejection of construction contracts

C. PROCEDURAL CONSIDERATIONS AND ARBITRATION

§ 71:36	Jurisdiction
---------	--------------

§ 71:37 Arbitration of construction contract disputes

V. CONCLUSION

§ 71:38 In general

PART J. MISCELLANEOUS CONCEPTS

CHAPTER 72. CLASS ACTIONS IN FEDERAL COURTS

I. INTRODUCTION

- § 72:1 Class actions—Introduction
- § 72:2 Class actions are controversial
- § 72:3 Subprime litigation crisis
- § 72:4 Purpose of class actions in federal courts

II. RESOURCES AND DATABASES

- § 72:5 Resources and databases
- § 72:6 —Stanford Securities Class Action Clearinghouse

III. STATUTORY LIMITATIONS OTHER THAN RULE 23

- § 72:7 Certification under Rule 23 of Federal Rules of Civil Procedure and other limitations on class actions
- § 72:8 —Federal Court Jurisdiction
- § 72:9 —Jurisdiction and limitations: state and federal jurisdiction
- § 72:10 Federal expansion and limitation of securities class actions
- § 72:11 —Private Securities Litigation Reform Act of 1995 (“PSLRA”) and Securities Litigation Uniform Standards Act (“SLUSA”) (PSLRA/SLUSA)
- § 72:12 —Class Action Fairness Act of 2005
- § 72:13 Federal Arbitration Act: 9 USCA §§ 1 TO 14

IV. RULE 23 OVERVIEW

- § 72:14 Requirements for class actions in federal court: Rule 23
- § 72:15 —Certification in federal courts: Rule 23
- § 72:16 —Text of Federal Rule Civil Procedure § 23
- § 72:17 —Preliminary matters
- § 72:18 —Showing plaintiffs must make for class certification

V. RULE 23 PREREQUISITES: RULE 23(A)

- § 72:19 Requirements for class actions in federal court: Rule 23—Prerequisites—in general: Rule 23(a)
- § 72:20 — —Prerequisites—numerosity: Rule 23(a)(1)
- § 72:21 — —Prerequisites—Commonality of common issues of fact or law affecting all class members: Rule 23(a)(2)

TABLE OF CONTENTS

- § 72:22 — —Prerequisites—plaintiffs claims are “typical”: Rule 23(a)(3)
- § 72:23 — —Prerequisites—the representative parties will fairly and adequately protect the interests of the class: Rule 23(a)(4)

VI. RULE 23 CATEGORIES MAINTAINABLE: RULE 23(B)

- § 72:24 Requirements for class actions in federal court: Rule 23—Categories—three types of class actions maintainable: Rule 23(b)(1), 23(b)(2) and 23(b)(3)-Rule 23(b): requirement that class action be “maintained”
- § 72:25 — —Categories—significance of the Rule category under which the plaintiff can achieve certification
- § 72:26 — —Categories—Rule 23(b)(1): obligation to treat class members alike or where class members are making claims against a fund insufficient to satisfy all of the claims
- § 72:27 — —Categories—Rule 23(b)(1)(A): inconsistent or varying adjudications
- § 72:28 — —Categories—Rule 23(b)(1)(B): risk of class adjudication as dispositive to parties not members of the class
- § 72:29 — —Categories—Rule 23(b)(3): predominance and superior requirements

VII. INTERLOCUTORY APPEAL OF CLASS CERTIFICATION OR DENIAL: RULE 23(F)

- § 72:30 Requirements for class actions in federal court: Rule 23—Rule 23(f) interlocutory appeal of class certification or denial

VIII. CERTIFICATION CASES BY SUBJECT MATTER

- § 72:31 Selected certification cases by subject matter
- § 72:32 — —Aiding and abetting class actions
- § 72:33 — —Fair Debt Collection Practices Act (“FDCPA”)
- § 72:34 — —Equal Credit Opportunity Act (“ECOA”) and the Fair Housing Act (“FHA”) class actions
- § 72:35 — —State class actions
- § 72:36 — —Fair Credit Reporting Act (FCRA) and the Fair and Accurate Credit Transactions Act (FACTA)
- § 72:37 — —Miscellaneous cases

Volume 5

PART K. JURISDICTIONAL SUMMARIES

CHAPTER 73. ARIZONA PRACTICE

I. A GENERAL OVERVIEW OF MORTGAGES AND DEEDS OF TRUST IN ARIZONA

- § 73:1 Mortgage
- § 73:2 —Formal requisites
- § 73:3 —Priority and necessity of recording
- § 73:4 Replacement and subrogation
- § 73:5 Mortgage—Purchase money mortgages
- § 73:6 —Equitable subrogation
- § 73:7 —Relation of mortgage to obligation secured; assignment
and release of mortgage
- § 73:8 —Modification of mortgages
- § 73:9 Deed of trust
- § 73:10 —Formal requisites
- § 73:11 —Trustee
- § 73:12 —Failure to record satisfaction of deed
- § 73:13 So-called “equitable mortgages”
- § 73:14 Sample Assignment of Deed of Trust

II. ENFORCEMENT OF MORTGAGES AND DEEDS OF TRUST IN ARIZONA

- § 73:15 Enforcement of mortgages—In general
- § 73:16 —Jurisdiction and venue
- § 73:17 —Commencement of the action—Foreclosure title report
- § 73:18 —Commencement of action—Notice of acceleration
- § 73:19 — —Lis pendens
- § 73:20 — —Necessary and proper parties
- § 73:21 —Commencement of the action—The foreclosure complaint
- § 73:22 —Entry and form of the judgment of foreclosure—Entry of
default judgment
- § 73:23 — —Summary judgment
- § 73:24 — —Form and content of the foreclosure judgment
- § 73:25 — —Right of junior claimant to acquire lien
- § 73:26 —Sale on special execution after entry of judgment—Writ
of special execution
- § 73:27 — —Sheriff’s notice of sale
- § 73:28 — —Time and place of sale
- § 73:29 — —Bid price at sale
- § 73:30 — —Determination of fair market value

