

**CS FOR SENATE BILL NO. 18(L&C)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

**BY THE SENATE LABOR AND COMMERCE COMMITTEE**

**Offered: 3/21/07**

**Referred: Judiciary, Finance**

**Sponsor(s): SENATOR BUNDE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to real property foreclosures, executions, and deeds of trust."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **\* Section 1.** AS 09.35.140 is amended by adding new subsections to read:

4 (b) In addition to the notice required by (a) of this section, notice of the sale of  
5 real property on execution shall be given by publishing a notice of the sale on an  
6 Internet website for at least 45 days before the date of the sale. The publication must  
7 run for at least 30 days, including at least 10 of the last 15 days before the actual date  
8 of the sale.

9 (c) To qualify as an Internet website on which notices of sale may be  
10 published under (b) of this section, an Internet website must

11 (1) be available to any person;

12 (2) be completely free to the public for viewing and not require a  
13 subscription;

14 (3) be used primarily to advertise real property under foreclosure;

15 (4) have been in continuous operation for more than one year;

1 (5) have a viewership of at least 5,000 different visitors each month  
2 that is verified by an independent audit; and

3 (6) have an office in the state and the office has staff that includes a  
4 senior management person.

5 \* **Sec. 2.** AS 09.35.142 is amended to read:

6 **Sec. 09.35.142. Action to establish newspaper or Internet website status.** A  
7 person who owns a publication may bring an action under AS 22.10.020(g) to  
8 establish that the publication is a newspaper of general circulation under  
9 **AS 09.35.140(a)(2)** [AS 09.35.140(2)]. **A person who owns an Internet website**  
10 **may bring an action under AS 22.10.020(g) to establish that the Internet website**  
11 **qualifies as an Internet website on which notices of sale may be published under**  
12 **AS 09.35.140(b).**

13 \* **Sec. 3.** AS 34.20.070(b) is amended to read:

14 (b) Not less than 30 days after the default and not less than **90 days** [THREE  
15 MONTHS] before the sale, the trustee shall record in the office of the recorder of the  
16 recording district in which the trust property is located a notice of default setting out  
17 (1) the name of the trustor, (2) the book and page where the trust deed is recorded or  
18 the serial number assigned to the trust deed by the recorder, (3) a description of the  
19 trust property, including the property's street address if there is a street address for the  
20 property, (4) a statement that a breach of the obligation for which the deed of trust is  
21 security has occurred, (5) the nature of the breach, (6) the sum owing on the  
22 obligation, (7) the election by the trustee to sell the property to satisfy the obligation,  
23 and (8) the date, time, and place of the sale. An inaccuracy in the street address may  
24 not be used to set aside a sale if the legal description is correct. At any time **up to five**  
25 **days** before the sale, if the default has arisen by failure to make payments required by  
26 the trust deed, the default may be cured by payment of the sum in default other than  
27 the principal that would not then be due if no default had occurred, plus attorney fees  
28 or court costs actually incurred by the trustee due to the default. If, under the same  
29 trust deed, notice of default under this subsection has been recorded two or more times  
30 previously and the default has been cured under this subsection, the trustee may elect  
31 to refuse payment and continue the sale.

1 \* **Sec. 4.** AS 34.20.070(c) is amended to read:

2 (c) Within 10 days after recording the notice of default, the trustee shall mail a  
3 copy of the notice by certified mail to the last known address of each of the following  
4 persons or their legal representatives: (1) the **trustor** [GRANTOR] in the trust deed;  
5 (2) the successor in interest to the **trustor** [GRANTOR] whose interest appears of  
6 record or of whose interest the trustee or the beneficiary has actual notice, or who is in  
7 **actual physical** possession of the property; (3) any other person **actually** in **physical**  
8 possession of [OR OCCUPYING] the property; (4) any person having a lien or  
9 interest subsequent to the interest of the trustee in the trust deed, where the lien or  
10 interest appears of record or where the trustee or the beneficiary has actual notice of  
11 the lien or interest. The notice may be delivered personally instead of by mail.

12 \* **Sec. 5.** AS 34.20.070 is amended by adding new subsections to read:

13 (e) In (c) of this section, if the existence of a lien or nonpossessory interest can  
14 only be inferred from an inspection of the real property, the person holding the lien or  
15 nonpossessory interest is not entitled to notice under this subsection unless the lien or  
16 nonpossessory interest appears of record or a written notice of the lien or  
17 nonpossessory interest has been given to the beneficiary or trustee before the  
18 recording of the notice of default.

19 (f) If the trustee delivers notice personally under (c) of this section to the  
20 property or to an occupant of the property, the trustee may, notwithstanding (c) of this  
21 section, deliver the notice up to 20 days after the notice of default is recorded. If there  
22 is not a structure on the property and a person is not present on the property at the time  
23 of delivery, the trustee may place the notice on the property, or as close as practicable  
24 to the property if

25 (1) there is not a practical road access to the property; or

26 (2) access to the property is restricted by gates or other barriers.

27 (g) If the trustee or other person who delivered notice under (f) of this section  
28 signs an affidavit for the delivery, the affidavit is prima facie evidence that the trustee  
29 complied with (f) of this section. After one year from the delivery, as evidenced by the  
30 affidavit, the trustee is conclusively presumed to have complied with (f) of this section  
31 unless, within one year from the delivery, an action has been filed in court to contest

1 the foreclosure based on failing to comply with (f) of this section.

