2007 DRAFTING REQUEST

Bill

| Received: 04/30/2007 | | | | | Received By: pkahler Identical to LRB: | | | |
|-------------------------|-----------------------|---|--|--|---|-----------------|---|--|
| Wanted: As time permits | | | | | | | | |
| For: Jon | Richards (60 | 08) 266-0650 | | | By/Representing: Jeff Kostelic | | | |
| This file | may be shown | to any legislat | or: NO | | Drafter: pkahl | er | | |
| May Cor | ntact: | | | | Addl. Drafters: | rnelson2 | | |
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| /P2 | pkahler 08/23/2007 | bkraft 08/29/2007 | nnatzke 08/29/200 | 07 | cduerst 08/29/2007 | | State Crime | |
| /P3 | pkahler | bkraft | rschluet | | lparisi | | State | |

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May Contact: Addl. Drafters:

Subject: Real Estate - miscellaneous Extra Copies:

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Carbon copy (CC:) to:

Pre Topic:

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Topic:

Mortgaged property equity stripping

Instructions:

See Attached

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Minnesota's Equity-Stripping Statute

Fredrikson & Byron, P.A.
Published June 3, 2005 - Minnesota, USA

Minnesota's Equity-Stripping Statute

Countless books, articles, and even television infomercials offer advice on investing in distressed real estate. Many claim that residential properties in foreclosure present some of the best investment opportunities among all types of distressed real estate. Owners of residential property in foreclosure often have equity in their homes, yet for one reason or another are unable to save or protect that equity. Investors attempt to capture the equity and prevent it from flowing back to the owner's lender.

In the typical transaction, an investor in a residential property purchases the owner's interest for a fraction of the value of the owner's equity in the home, pays off the owner's debt against the property, and then sells the home to a third party for a handsome gain. This transaction is often a win-win situation for all if the homeowner no longer wishes to live at the property.

This type of transaction is not mutually advantageous, however, if the homeowner wishes to remain in possession. Unscrupulous investors have developed schemes designed to prey on homeowners facing financial trouble. These schemes, commonly known as "equity stripping," aim to convince owners that their homes can be saved, while in reality the home, as well as the owner's equity, will be lost to the investor. In a new law, effective August 1, 2004, the Minnesota Legislature took significant steps to prevent vulnerable owners from becoming victims of such schemes. That legislation contains a series of complex requirements applicable to nearly all transactions involving residential properties in foreclosure.

The new statute applies to transactions that qualify as "foreclosure reconveyances" under Minn. Stat. § 325N.10, subd. 3.

A transaction must contain both of the following components to constitute a "foreclosure reconveyance": a transfer of title or creation of a lien by a foreclosed homeowner during a foreclosure proceeding; and a subsequent conveyance, or promise of a subsequent conveyance (including an interest in a contract for deed, purchase agreement, option to purchase, or lease), by the purchaser back to the foreclosed homeowner that allows the foreclosed homeowner to possess the real property following completion of the foreclosure proceeding.

Under this two-part test, an investor that purchases a home in foreclosure and does not provide the foreclosed homeowner any continuing rights in the home, whether under a lease or otherwise, will avoid the constraints imposed under Chapter 325N.

If the transaction is a "foreclosure reconveyance," Minn. Stat. § 325N.11 requires that all of the details of the transaction be contained in a written contract signed by the foreclosed homeowner and the purchaser. Minn. Stat. § 325N.12 identifies a list of terms that this written contract must contain, including a recitation of the total amount of consideration to be provided to the foreclosed homeowner and a notice to the foreclosed homeowner that it has five business days to cancel the contract. The statute also requires that a form "Notice of Cancellation" be attached to the foreclosure reconveyance contract. Chapter 325N also creates other substantive requirements that must be satisfied in any transaction that qualifies as a foreclosure reconveyance. For example, before entering into the contract, the purchaser must verify that the foreclosed homeowner has a reasonable ability to pay for the subsequent reconveyance. This will be presumed if: (1) monthly payments for housing expenses (which include principal, interest, rent, utilities, insurance, taxes, and association dues) and (2) monthly principal and interest payments on other personal debt of the homeowner, do not exceed sixty percent of the homeowner's monthly gross income. The purchaser may not rely solely upon a statement of assets, liabilities, and income furnished by the

foreclosed homeowner, but instead must conduct independent due diligence.