TABLE OF CONTENTS

- § 73:31 — —Interest acquired by purchaser at sale—Preparation of documents
- § 73:32 —Rights of redemption—Equitable and statutory rights of redemption
- § 73:33 —Sheriff's deed to purchaser or last redemptioner
- § 73:34 —Enforcement of FHA insured and VA guaranteed loans
- § 73:35 —Foreclosure of condominium
- § 73:36 —Drug-related forfeitures
- § 73:37 Enforcement of deeds of trust
- § 73:38 Subordination agreements
- § 73:39 Enforcement of deeds of trust—Judicial foreclosure of deed of trust
- § 73:40 —Exercising power of sale
- § 73:41 — —Trustee's sale guarantee
- § 73:42 — —Statement of breach
- § 73:43 —Notice of substitution of trustee—By beneficiary
- § 73:44 — —By trustee resigning
- § 73:45 —Notice of trustee's sale
- § 73:46 — —Publication, posting, and recording of notice
- § 73:47 — —Mailing of notice
- § 73:48 — —Environmental law concerns
- § 73:49 — —Special notes regarding federal tax liens
- § 73:50 — —Sales of personal property
- § 73:51 — —Reinstatement prior to trustee's sale
- § 73:52 —Disclosure of information about trustee's sale or potential reinstatement prior to trustee's sale
- § 73:53 —Conducting trustee's sale
- § 73:54 — —Procedure for conducting sale
- § 73:55 — —Payment of bid at trustee's sale
- § 73:56 —Distribution of proceeds of sale
- § 73:57 —Issuance of trustee's deed
- § 73:58 —Postponing or changing location of trustee's sale—Postponement
- § 73:59 — —Changing location of trustee's sale
- § 73:60 — —Continuance of trustee's sale

III. DEFENSES

- § 73:61 Introduction
- § 73:62 Types of defenses
- § 73:63 —Failure to follow trustee's sale procedures
- § 73:64 Preliminary injunction
- § 73:65 Types of defenses—Statute of limitations
- § 73:66 —Timely tender of performance
- § 73:67 —Unconscionable conduct or disproportionate harshness
- § 73:68 Liability under Good Samaritan Doctrine
- § 73:69 Types of defenses—Fraud, duress, mistake, or illegality
- § 73:70 —Pendency of separate action on debt
- § 73:71 —Estoppel and waiver

- § 73:72 —Set-off and counterclaim
- § 73:73 —Failure of consideration
- § 73:74 —Outlawing of certain “balloon” payments
- § 73:75 —Racketeering injunctions
- § 73:76 —Payment
- § 73:77 —Usury
- § 73:78 —Homestead
- § 73:79 —Lender liability
- § 73:80 Fraudulent conveyance issues
- § 73:81 Power to appoint receiver
- § 73:82 Test for having receiver appointed

IV. RECEIVERSHIPS AND RENTS, ISSUES, AND PROFITS IN ARIZONA

- § 73:83 Pledge versus assignment
- § 73:84 Receivership certificates
- § 73:85 Receiver’s compensation
- § 73:86 Receiver’s powers
- § 73:87 Advantages and disadvantages of receivership
- § 73:88 Mortgagee in possession
- § 73:89 Receiver’s position after bankruptcy

V. DEFICIENCY ISSUES

- § 73:90 Deficiencies resulting from mortgage foreclosure—
Preservation of deficiency
- § 73:91 Waiver of statutory anti-deficiency protections
- § 73:92 Deficiencies resulting from mortgage foreclosure—
Limitations on deficiency judgments under mortgages
- § 73:93 —Liability of general partners
- § 73:94 —Fair market value limitation on deficiency judgment
- § 73:95 —Collection of deficiency: execution
- § 73:96 —Deficiencies resulting from foreclosure of deed of trust
- § 73:97 —Preservation of deficiency resulting from trustee’s sale
- § 73:98 —Limitations on deficiencies under deeds of trust
- § 73:99 —Collection of deficiency
- § 73:100 — —Collection of deficiency resulting from trustee’s sale

VI. REDEMPTION

- § 73:101 Redemption after foreclosure of mortgage—Statutory
redemption versus equity of redemption
- § 73:102 —Time for redemption
- § 73:103 —Parties entitled to redeem
- § 73:104 —Redemption by federal government
- § 73:105 —Procedure for redemption by person other than
mortgagor
- § 73:106 —Amounts payable upon redemption
- § 73:107 —Sheriff’s deed

TABLE OF CONTENTS

- § 73:108 —Rents and profits during redemption period
- § 73:109 —Waste during redemption period
- § 73:110 Redemption after foreclosure of deed of trust
- § 73:111 Bibliography

CHAPTER 74. CALIFORNIA PRACTICE

I. INTRODUCTION AND SUMMARY

- § 74:1 In general—Types of security devices—Terminology
- § 74:2 —Installment land contracts
- § 74:3 Deed in lieu of foreclosure
- § 74:4 Judicial or nonjudicial foreclosure
- § 74:5 Right to possession, receivers, and rents
- § 74:6 General prerequisites to foreclosure
- § 74:7 Special California prerequisites—Senior citizens property tax postponement
- § 74:8 —Acceleration
- § 74:9 Summary of remaining sections
- § 74:10 —Judicial foreclosure
- § 74:11 —Deficiency judgments
- § 74:12 —Choice of judicial or nonjudicial foreclosure
- § 74:13 —Mechanics' liens and stop notices
- § 74:14 —Execution sales of real property—In general
- § 74:15 — —Sale without deficiency judgment or redemption
- § 74:16 — —Sale with deficiency judgment and redemption

II. ONE FORM OF ACTION

- § 74:17 One action rule
- § 74:18 Definition of action—Nonjudicial foreclosure
- § 74:19 —Setoff of bank account or other asset—Daily and Wozab cases
- § 74:20 —Other creditor acts—Creditor actions in addition to filing complaint
- § 74:21 — —Cross-complaints
- § 74:22 — —Mixed real and personal property
- § 74:23 One action rule as affirmative defense
- § 74:24 Using one action rule as sanction
- § 74:25 Exceptions to application of one action rule—Worthless security exception—Legally worthless
- § 74:26 — —Security becomes worthless
- § 74:27 — —Sold-out junior
- § 74:28 —Suit against guarantor
- § 74:29 —Receiverships
- § 74:30 —Attachment statute
- § 74:31 —Acceptance of adequate protection payments in bankruptcy
- § 74:32 —Fraud
- § 74:33 —Rent skimming

- § 74:34 —Action for bad faith waste
- § 74:35 —Environmentally impaired property: Cal. Civ. Proc. Code
§ 726.5
- § 74:36 —Right to inspect for hazardous waste: Civ. Code
§ 2929.5(a)
- § 74:37 —Incorrect beneficiary statement
- § 74:38 —Miscellaneous creditor acts
- § 74:39 Single debt with multiple real property security
- § 74:40 Separate debts secured by separate security
- § 74:41 One real property security for separate debts
- § 74:42 Choice of law: out of state transactions