Finally, if the property is ultimately not conveyed back to the foreclosed homeowner, Minn. Stat. § 325N.17(b)(2) requires the purchaser to pay the foreclosed homeowner, no later than 150 days following the owner's relinquishment of possession of the property, consideration in an amount that is at least eighty-two percent of the fair market value of the property (as determined by a licensed appraiser). This "consideration" includes payments made by the purchaser to satisfy debt or other legal obligations of the foreclosed homeowner. Thus, the statute essentially caps at eighteen percent the amount of equity an investor may "strip" from a residential property in a foreclosure reconveyance transaction.

The new equity-stripping statute also creates a private right of action in favor of the foreclosed homeowner for any violation of its provisions. The foreclosed homeowner may recover exemplary damages and attorneys' fees incurred in prosecuting an action in the event of a violation of the statute by a purchaser. Additionally, a foreclosure purchaser may be prosecuted criminally for certain violations.

Minnesota's new equity-stripping statute creates a regulatory framework that must not be ignored in any transaction involving residential property in foreclosure. While this statute creates additional protections for foreclosed homeowners, it also creates numerous pitfalls for investors in distressed real estate. The intricacies of the legislation, codified in Chapter 325N of the Minnesota Statutes, are beyond the scope of this article. If you are involved in a transaction involving residential property in foreclosure, you should work through the intricacies of this legislation with your attorney.

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2007-2008 DRAFTING INSERT FROM THE LEGISLATIVE REFERENCE BUREAU

| 1 | MINNESOTA "EQUITY STRIPPING" LAW |
|----|--|
| 2 | 325N.10 DEFINITIONS |
| 3 | Subdivision 1. Scope. |
| 4 | For the purposes of sections 325N.10 to 325N.18, the terms defined in this |
| 5 | section have the meanings given them. |
| 6 | Subd. 2. Foreclosed homeowner. |
| 7 | "Foreclosed homeowner" means an owner of residential real property, including |
| 8 | a condominium, that is the primary residence of the owner and whose mortgage on |
| 9 | the real property is or was in foreclosure. |
| 10 | Subd. 3. Foreclosure reconveyance. |
| 11 | "Foreclosure reconveyance" means a transaction involving: |
| 12 | (1) the transfer of title to real property by a foreclosed homeowner during a |
| 13 | foreclosure proceeding, either by transfer of interest from the foreclosed homeowner |
| 14 | or by creation of a mortgage or other lien or encumbrance during the foreclosure |
| 15 | process that allows the acquirer to obtain title to the property by redeeming the |
| 16 | property as a junior lienholder; and |
| 17 | (2) the subsequent conveyance, or promise of a subsequent conveyance, of an |
| 18 | interest back to the foreclosed homeowner by the acquirer or a person acting in |
| 19 | participation with the acquirer that allows the foreclosed homeowner to possess the |
| 20 | real property following the completion of the foreclosure proceeding, which interest |
| 21 | includes, but is not limited to, an interest in a contract for deed, purchase agreement, |
| 22 | option to purchase, or lease. |
| 23 | Subd. 4. Foreclosure purchaser. |
| 24 | "Foreclosure purchaser" means a person that has acted as the acquirer in more |
| 25 | than one foreclosure reconveyance during any 24-month period. Foreclosure |

| purchaser also includes a person that has acted in joint venture or joint enterprise |
|--|
| with one or more acquirers in more than one foreclosure reconveyance during any |
| 24-month period. A federal or state chartered bank, savings bank, thrift, or credit |
| union is not a foreclosure purchaser. |

Subd. 5. Resale.

"Resale" means a bona fide market sale of the property subject to the foreclosure reconveyance by the foreclosure purchaser to an unaffiliated third party.

Subd. 6. Resale price.

"Resale price" means the gross sale price of the property on resale.

10 () 325N.11 CONTRACT REQUIREMENT; FORM AND LANGUAGE

A foreclosure purchaser shall enter into every foreclosure reconveyance in the form of a written contract. Every contract must be written in letters of a size equal to at least 12-point boldface type, in the same language principally used by the foreclosure purchaser and foreclosed homeowner to negotiate the sale of the residence in foreclosure and must be fully completed and signed and dated by the foreclosed homeowner and foreclosure purchaser before the execution of any instrument of conveyance of the residence in foreclosure.

(3) 325N.12 CONTRACT TERMS

Every contract required by section 325N.11 must contain the entire agreement of the parties and must include the following terms:

- (1) the name, business address, and the telephone number of the foreclosure purchaser;
 - (2) the address of the residence in foreclosure;
- (3) the total consideration to be given by the foreclosure purchaser in connection with or incident to the sale;

| 1 | (4) a complete description of the terms of payment or other consideration |
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| 2 | including, but not limited to, any services of any nature that the foreclosure |
| 3 | purchaser represents he or she will perform for the foreclosed homeowner before or |
| 4 | after the sale; |
| 5 | (5) the time at which possession is to be transferred to the foreclosure |
| 6 | purchaser; |
| 7 | (6) a complete description of the terms of any related agreement designed to |
| 8 | allow the foreclosed homeowner to remain in the home, such as a rental agreement, |
| 9 | repurchase agreement, contract for deed, or lease with option to buy; |
| 10 | (7) a notice of cancellation as provided in section 325N.14, paragraph (b); and |
| 11 | (8) the following notice in at least 14-point boldface type, if the contract is |
| 12 | printed or in capital letters if the contract is typed, and completed with the name of |
| 13 | the foreclosure purchaser, immediately above the statement required by section |
| 14 | 325N.14, paragraph (a): |
| 15 | "NOTICE REQUIRED BY MINNESOTA LAW |
| 16 | Until your right to cancel this contract has ended, (Name) or anyone |
| 17 | working for (Name) CANNOT ask you to sign or have you sign any deed or any |
| 18 | other document." |
| 19 | The contract required by this section survives delivery of any instrument of |
| 20 | conveyance of the residence in foreclosure, and has no effect on persons other than |
| 21 | the parties to the contract. |
| 22 | (4) 325N.13 CONTRACT CANCELLATION |
| 23 | (a) In addition to any other right of rescission, the foreclosed homeowner has |
| 24 | the right to cancel any contract with a foreclosure purchaser until midnight of the |

fifth business day following the day on which the foreclosed homeowner signs a

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- contract that complies with sections 325N.10 to 325N.15 or until 8:00 a.m. on the last day of the period during which the foreclosed homeowner has a right of redemption, whichever occurs first.
 - (b) Cancellation occurs when the foreclosed homeowner delivers, by any means, written notice of cancellation to the address specified in the contract.
 - (c) A notice of cancellation given by the foreclosed homeowner need not take the particular form as provided with the contract.
 - (d) Within ten days following receipt of a notice of cancellation given in accordance with this section, the foreclosure purchaser shall return without condition any original contract and any other documents signed by the foreclosed homeowner.

(S) 325N.14 NOTICE OF CANCELLATION

(a) The contract must contain in immediate proximity to the space reserved for the foreclosed homeowner's signature a conspicuous statement in a size equal to at least 14-point boldface type, if the contract is printed, or in capital letters, if the contract is typed, as follows: "You may cancel this contract for the sale of your house without any penalty or obligation at any time before

(Date and time of day)

See the attached notice of cancellation form for an explanation of this right." The foreclosure purchaser shall accurately enter the date and time of day on which the cancellation right ends.

(b) The contract must be accompanied by a completed form in duplicate, captioned "notice of cancellation" in a size equal to a 12-point boldface type if the contract is printed, or in capital letters, if the contract is typed, followed by a space in which the foreclosure purchaser shall enter the date on which the foreclosed

| 1 | homeowner executes any contract. This form must be attached to the contract, must |
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| 2 | be easily detachable, and must contain in type of at least 10 points, if the contract |
| 3 | is printed or in capital letters if the contract is typed, the following statement written |
| 4 | in the same language as used in the contract: |
| 5 | "NOTICE OF CANCELLATION |
| 6 | (Enter date contract signed) |
| 7 | You may cancel this contract for the sale of your house, without any penalty or |
| 8 9 | obligation, at any time before (Enter date and time of day) |
| 10 | To cancel this transaction, personally deliver a signed and dated copy of this |
| 11 | cancellation notice to |
| 12 | (Name of purchaser) |
| 13 | at |
| 14 | (Street address of purchaser's place of business) |
| 15 | NOT LATER THAN |
| 16 | (Enter date and time of day) |
| 17 d | I hereby cancel this transaction |
| 18 | (Date) |
| 19 | (Seller's signature)" |
| 20 | (c) The foreclosure purchaser shall provide the foreclosed homeowner with a |
| 21 | copy of the contract and the attached notice of cancellation at the time the contract |
| 22 | is executed by all parties. |
| 23 | (d) The five business days during which the foreclosed homeowner may cancel |
| 24 | the contract must not begin to run until all parties to the contract have executed the |
| 25 | contract and the foreclosure purchaser has complied with this section. |

325N.15 WAIVER

Any waiver of the provisions of sections 325N.10 to 325N.18 is void and unenforceable as contrary to public policy except a consumer may waive the five-day right to cancel provided in section 325N.13 if the property is subject to a foreclosure sale within the five business days, and the foreclosed homeowner agrees to waive his or her right to cancel in a handwritten statement signed by all parties holding title to the foreclosed property.