III. JUDICIAL FORECLOSURE

- § 74:43 In general
- § 74:44 Jurisdiction and venue
- § 74:45 Parties to be joined as defendants—In general
- § 74:46 —Distinguishing between necessary and proper defendants
- § 74:47 —Tenants—Junior tenants
- § 74:48 —Tenants
- § 74:49 —Senior lenders
- § 74:50 —Junior lenders
- § 74:51 —Mechanics and materialmen
- § 74:52 —Judgment creditors
- § 74:53 —Holders of equitable claims—In general
- § 74:54 — —Particular equitable claims—Equitable mortgages
- § 74:55 — — —Vendor liens
- § 74:56 — — —Vendee liens
- § 74:57 —Trustee in deed of trust
- § 74:58 —Effect of omitting defendants—In general
- § 74:59 — —Properly omitted parties
- § 74:60 — —Improperly omitted parties
- § 74:61 Parties to be joined as plaintiffs
- § 74:62 Filing lis pendens
- § 74:63 Drafting complaint
- § 74:64 Hearing or trial—In general
- § 74:65 —Equity of redemption
- § 74:66 —Reinstatement
- § 74:67 —Burden of proof and evidence—Burden of proof
- § 74:68 — —Production of original note
- § 74:69 — —Litigation of title or adverse claim
- § 74:70 Restrictions on foreclosure sale to protect borrower
interests
- § 74:71 Marshaling of assets—In general
- § 74:72 —Two funds doctrine
- § 74:73 —Inverse order of alienation
- § 74:74 —Release clauses
- § 74:75 Foreclosure for covenant violations—In general
- § 74:76 —Fire insurance and taxes

TABLE OF CONTENTS

- § 74:77 —Financial and physical waste—In general
- § 74:78 — —Bad faith waste
- § 74:79 Appointment of receiver
- § 74:80 Determining priorities
- § 74:81 Equitable subrogation
- § 74:82 Judgment and decree
- § 74:83 Foreclosure sale—In general
- § 74:84 —No deficiency judgment—No redemption—Judgment and levy
- § 74:85 — —Sale
- § 74:86 — —Deed of sale
- § 74:87 —Deficiency judgment with redemption—Sale
- § 74:88 — —Certificate of sale; deed of sale
- § 74:89 — —Rents and profits after sale
- § 74:90 — —Deficiency judgment
- § 74:91 — —Statutory redemption
- § 74:92 Attack on validity of sale

IV. DEFICIENCY JUDGMENTS

- § 74:93 Summary
- § 74:94 One-action: Cal. Civ. Proc. Code § 726
- § 74:95 Nonjudicial foreclosures: Cal. Civ. Proc. Code § 580d—In general
 - § 74:96 —Exception for fraud or bad faith waste—In general
 - § 74:97 — —Bad faith waste
 - § 74:98 — —Borrower fraud
 - § 74:99 —Miscellaneous exceptions to Cal. Civ. Proc. Code § 580d
 - § 74:100 —Value of underbidding
 - § 74:101 Purchase money mortgages: Cal. Civ. Proc. Code § 580b—
In general and purpose of Cal. Civ. Proc. Code § 580b—
Purposes of § 580b
 - § 74:102 —Definition of vendor under § 580b
 - § 74:103 —Applicability of § 580b to equitable liens and setoffs
 - § 74:104 —Section 580b and unjust enrichment
 - § 74:105 —Action against guarantor
 - § 74:106 —Cal. Civ. Proc. Code § 580b applied to standard transactions
 - § 74:107 —Exceptions for nonstandard transactions—
Subordination to construction or other loans
 - § 74:108 — —Special relationship exception
 - § 74:109 — —Single lender
 - § 74:110 — —Secured by property other than being sold
 - § 74:111 —Exception for fraud
 - § 74:112 —Sales free and clear of liens in bankruptcy: § 363(f)
 - § 74:113 —Unsecured or partially secured notes—At time of loan origination
 - § 74:114 — —Subsequent to loan origination
 - § 74:115 —Refinancing of purchase money mortgage—Paying off original mortgage

- § 74:116 — —Substitution of security
- § 74:117 — —Refinancing with same lender
- § 74:118 Fair value requirements: Cal. Civ. Proc. Code §§ 726 and 580a—In general and purpose: Cal. Civ. Proc. Code § 726
- § 74:119 —Definition of fair value
- § 74:120 —In general and purpose: Cal. Civ. Proc. Code § 580a
- § 74:121 —Purchasing junior limited by fair value
- § 74:122 Mixed collateral
- § 74:123 Guarantors—In general
- § 74:124 —Gradsky exception—Nonjudicial foreclosure by creditor
- § 74:125 — —Creditor's options
- § 74:126 — —Waiver of guarantor defenses—Express waiver of estoppel defense
- § 74:127 — — —Actions of guarantor
- § 74:128 —Waiver of guarantor defenses—Statutory suretyship defenses
- § 74:129 —Gradsky exception—Sham guarantees
- § 74:130 Letters of credit—In general
- § 74:131 —Issue of whether recovery on letter of credit prohibited
- § 74:132 Section 580e—Short sales

V. NONJUDICIAL FORECLOSURE/TRUSTEE'S SALE

- § 74:133 Considerations prior to use—In general
- § 74:134 Homeowner Bill of Rights
- § 74:135 Considerations prior to use—Constitutionally
- § 74:136 —Right to possession, rents and receiver
- § 74:137 —Power of sale clause
- § 74:138 —Election of remedies
- § 74:139 —Substitution of trustee
- § 74:140 —Trustee's sale guarantee
- § 74:141 —Federally insured or guaranteed loans—Foreclosure of FDIC interests
- § 74:142 —Servicemembers Civil Relief Act
- § 74:143 —Termination of federal tax liens through mortgage foreclosure
- § 74:144 —Other prerequisites to foreclosure
- § 74:145 Default and notice of default—Default
- § 74:146 —Notice of default
- § 74:147 Recording notice of default, notice of sale; conduct of trustee's sale
- § 74:148 Sample notice of trustee sale
- § 74:149 Sample Notice to Default and Election to Sell Under Deed of Trust
- § 74:150 Reinstatement period—In general
- § 74:151 —Reinstatement costs and fees—Fees prior to notice of default
- § 74:152 — —Reinstatement costs
- § 74:153 Redemption before sale

TABLE OF CONTENTS

§ 74:154	Notice of sale—In general
§ 74:155	—Notice for tax liens—Federal tax liens
§ 74:156	— —State tax liens
§ 74:157	— —Postponed property taxes
§ 74:158	Action to enjoin sale
§ 74:159	Trustee’s sale—Postponement
§ 74:160	—Sale of several parcels
§ 74:161	—Bidding—In general
§ 74:162	— —Credit bids
§ 74:163	— —Collusive bidding
§ 74:164	—Duty of lender to disclose property defects to bidders
§ 74:165	Completion of sale
§ 74:166	Title of purchaser
§ 74:167	Recitals in trustee’s deeds
§ 74:168	Possession after foreclosure
§ 74:169	Distribution of proceeds
§ 74:170	Actions to set aside sale
§ 74:171	Wrongful foreclosure
§ 74:172	“Sham” foreclosures
§ 74:173	Unconscionable home equity purchasers
§ 74:174	Homeowner foreclosure consultants
§ 74:175	Action for damages
§ 74:176	Attorney fees
§ 74:177	Promissory estoppel claim after foreclosure