(7) 325N.16 LIABILITY

- (a) Any provision in a contract which attempts or purports to require arbitration of any dispute arising under sections 325N.10 to 325N.18 is void at the option of the owner.
 - (b) This section applies to any contract entered into on or after August 1, 2004.

(%) 325N.17 PROHIBITED PRACTICES

A foreclosure purchaser shall not:

- (a) enter into, or attempt to enter into, a foreclosure reconveyance with a foreclosed homeowner unless:
- (1) the foreclosure purchaser verifies and can demonstrate that the foreclosed homeowner has a reasonable ability to pay for the subsequent conveyance of an interest back to the foreclosed homeowner. In the case of a lease with an option to purchase, payment ability also includes the reasonable ability to make the lease payments and purchase the property within the term of the option to purchase. There is a rebuttable presumption that a homeowner is reasonably able to pay for the subsequent conveyance if the owner's payments for primary housing expenses and regular principal and interest payments on other personal debt, on a monthly basis, do not exceed 60 percent of the owner's monthly gross income. For the purposes of

- this section, "primary housing expenses" means the sum of payments for regular principal, interest, rent, utilities, hazard insurance, real estate taxes, and association dues. There is a rebuttable presumption that the foreclosure purchaser has not verified reasonable payment ability if the foreclosure purchaser has not obtained documents other than a statement by the foreclosed homeowner of assets, liabilities, and income;
- (2) the foreclosure purchaser and the foreclosed homeowner complete a closing for any foreclosure reconveyance in which the foreclosure purchaser obtains a deed or mortgage from a foreclosed homeowner. For purposes of this section, "closing" means an in-person meeting to complete final documents incident to the sale of the real property or creation of a mortgage on the real property conducted by a closing agent, as defined in section 82.17, who is not employed by or an affiliate of the foreclosure purchaser;
- (3) the foreclosure purchaser obtains the written consent of the foreclosed homeowner to a grant by the foreclosure purchaser of any interest in the property during such times as the foreclosed homeowner maintains any interest in the property; and
- (4) the foreclosure purchaser complies with the requirements of the federal Home Ownership Equity Protection Act, United States Code, title 15, section 1639, or its implementing regulation, Code of Federal Regulations, title 12, sections 226.31 to 226.34, for any foreclosure reconveyance in which the foreclosed homeowner obtains a vendee interest in a contract for deed;
 - (b) fail to either:

(1) ensure that title to the subject dwelling has been reconveyed to the foreclosed homeowner; or

- (2) make a payment to the foreclosed homeowner such that the foreclosed homeowner has received consideration in an amount of at least 82 percent of the fair market value of the property within 150 days of either the eviction or voluntary relinquishment of possession of the dwelling by the foreclosed homeowner. The foreclosure purchaser shall make a detailed accounting of the basis for the payment amount, or a detailed accounting of the reasons for failure to make a payment, including providing written documentation of expenses, within this 150-day period. The accounting shall be on a form prescribed by the attorney general, in consultation with the commissioner of commerce, without being subject to the rulemaking procedures of chapter 14. For purposes of this provision, the following applies:
- (i) there is a rebuttable presumption that an appraisal by a person licensed or certified by an agency of the federal government or this state to appraise real estate constitutes the fair market value of the property;
- (ii) the time for determining the fair market value amount shall be determined in the foreclosure reconveyance contract as either at the time of the execution of the foreclosure reconveyance contract or at resale. If the contract states that the fair market value shall be determined at the time of resale, the fair market value shall be the resale price if it is sold within 120 days of the eviction or voluntary relinquishment of the property by the foreclosed homeowner. If the contract states that the fair market value shall be determined at the time of resale, and the resale is not completed within 120 days of the eviction or voluntary relinquishment of the property by the foreclosed homeowner, the fair market value shall be determined by an appraisal conducted during this 120-day period and payment, if required, shall be made to the homeowner, but the fair market value shall be recalculated as the resale price on resale and an additional payment amount, if appropriate based on the

resale price, shall be made to the foreclosed homeowner within 15 days of resale, and a detailed accounting of the basis for the payment amount, or a detailed accounting of the reasons for failure to make additional payment, shall be made within 15 days of resale, including providing written documentation of expenses. The accounting shall be on a form prescribed by the attorney general, in consultation with the commissioner of commerce, without being subject to the rulemaking procedures of chapter 14;

- (iii) "consideration" shall mean any payment or thing of value provided to the foreclosed homeowner, including unpaid rent or contract for deed payments owed by the foreclosed homeowner prior to the date of eviction or voluntary relinquishment of the property, reasonable costs paid to third parties necessary to complete the foreclosure reconveyance transaction, payment of money to satisfy a debt or legal obligation of the foreclosed homeowner, or the reasonable cost of repairs for damage to the dwelling caused by the foreclosed homeowner; but
- (iv) "consideration" shall not include amounts imputed as a down payment or fee to the foreclosure purchaser, or a person acting in participation with the foreclosure purchaser, incident to a contract for deed, lease, or option to purchase entered into as part of the foreclosure reconveyance, except for reasonable costs paid to third parties necessary to complete the foreclosure reconveyance;
- (c) enter into repurchase or lease terms as part of the subsequent conveyance that are unfair or commercially unreasonable, or engage in any other unfair conduct;
 - (d) represent, directly or indirectly, that:
- (1) the foreclosure purchaser is acting as an advisor or a consultant, or in any other manner represents that the foreclosure purchaser is acting on behalf of the homeowner;

| 1 | (2) the foreclosure purchaser has certification or licensure that the foreclosure |
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| 2 | purchaser does not have, or that the foreclosure purchaser is not a member of a |
| 3 | licensed profession if that is untrue; |
| 4 | (3) the foreclosure purchaser is assisting the foreclosed homeowner to "save the |
| 5 | house" or substantially similar phrase; or |
| 6 | (4) the foreclosure purchaser is assisting the foreclosed homeowner in |
| 7 | preventing a completed foreclosure if the result of the transaction is that the |
| · · · · · · · · · · · · · · · · · · · | foreclosed homeowner will not complete a redemption of the property; |
| 9 1 | (e) make any other statements, directly or by implication, or engage in any other |
| 10 | conduct that is false, deceptive, or misleading, or that has the likelihood to cause |
| 11 | confusion or misunderstanding, including, but not limited to, statements regarding |
| 12 | the value of the residence in foreclosure, the amount of proceeds the foreclosed |
| 13 | homeowner will receive after a foreclosure sale, any contract term, or the foreclosed |
| 14 | homeowner's rights or obligations incident to or arising out of the foreclosure |
| 15 | reconveyance; or |
| 16 | (f) do any of the following until the time during which the foreclosed homeowner |
| 17 | may cancel the transaction has fully elapsed: |
| 18 | (1) accept from any foreclosed homeowner an execution of, or induce any |
| 19 | foreclosed homeowner to execute, any instrument of conveyance of any interest in the |
| 20 | residence in foreclosure; |
| 21 | (2) record with the county recorder or file with the registrar of titles any |
| 22 | document, including but not limited to, any instrument of conveyance, signed by the |
| | |

(3) transfer or encumber or purport to transfer or encumber any interest in the

residence in foreclosure to any third party, provided no grant of any interest or

foreclosed homeowner;

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encumbrance is defeated or affected as against a bona fide purchaser or encumbrance for value and without notice of a violation of sections 325N.10 to 325N.18, and knowledge on the part of any such person or entity that the property was "residential real property in foreclosure" does not constitute notice of a violation of sections 325N.10 to 325N.18. This section does not abrogate any duty of inquiry which exists as to rights or interests of persons in possession of the residential real property in foreclosure; or

(4) pay the foreclosed homeowner any consideration.

325N.18 ENFORCEMENT

Subdivision 1. Remedies.

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A violation of sections 325N.10 to 325N.17 is considered to be a violation of section 325F.69, and all the remedies of section 8.31 are available for such an action. A private right of action under section 8.31 by a foreclosed homeowner is in the public interest.

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Subd. 1a. Limitation.