VI. CHOICE OF JUDICIAL OR NONJUDICIAL FORECLOSURE

§ 74:178	Judicial foreclosure
§ 74:179	Choice of judicial or nonjudicial foreclosure—Cash bids
§ 74:180	—Notice requirements
§ 74:181	—Redemption rights—In general
§ 74:182	— —Waiver of deficiency judgment
§ 74:183	— —Parties entitled to redeem
§ 74:184	— —Protection of junior lienor
§ 74:185	—Effect of redemption on liens

VII. FORECLOSURE OF MIXED COLLATERAL

§ 74:186	Mixed collateral—Mixed collateral problem
§ 74:187	—California real property foreclosure
§ 74:188	—California personal property foreclosure
§ 74:189	Foreclosure of mixed collateral: Commercial Code § 9604
§ 74:190	Foreclosure of mixed collateral—Creditor options— Separate foreclosure of both real and personal property—Separate nonjudicial foreclosures
§ 74:191	— — —Separate judicial foreclosures
§ 74:192	— — —Foreclosure on personal property first
§ 74:193	— — —Foreclosure on real property first

- § 74:194 — — — Unified foreclosure using real property foreclosure—
In general
- § 74:195 — — — Unified nonjudicial foreclosure
- § 74:196 — — — Unified judicial foreclosure
- § 74:197 — — — Unified foreclosure: election of remedies
- § 74:198 — — — Partial foreclosure of personal property by different
procedures
- § 74:199 Right to reinstate under Commercial Code § 9604(a)
- § 74:200 Title of purchaser at foreclosure of mixed collateral
- § 74:201 Problems interpreting § 9601
- § 74:202 — — — Ignoring the security and suing on the note—Security
is only personal property
- § 74:203 Problems interpreting § 9604—Ignoring the security and
suing on the note—Security is only real property
- § 74:204 — — — Mixed collateral under Commercial Code § 9604
- § 74:205 — — — Fixtures in mixed collateral
- § 74:206 — — — Right to reinstate/cure under Commercial Code § 9623
- § 74:207 — — — Debt secured only by personal property
- § 74:208 — — — Right to reinstate/cure under Commercial Code
§ 2924c—Debt secured only by real property
- § 74:209 — — — Right to reinstate/cure under Commercial Code
§ 9604—Allocation of debt between real and personal
property: Commercial Code § 9604(a)(1)
- § 74:210 — — — Right to reinstate/cure under Commercial Code
§ 9604(a)(1)—Allocation of debt between real and
personal property—Party making allocation
- § 74:211 Problems interpreting § 9601—Right to reinstate/cure—
Allocation of debt between real and personal property—
Three-month reinstatement period
- § 74:212 Problems interpreting § 9604—Right to reinstate/cure—
Allocation of debt between real and personal property—
Reinstatement with proceeds from sale of personal
property
- § 74:213 — — — Limitation of Commercial Code § 9604(a)(3)(C)—
Judicial and nonjudicial sales
- § 74:214 — — — Exclusion of consumer debts

VIII. MECHANICS' LIENS AND STOP NOTICES

- § 74:215 Summary of mechanics' liens
- § 74:216 Mechanic's lien laws overhauled
- § 74:217 Summary of mechanics' liens—Parties entitled to lien
- § 74:218 — — — Conditions for enforcing lien—Preliminary notice
- § 74:219 Preliminary notice—Service
- § 74:220 Proof of notice—Declaration
- § 74:221 Summary of mechanics' liens—Conditions for enforcing
lien—Recording of claim—Direct contractor
- § 74:222 — — — Other claimants
- § 74:223 — — — Amount of lien
- § 74:224 — — — Notice of nonresponsibility

TABLE OF CONTENTS

- § 74:225 —Priority of liens
- § 74:226 —Termination of lien—Release bond
- § 74:227 — —Lapse of 90-day period
- § 74:228 —Enforcement of lien—Foreclosure
- § 74:229 — —Effect of bankruptcy
- § 74:230 Stop notices—In general
- § 74:231 —Mechanics' liens and stop notices compared
- § 74:232 —Parties entitled to stop notice
- § 74:233 —Right of owner to demand stop notice
- § 74:234 —Preliminary 20-day notice
- § 74:235 —Contents of stop notice
- § 74:236 —Unbonded stop notice
- § 74:237 —Bonded stop notice
- § 74:238 —Effect of failure to withhold
- § 74:239 —Bonding to release stop notice
- § 74:240 —Pro rata distribution
- § 74:241 —Enforcement of stop notice
- § 74:242 Remedies available for public works
- § 74:243 Equitable liens

IX. EXECUTION SALES OF REAL PROPERTY

- § 74:244 Execution sales of real property—In general
- § 74:245 —Execution sales
- § 74:246 — —Delay of 120 days
- § 74:247 — —Notice provisions
- § 74:248 — —Sale
- § 74:249 — —Postponement of sale
- § 74:250 — —Form of payment; creditor's bid
- § 74:251 — —Minimum bid required
- § 74:252 — —Liens extinguished
- § 74:253 — —Purchaser's title

APPENDIX 74A. California Commercial Code § 9604

CHAPTER 75. FLORIDA PRACTICE

I. IN GENERAL

- § 75:1 Introduction Nature of Florida mortgage
- § 75:2 Introduction and special update—Interests construed as mortgages
- § 75:3 Interests that may be mortgaged
- § 75:4 Defaults and right to acceleration
- § 75:5 Reinstatement and right to cure default
- § 75:6 Loan reinstatement letter
- § 75:7 Considerations prior to foreclosure—Demand and notice of acceleration
- § 75:8 —Nature of default
- § 75:9 —Defenses to foreclosure action

- § 75:10 —Defenses to a foreclosure action—Equitable defenses
- § 75:11 — —Statute of Limitations
- § 75:12 — —Usury
- § 75:13 — —Racketeer Influenced and Corrupt Organizations Act (RICO)
- § 75:14 — —Other defenses
- § 75:15 —Election of remedies
- § 75:16 —Value of property and possibility of deficiency
- § 75:17 —Other secured debts
- § 75:18 —Nonlitigation alternatives—Workouts
- § 75:19 — —Deeds in lieu
- § 75:20 Foreclosure by action and sale—Nature of foreclosure action
- § 75:21 —Venue and jurisdiction
- § 75:22 —Parties
- § 75:23 —Priority of interests
- § 75:24 — —Taxes
- § 75:25 — —Purchase money mortgage
- § 75:26 — —Mechanic’s liens
- § 75:27 — —Judgment liens
- § 75:28 — —Federal taxes
- § 75:29 —Guarantors
- § 75:30 —Assignments of rents
- § 75:31 Complaint and notice of lis pendens—Essential allegations
- § 75:32 —Nonessential allegations
- § 75:33 —Federal government as defendant
- § 75:34 —State of Florida as defendant
- § 75:35 —Notice of lis pendens
- § 75:36 Service of process—Personal service
- § 75:37 —Long arm service of process
- § 75:38 —Constructive service
- § 75:39 Foreclosure practice and procedure—Orders to show cause, entries of final judgment, payments
- § 75:40 — —Other than residential foreclosures
- § 75:41 —Default judgment: Summary judgment
- § 75:42 —Final judgments
- § 75:43 —Guardian ad litem
- § 75:44 —Discovery
- § 75:45 —Attorneys’ fees and costs
- § 75:46 —Trial procedure—Foreclosure
- § 75:47 — —Receivers
- § 75:48 Foreclosure sale procedures
- § 75:49 —Notice and timing
- § 75:50 Surplus funds
- § 75:51 Foreclosure sale procedures—Multiple parcels
- § 75:52 —Bidding
- § 75:53 —Bankruptcy considerations
- § 75:54 —Confirmation and right of redemption
- § 75:55 —Redemption—Senior and junior mortgagees