Notwithstanding any other provision of this section, no action may be brought on the basis of a violation of sections 325N.10 to 325N.18, except by an owner against whom the violation was committed or by the attorney general. This limitation does not apply to administrative action by the commissioner of commerce.

Subd. 2. Exemplary damages.

In a private right of action under section 8.31 for a violation of section 325N.17, the court may award exemplary damages of any amount. In the event the court determines that an award of exemplary damages is appropriate, the amount of exemplary damages awarded shall not be less than 1-1/2 times the foreclosed homeowner's actual damages. Any claim for exemplary damages brought pursuant

, subdivision shall to this section must be commenced within four years after the date of the alleged 1 violation! or be barrel 2 Subd. 3. Remedies cumulative. Good Gail parchaser's rights. 3 4 The remedies provided in this section are cumulative and do not restrict any remedy that is otherwise available. The provisions of sections 325N.10 to 325N.18 5 6 are not exclusive and are in addition to any other requirements, rights, remedies, 7 and penalties provided by law. No action under this section shall affect the rights in 8 the foreclosed property held by a good faith purchaser for value under sections 507.34, 508.48, 508A.48, or other applicable law. 9 10 Subd. 4. Criminal penalty. 11 Any foreclosure purchaser who engages in any practice which would operate as 12 a fraud or deceit upon a foreclosed homeowner may, upon conviction, be fined not more than \$50,000 or imprisoned not more than one year, or both. Prosecution or 13 conviction for any one of the violations does not bar prosecution or conviction for any 14 See D-wan. p127(4)(c) 15 other offenses. 16 Subd. 5. Failure of transaction. Failure of the parties to complete the reconveyance transaction, in the absence 17 of additional misconduct, shall not subject a foreclosure purchaser to the criminal 18 19 penalties under section 325N.07 or 325N.18.

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Section 1

- 2. Record or file with the registrar of deeds any document, including any instrument of conveyance, signed by the foreclosed homeowner.
- 3. Transfer or encumber or purport to transfer or encumber any interest in the residence in foreclosure to any 3rd party, provided no grant of any interest or encumbrance is defeated or affected as against a bona fide purchaser or encumbrance for value and without notice of a violation of this section, and knowledge on the part of any such person or entity that the property was residential real property in foreclosure does not constitute notice of a violation of this section. This subsection does not abrogate any duty of inquiry that exists as to rights or interests of persons in possession of the residential real property in foreclosure.
 - 4. Pay the foreclosed homeowner any consideration. Sundanful parties in chandes

325N.18 ENFORCEMENT

Subdivision 1. Remedies.

A violation of sections 325N.10 to 325N.17 is considered to be a violation of section 325F.69, and all the remedies of section 8.31 are available for such an action. A private right of action under section 8.31 by a foreclosed homeowner is in the public interest. our fra

Subd. 1a. Limitation.

Notwithstanding any other provision of this section, no action may be brought on the basis of a violation of sections 325N.10 to 325N.18, except by an owner against whom the violation was committed or by the attorney general. This limitation does not apply to administrative action by the commissioner of commerce. Ang od puda 1895.043

Subd. 2. Exemplary damages.

In a private right of action under section 8.31 for a violation of section 325N.17, the court may award exemplary damages of any amount. In the event the court

SECTION 1

determines that an award of exemplary damages is appropriate, the amount of exemplary damages awarded shall not be less than 1–1/2 times the foreclosed homeowner's actual damages. Any claim for exemplary damages brought pursuant to this section must be commenced within four years after the date of the alleged violation.

Subd. 3. Remedies cumulative.

The remedies provided in this section are cumulative and do not restrict any remedy that is otherwise available. The provisions of sections 325N.10 to 325N.18 are not exclusive and are in addition to any other requirements, rights, remedies, and penalties provided by law. No action under this section shall affect the rights in the foreclosed property held by a good faith purchaser for value under sections

Subd. 4. Criminal penalty.

507.34, 508.48, 508A.48, or other applicable law.

Any foreclosure purchaser who engages in any practice which would operate as a fraud or deceit upon a foreclosed homeowner may, upon conviction, be fined not more than \$50,000 or imprisoned not more than one year, or both. Prosecution or conviction for any one of the violations does not bar prosecution or conviction for any other offenses.

Subd. 5. Failure of transaction.

Failure of the parties to complete the reconveyance transaction, in the absence of additional misconduct, shall not subject a foreclosure purchaser to the criminal penalties under section 325N.07 or 325N.18.