TABLE OF CONTENTS

- § 75:56 —Post sale procedures—Right to possession
- § 75:57 — —Certificate of title
- § 75:58 —Motion to vacate foreclosure sale
- § 75:59 Finality of Judgment
- § 75:60 Deficiency suits

CHAPTER 76. GEORGIA PRACTICE

I. INTRODUCTION

- § 76:1 In General

II. TYPES OF SECURITY AGREEMENTS

- § 76:2 In general
- § 76:3 Security deed/deed to secure debt—distinguished from mortgages and other instruments
- § 76:4 —Formal requirements for security deed
- § 76:5 —Characteristics of deed to secure debt
- § 76:6 Mortgages
- § 76:7 Trust deeds
- § 76:8 Mortgage substitutes—In general
- § 76:9 —Installment land sales contracts/bond for title
- § 76:10 —Absolute deed

III. AFTER DEFAULT AND PRIOR TO FORECLOSURE

- § 76:11 Right to possession
- § 76:12 Mortgagee in possession
- § 76:13 Redemption
- § 76:14 Right to receiver
- § 76:15 Assignment of rents and profits clauses
- § 76:16 Right to rents after bankruptcy of grantor of security deed

IV. ACTION ON NOTE

- § 76:17 In general

V. ACTION AGAINST GUARANTORS

- § 76:18 In general

VI. PREREQUISITES TO FORECLOSURE

- § 76:19 In general

VII. ATTORNEY'S FEES

- § 76:20 In general
- § 76:21 Bankruptcy cases

VIII. DEED IN LIEU OF FORECLOSURE

- § 76:22 In general

IX. FORECLOSURE UNDER POWER OF SALE

- § 76:23 In general
- § 76:24 Constitutionality
- § 76:25 Power of sale clause
- § 76:26 Code § 23-2-114
- § 76:27 —Reformation of deed
- § 76:28 Notice of sale—Debtor's residence
- § 76:29 —O.C.G.A. § 44-14-162.2
- § 76:30 —Foreclosure other than on debtor's dwelling
- § 76:31 Redemption prior to foreclosure sale
- § 76:32 Time and conduct of sale
- § 76:33 Purchaser at sale
- § 76:34 Effect of sale
- § 76:35 Deed to foreclosure sale purchaser
- § 76:36 Wrongful foreclosure
- § 76:37 Fraud
- § 76:38 Constructive fraud
- § 76:39 Disposition of proceeds from foreclosure
- § 76:40 Confirmation and deficiency judgment—In general
- § 76:41 —Statute
- § 76:42 —Parties to proceedings
- § 76:43 —True market value
- § 76:44 —Notice, advertisement and regularity of sale
- § 76:45 —Foreclosure of mixed collateral
- § 76:46 —Resale
- § 76:47 —Deficiency amount agreement
- § 76:48 Selection of judicial foreclosure
- § 76:49 Foreclosure in equity
- § 76:50 Receiver's sale in equity
- § 76:51 Judicial foreclosure of deed to secure debt
- § 76:52 Judicial foreclosure of mortgage at law
- § 76:53 Judicial Foreclosure of mortgage at law—Limitation of damages

XI. PRIORITY OF LIEN CLAIMANTS

- § 76:54 In general
- § 76:55 Setting aside foreclosure sale

XII. LENDER LIABILITY AND HAZARDOUS WASTE

- § 76:56 In general

CHAPTER 77. ILLINOIS PRACTICE

I. IN GENERAL

- § 77:1 Security devices
- § 77:2 Illinois mortgage foreclosure statute—In general and scope

TABLE OF CONTENTS

- § 77:3 Deeds in lieu of foreclosure
- § 77:4 Nonjudicial foreclosure not permitted
- § 77:5 Reinstatement by mortgagor
- § 77:6 Judicial foreclosure—Mortgages and deeds of trust—In general
- § 77:7 Online judicial sales
- § 77:8 Lien of judgment, 735 ILCS 5/12-101
- § 77:9 Jurisdiction
- § 77:10 Pleadings
- § 77:11 Parties
- § 77:12 Judicial foreclosure—Real estate installment contracts
- § 77:13 —Assignment of land trusts
- § 77:14 —Consent foreclosures
- § 77:15 —Strict foreclosure
- § 77:16 Confirmation of sale and deficiency judgment
- § 77:17 —Default judgment of foreclosure
- § 77:18 Vacating confirmation of sale
- § 77:19 Challenges after foreclosure sale and deed vests in third party
- § 77:20 Redemption after foreclosure—Right to redeem
- § 77:21 —Time of redemption
- § 77:22 —Amount to redeem
- § 77:23 Restitution
- § 77:24 Possession of foreclosed premises
- § 77:25 Effect of bankruptcy
- § 77:26 —Chapter 13 bankruptcy
- § 77:27 —Stays of redemption
- § 77:28 Military service
- § 77:29 Fees and costs
- § 77:30 Mechanic's liens

CHAPTER 78. IOWA PRACTICE

- § 78:1 In general
- § 78:2 Judicial foreclosure of mortgages—General considerations
- § 78:3 —Acceleration and notice of default
- § 78:4 —Jurisdiction and venue
- § 78:5 —Petition to foreclose mortgage
- § 78:6 Defenses
- § 78:7 Judicial foreclosure of mortgages—Lis pendens
- § 78:8 —Sale free of liens
- § 78:9 —Default judgment and summary judgment
- § 78:10 —Foreclosure without redemption
- § 78:11 —Sheriff's sale
- § 78:12 —Statutory right of redemption
- § 78:13 Recovery of possession
- § 78:14 Voluntary nonjudicial foreclosure
- § 78:15 Involuntary nonjudicial foreclosure of nonagricultural mortgages

- § 78:16 Deed in lieu of foreclosure
- § 78:17 Forfeiture of land contracts
- § 78:18 Receivers
- § 78:19 Bankruptcy and foreclosure
- § 78:20 Mechanic's liens—Who may file
- § 78:21 —Preliminary notices for residential construction
- § 78:22 —Perfection of a mechanic's lien
- § 78:23 —Priority of mechanic's liens
- § 78:24 —Statute of limitations on foreclosure of mechanic's lien
- § 78:25 Mechanic's lien and attorney fees

CHAPTER 79. MASSACHUSETTS PRACTICE

I. IN GENERAL—TYPE OF SECURITY AGREEMENTS

- § 79:1 Mortgages
- § 79:2 —Acknowledgement
- § 79:3 —Statutory condition—M.G.L.A. ch. 183 § 20
- § 79:4 —Statutory power of sale
- § 79:5 —Mortgage substitutes
- § 79:6 — —Installment land sales contracts
- § 79:7 — —Absolute deed

II. RIGHTS AFTER DEFAULT AND PRIOR TO FORECLOSURE

- § 79:8 Foreclosure practice
- § 79:9 Equity of redemption
- § 79:10 Assignment of rents and profits clauses
- § 79:11 —Receivers

III. ACTION ON THE NOTE PRIOR TO FORECLOSURE

- § 79:12 In general

IV. ACTION AGAINST GUARANTORS

- § 79:13 In general

V. DEED IN LIEU OF FORECLOSURE

- § 79:14 In general

VI. PREREQUISITES TO FORECLOSURE

- § 79:15 In general
- § 79:16 Redemption after default before foreclosure

VII. FORECLOSURE

- § 79:17 In general
- § 79:18 Bankruptcy of mortgagor

TABLE OF CONTENTS

- § 79:19 Servicemembers Civil Relief Act
- § 79:20 —Fast-track foreclosure
- § 79:21 Foreclosure by entry
- § 79:22 Foreclosure by power of sale
- § 79:23 —Prerequisites—Creditor’s effort to avoid foreclosure
- § 79:24 — —Identity of mortgage note holder or agent
- § 79:25 Conduct of sale
- § 79:26 Foreclosure by power of sale—Postponement of sale
- § 79:27 —Miscellaneous matters for power of sale
- § 79:28 —Title conveyed by sale
- § 79:29 —Disbursements after sale
- § 79:30 —No redemption after sale under power
- § 79:31 —Deficiency judgment
- § 79:32 —Invalidating power of sale foreclosure
- § 79:33 —Purchase by mortgagor
- § 79:34 Foreclosure by bill in equity
- § 79:35 Foreclosure by pledgee of mortgage
- § 79:36 Foreclosing loans assigned to MERS and other parties
- § 79:37 Post-foreclosure proceedings
- § 79:38 Appeals

VIII. ACTIONS AGAINST LENDERS FOR LENDER LIABILITY AND HAZARDOUS WASTE

- § 79:39 In general

IX. BIBLIOGRAPHY

- § 79:40 Bibliography

CHAPTER 80. MICHIGAN PRACTICE

I. IN GENERAL

- § 80:1 Overview of chapter
- § 80:2 Types of security devices—Mortgages and land contracts
- § 80:3 Clogging the equity of redemption
- § 80:4 After default and before foreclosure
- § 80:5 Deeds in lieu of foreclosure and waiver of redemption rights
- § 80:6 Deeds in escrow
- § 80:7 Assignment of rents
- § 80:8 No strict foreclosure

II. FORECLOSURE BY ADVERTISEMENT

- § 80:9 Nature of remedy and constitutionality
- § 80:10 Deciding to foreclose by advertisement or judicially
- § 80:11 Statutory prerequisites
- § 80:12 —Power of sale
- § 80:13 —Default

- § 80:14 —No suit on debt
- § 80:15 —Standing and assignment of mortgages to be of record
- § 80:16 Notice of sale—Statutory requirements
- § 80:17 —Names of mortgagor, mortgagee and any assignee
- § 80:18 —Date of the mortgage and the date the mortgage was recorded
- § 80:19 —Amount due—Default interest, prepayment premium and attorney's fees
- § 80:20 —Description of the premises
- § 80:21 —Redemption period
- § 80:22 Abandonment by borrower (residential property)
- § 80:23 Multiple mortgages on the same parcel
- § 80:24 Multiple parcels—Homestead and related issues
- § 80:25 —Marshaling of assets
- § 80:26 Publication and posting of notice of sale
- § 80:27 Adjournment of sale
- § 80:28 Foreclosure sale
- § 80:29 Preparing and recording sheriff's deed
- § 80:30 Disposition of surplus proceeds
- § 80:31 Relief from foreclosure sale
- § 80:32 Fraud
- § 80:33 Redemption from foreclosure sale and the effect of a bankruptcy filing
- § 80:34 Recovery of possession
- § 80:35 Legal effects of foreclosure and redemption

III. ACTIONS FOR DEFICIENCY AND APPOINTMENT OF RECEIVER

- § 80:36 Action for deficiency
- § 80:37 Action against guarantors
- § 80:38 Action to appoint receiver—Timing/Ancillary relief
- § 80:39 —Legal basis
- § 80:40 —General equitable principles
- § 80:41 —Statutory waste/failure to pay real estate taxes or insurance premiums
- § 80:42 —Enforcement of assignment of rents
- § 80:43 —Consent
- § 80:44 —Construction Lien Act
- § 80:45 —Procedure for the appointment of a receiver
- § 80:46 —Bond
- § 80:47 —Duties of receiver
- § 80:48 —Receivership expenses

IV. JUDICIAL FORECLOSURE OF MORTGAGES AND LAND CONTRACTS

- § 80:49 Judicial foreclosure of mortgages and land contracts
- § 80:50 Jurisdiction and venue
- § 80:51 Parties to the action

TABLE OF CONTENTS

§ 80:52	Complaint
§ 80:53	Lis pendens
§ 80:54	Judgment of foreclosure
§ 80:55	Minimum bid or “upset price”
§ 80:56	Deficiency judgment
§ 80:57	Marshaling rules
§ 80:58	Notice of sale—Publication and posting
§ 80:59	Sale requirements
§ 80:60	Disposition of surplus proceeds
§ 80:61	Statutory deed and purchaser’s affidavit
§ 80:62	Confirmation of sale
§ 80:63	Redemption rights
§ 80:64	Recovery of possession
§ 80:65	Affirmative defenses and counterclaims—General
§ 80:66	Affirmative defenses—Usury
§ 80:67	Lender liability counterclaims—Statute of frauds— Promissory estoppel
§ 80:68	Military service

V. LAND CONTRACT FORFEITURE

§ 80:69	Land contract forfeiture
§ 80:70	Notice of forfeiture
§ 80:71	Nonjudicial possession after forfeiture
§ 80:72	Judicial proceedings to recover possession after forfeiture
§ 80:73	Jurisdiction and venue
§ 80:74	Procedure
§ 80:75	Complaint
§ 80:76	The parties
§ 80:77	Summons
§ 80:78	Jury trial
§ 80:79	Judgment
§ 80:80	Writ of restitution
§ 80:81	Redemption rights

VI. SUMMARY PROCEEDINGS TO RECOVER POSSESSION

§ 80:82	Summary proceedings to recover possession following mortgage foreclosure
§ 80:83	Jurisdiction and venue
§ 80:84	Demand for possession
§ 80:85	Complaint
§ 80:86	Summons
§ 80:87	Jury trial
§ 80:88	Joinder of claims and counterclaims
§ 80:89	Judgment
§ 80:90	Writ of restitution

CHAPTER 81. NEVADA PRACTICE

I. A GENERAL OVERVIEW

- § 81:1 Generally
- § 81:2 Mortgage
- § 81:3 Nontraditional mortgage loan product
- § 81:4 Future advances
- § 81:5 Deed of trust
- § 81:6 —Trustee
- § 81:7 — —Obligations
- § 81:8 —Substitute trustees
- § 81:9 Equitable mortgages
- § 81:10 Assignment

II. ENFORCEMENT OF MORTGAGES

- § 81:11 Generally
- § 81:12 Judicial foreclosure
- § 81:13 —One action rule
- § 81:14 — —Exception
- § 81:15 —Lis pendens
- § 81:16 —Cure
- § 81:17 —Conduct of sale
- § 81:18 —Post sale
- § 81:19 Nonjudicial foreclosure
- § 81:20 —Power of sale
- § 81:21 —Mediation requirement
- § 81:22 —Notice of default and election to sell
- § 81:23 —Notice of sale
- § 81:24 —Time and place of sale
- § 81:25 —Postponement of sale
- § 81:26 —Failure of high bidder
- § 81:27 Validity of sale—Penalties
- § 81:28 Wrongful foreclosure
- § 81:29 Setting aside nonjudicial foreclosure sale
- § 81:30 Disposition of proceeds
- § 81:31 Disposition of surplus
- § 81:32 Priority
- § 81:33 Redemption
- § 81:34 Equitable subrogation
- § 81:35 Deficiency—Application for judgment
- § 81:36 —Hearing
- § 81:37 —Amount of judgment

III. DEFENSES

- § 81:38 Statute of limitations
- § 81:39 Laches
- § 81:40 Fraudulent concealment

TABLE OF CONTENTS

IV. MISCELLANEOUS

- § 81:41 Due on sale clauses
- § 81:42 Usury
- § 81:43 Appeal
- § 81:44 Fees and costs

CHAPTER 82. NEW YORK PRACTICE

- § 82:1 Introduction
- § 82:2 Basic preliminaries
- § 82:3 Foreclosure by advertisement
- § 82:4 Considerations prior to foreclosure—Default and acceleration
 - § 82:5 —Election to accelerate
 - § 82:6 —Demonstrating election; notice
 - § 82:7 De-acceleration
 - § 82:8 Considerations prior to foreclosure—Mechanical aspects
 - § 82:9 —Importance of acceleration
 - § 82:10 —Relationship of tender to acceleration
 - § 82:11 — —Principles of tender
 - § 82:12 — —Tender distinguished from redemption
 - § 82:13 —Mortgage as contract; relationship to acceleration
 - § 82:14 —Strict interpretation of acceleration
 - § 82:15 — —Failure to pay principal and interest
 - § 82:16 — —Due on sale
 - § 82:17 — —Exceptions to Garn St Germain
 - § 82:18 — —Breach of any condition
 - § 82:19 —Acceleration diluted—Real property taxes
 - § 82:20 — —Failure to repair
 - § 82:21 — —Alterations without consent
 - § 82:22 — —Demolition without consent
 - § 82:23 — —Building violations
 - § 82:24 — —Failure to issue estoppel certificate
 - § 82:25 — —Insurance
 - § 82:26 —Defenses to acceleration—Waiver
 - § 82:27 — —Estoppel
 - § 82:28 — —Unconscionability
 - § 82:29 — —Equity
 - § 82:30 — —Unclean hands
 - § 82:31 — —Laches
 - § 82:32 — —Duress
 - § 82:33 — —Fraud
 - § 82:34 — —Statute of limitations
 - § 82:35 — —Tolling statute
 - § 82:36 — —Usury
 - § 82:37 Judicial foreclosure—Pre-foreclosure decisions—Election of remedies
 - § 82:38 —Venue
 - § 82:39 —Parties

- § 82:40 —Plaintiff
- § 82:41 —Necessary defendants
- § 82:42 —Permissible defendants
- § 82:43 —Notice prior to commencing action
- § 82:44 —Foreclosing mortgage—Notice of pendency
- § 82:45 — —Complaint
- § 82:46 —Affirmation
- § 82:47 —Settlement discussions
- § 82:48 — —Good faith and fair dealing
- § 82:49 —Foreclosing mortgage—Deed as mortgage
- § 82:50 — —Service of process
- § 82:51 — —Appearance and answer
- § 82:52 — —Referee to compute
- § 82:53 — —Hearing
- § 82:54 — —Motion for summary judgment
- § 82:55 —Settlement; strategy and law
- § 82:56 —Deed in lieu of foreclosure
- § 82:57 —Legal fees
- § 82:58 —Costs, disbursements and allowances
- § 82:59 — —Disbursements
- § 82:60 — —Costs
- § 82:61 — —Allowances
- § 82:62 —Judgment of foreclosure and sale
- § 82:63 —Foreclosure sale
- § 82:64 —Distribution of proceeds of sale
- § 82:65 —Report of sale and confirmation
- § 82:66 —Surplus monies
- § 82:67 —Deficiency judgment
- § 82:68 —Eviction after foreclosure
- § 82:69 —Receivership
- § 82:70 Priority of mortgages
- § 82:71 Relief from foreclosure sale and judgment

CHAPTER 83. NORTH CAROLINA PRACTICE

I. SECURED INSTRUMENTS

- § 83:1 Introduction
- § 83:2 Mortgages
- § 83:3 Conditional sale
- § 83:4 Deed of trust
- § 83:5 —Validity
- § 83:6 —Trustee
- § 83:7 —Substitute trustee
- § 83:8 —Actions of substitute trustee
- § 83:9 Equitable mortgages
- § 83:10 Purchase money
- § 83:11 Future advances
- § 83:12 Equity line of credit and security instrument

TABLE OF CONTENTS

§ 83:13 Reverse mortgages

II. ENFORCEMENT OF MORTGAGES AND DEED OF TRUST

§ 83:14 Introduction

III. JUDICIAL SALES

- § 83:15 Judicial sales—Definitions
- § 83:16 —Public and private sales—Jurisdiction
- § 83:17 — —Procedure
- § 83:18 — —Person to conduct sale
- § 83:19 — —Day and time sale
- § 83:20 —Public and private sale—Place of sale
- § 83:21 Judicial sale—Public sale—Order of sale
- § 83:22 Judicial sales—Private sale—Order of sale
- § 83:23 —Public sale—Posting of notice
- § 83:24 — —Notice of sale—Contents
- § 83:25 — —Postponement
- § 83:26 — —Notice of postponement
- § 83:27 — —Uncompleted sale
- § 83:28 —Public and private sale—Conduct of sale
- § 83:29 Judicial sale—Public and private sale—Government as purchaser
- § 83:30 — —Upset bid—Generally
- § 83:31 — — —Procedure
- § 83:32 — — —Bond
- § 83:33 — — —Notice
- § 83:34 — — —Multiple tracts
- § 83:35 Judicial Sales—Public and Private sale—Confirmation of sale
- § 83:36 Judicial sales—Public and private sales—Certificate of order of confirmation
- § 83:37 —Public sale—Deed
- § 83:38 —Private sale—Deed
- § 83:39 —Public sale—Deed—Contents
- § 83:40 — —Order for possession
- § 83:41 —Private sale—Order for possession
- § 83:42 Judicial sale—Public sale—Bidder's failure to meet terms
- § 83:43 —Public and private sale—Report of sale
- § 83:44 —Public sale—Report—Contents
- § 83:45 —Private sale—Report—Contents
- § 83:46 Judicial sales—Public and private sale—Final report
- § 83:47 Judicial sale—Public sale—Account
- § 83:48 —Public and private sale—Effect of receipt of title
- § 83:49 Judicial sales—Public and private sale—Relief
- § 83:50 —Public and private sales—Judgment

IV. NONJUDICIAL SALES

§ 83:51 Nonjudicial foreclosure—Generally

- § 83:52 —Prerequisites
- § 83:53 —Notice of hearing—Contents
- § 83:54 — —Home loan
- § 83:55 — —Service
- § 83:56 —Filing prerequisites
- § 83:57 —Hearing—Principal residence
- § 83:58 — —Procedure
- § 83:59 —Filing of clerk’s order
- § 83:60 —Clerk’s order—Appeal
- § 83:61 —Waiver of notice
- § 83:62 —Notice of sale—Time for sale
- § 83:63 —Notice of sale
- § 83:64 — —Publication
- § 83:65 — —Mailing
- § 83:66 —Place of sale
- § 83:67 —Cure
- § 83:68 —Failure of bidder; resale
- § 83:69 —Suspending proceedings
- § 83:70 —Postponement
- § 83:71 —Postponement of sale—Person exercising power of sale
- § 83:72 —Postponement—Notice—Content
- § 83:73 —Cancellation notice
- § 83:74 —Continuance of uncompleted sale
- § 83:75 —Injunction
- § 83:76 —Release of injunction
- § 83:77 —Post-sale—Report of Sale—Time, enforcement
- § 83:78 — —Report of sale—Contents
- § 83:79 — —Final report
- § 83:80 —No confirmation necessary
- § 83:81 —Upset bids
- § 83:82 —Orders of possession
- § 83:83 Distribution of proceeds
- § 83:84 Distribution of surplus
- § 83:85 Priority—Residential property
- § 83:86 Defenses—Equitable defenses
- § 83:87 Legal defenses
- § 83:88 Statute of limitations—Generally
- § 83:89 —Military service
- § 83:90 Deficiency matters
- § 83:91 Deficiency judgment—Abolished
- § 83:92 Challenges to foreclosure—Generally
- § 83:93 Wrongful foreclosure

CHAPTER 84. OHIO PRACTICE

I. GENERAL OVERVIEW

- § 84:1 In general
- § 84:2 Consideration

TABLE OF CONTENTS

§ 84:3	Foreclosure
§ 84:4	Effect of defectively executed mortgage
§ 84:5	Delivery and acceptance
§ 84:6	Recording of mortgages
§ 84:7	Effect of failure to record mortgage
§ 84:8	Right to possession
§ 84:9	Rents and profits
§ 84:10	Protection of property and interests therein—Payment of taxes and assessments
§ 84:11	—Insurance on premises
§ 84:12	Priorities
§ 84:13	Equitable subrogation
§ 84:14	Vendor’s lien
§ 84:15	Marshaling assets
§ 84:16	Separate suit on note or guaranty
§ 84:17	Private sale by owner
§ 84:18	Deed-in-lieu of foreclosure
§ 84:19	“Friendly” foreclosure
§ 84:20	Ejectment or recovery of possession
§ 84:21	Territorial jurisdiction
§ 84:22	Subject matter jurisdiction
§ 84:23	Venue
§ 84:24	Service of process
§ 84:25	—Certified mail
§ 84:26	—Personal service
§ 84:27	—Residence service
§ 84:28	—Ordinary mail service
§ 84:29	—Service by publication
§ 84:30	Parties
§ 84:31	Parties defendant—Necessary parties
§ 84:32	—Proper parties
§ 84:33	Pleadings—Plaintiff’s complaint
§ 84:34	—Answer
§ 84:35	—Joinder of claims and remedies
§ 84:36	—Defenses
§ 84:37	—Counterclaims
§ 84:38	Lis pendens
§ 84:39	Receivership during foreclosure proceedings
§ 84:40	Judgment entry/foreclosure decree—Attorney’s fees
§ 84:41	—Contents of foreclosure decree
§ 84:42	Foreclosure sale—Appraisal
§ 84:43	—Notice of sale
§ 84:44	—Sale of property in parcels or en masse
§ 84:45	—“Junior lienholder” statute
§ 84:46	—Terms for property remaining unsold for want of bidders
§ 84:47	—Bids and purchases
§ 84:48	—Payment of bid amount
§ 84:49	Confirmation of sale

- § 84:50 Relief from foreclosure judgment
- § 84:51 Statutory right of redemption
- § 84:52 Title, rights, and remedies of purchasers
- § 84:53 Caveat emptor
- § 84:54 Right of purchaser to possession of premises
- § 84:55 Purchaser's rights to rents and profits
- § 84:56 Amount of deficiency
- § 84:57 Statute of limitations
- § 84:58 Ohio contracts

CHAPTER 85. PENNSYLVANIA PRACTICE

I. IN GENERAL

- § 85:1 Introduction
- § 85:2 Recording
- § 85:3 Mortgage foreclosure
- § 85:4 Statute of limitations
- § 85:5 Mortgage foreclosure—Standing
- § 85:6 —Substitution of party
- § 85:7 Effect of foreclosure judgment
- § 85:8 Action on mortgage debt
- § 85:9 Installment land contracts
- § 85:10 Residential mortgages
- § 85:11 Equitable subrogation
- § 85:12 Procedure following entry of judgment
- § 85:13 Postponing, staying and upsetting sale
- § 85:14 Possession prior to and following sale
- § 85:15 Deficiency judgments
- § 85:16 Recoupment

Table of Laws and Rules

Table of Cases

Index