2 (h) If a person who is entitled to receive notice by mail under (c) of this  
3 section is known by the beneficiary or trustee to be deceased, the trustee may satisfy  
4 the notice requirements of (c) of this section by mailing the notice to the last known  
5 address of the deceased person and to the personal representative of the deceased  
6 person if the beneficiary or trustee knows that a personal representative has been  
7 appointed for the deceased person.

8 (i) If a person who is entitled to receive notice by mail under (c) of this section  
9 is known by the beneficiary or trustee to be deceased but the trustee and the  
10 beneficiary do not know that a personal representative has been appointed for the  
11 deceased person, the trustee may satisfy the notice requirements of (c) of this section  
12 by

13 (1) mailing the notice to the heirs and devisees of the deceased person

14 (A) whose names and addresses are known to the beneficiary or  
15 trustee; or

16 (B) who have recorded a notice of their interest in the property;  
17 and

18 (2) publishing and posting the notice of the foreclosure as provided by  
19 law for the sale of real property on execution, except that the notice must be titled "To  
20 the Heirs or Devisees of (insert the name of the deceased person)" and include in the  
21 body of the notice a list of the names of the persons who are known by the beneficiary  
22 or trustee to be the heirs and devisees of the deceased person.

23 (j) If notice is given as required by (h) and (i) of this section, an heir or  
24 devisee of the deceased person may not challenge the foreclosure on the ground that  
25 the heir or devisee did not receive notice of the sale, unless the heir or devisee  
26 challenges the foreclosure on this ground within three months after the sale.

27 (k) A person may bring an action in court to enjoin a foreclosure on real  
28 property only if the person is the trustor of the deed of trust under which the real  
29 property was foreclosed, a guarantor of the obligation that the real property is  
30 securing, a person who has an interest in the real property that has been recorded, a  
31 person who has a recorded lien against the real property, an heir to the real property,

1 devisee of the real property, or a state agency.

2 (l) If a person brings an action under (k) of this section to stop a sale of real  
3 property, and if the sale is being brought because of a default in the performance of a  
4 nonmonetary obligation required by the deed of trust that the real property is securing,  
5 the court may impose on the person the conditions that the court determines are  
6 appropriate to protect the beneficiary.

7 (m) In this section, "devisee," "heir," and "personal representative" have the  
8 meanings given in AS 13.06.050.

9 \* **Sec. 6.** AS 34.20.080(a) is amended to read:

10 (a) The sale authorized in AS 34.20.070 shall be made under the terms and  
11 conditions and in the manner set out in the deed of trust. **The proceeds from a sale**  
12 **shall be placed in escrow until they are disbursed.** However, the sale shall be made

13 (1) at public auction held at the front door of a courthouse of the  
14 superior court in the judicial district where the property is located, unless the deed of  
15 trust specifically provides that the sale shall be held in a different place, **except that a**  
16 **trustee may also accept bids by telephone, the Internet, and electronic mail if the**  
17 **trustee has taken reasonable steps to ensure that the bidding methods using the**  
18 **telephone, the Internet, or electronic mail are fair, accessible, and designed to**  
19 **result in money that is immediately available for disbursement;** and

20 (2) after public notice of the time and place of the sale has been given  
21 in the manner provided by law for the sale of real property on execution.

22 \* **Sec. 7.** AS 34.20.080(b) is amended to read:

23 (b) The attorney for the trustee **or another agent of the trustee** may conduct  
24 the sale and act in the sale as the auctioneer for the trustee. **The trustee may set**  
25 **reasonable rules and conditions for the conduct of the sale.** Sale shall be made to  
26 the highest and best bidder. The beneficiary under the trust deed may bid at the  
27 trustee's sale. **Except as provided by (g) of this section, the** [THE] trustee shall  
28 execute and deliver to the purchaser a deed to the property sold.

29 \* **Sec. 8.** AS 34.20.080(e) is amended to read:

30 (e) The trustee may postpone sale of all or any portion of the property by  
31 delivering to the person conducting the sale a written and signed request for the

1       postponement to a stated date and hour. The person conducting the sale shall publicly  
 2       announce the postponement to the stated date and hour at the time and place originally  
 3       fixed for the sale. This procedure shall be followed in any succeeding postponement,  
 4       but the foreclosure may not be postponed for more than 12 months unless a new  
 5       notice of the sale is given under (a)(2) of this section. A sale may be postponed for  
 6       up to 12 months from the sale date stated in the notice of default under  
 7       AS 34.20.070(b) without providing a basis for challenging the validity of the  
 8       foreclosure process because of the length of time the foreclosure has been  
 9       pending.

10      \* **Sec. 9.** AS 34.20.080 is amended by adding new subsections to read:

11               (f) After delivery of a deed under (b) of this section, the trustee shall distribute  
 12               any cash proceeds of the sale in the following order to

13                       (1) the beneficiary of the deed of trust being foreclosed until the  
 14                       beneficiary is paid the full amount that is owed under the deed of trust to the  
 15                       beneficiary;

16                       (2) the persons who held, at the time of the sale, recorded interests,  
 17                       except easements, in the property, that were subordinate to the foreclosed deed of  
 18                       trust; the distribution under this paragraph shall be made according to the priority of  
 19                       the recorded interest, and a recorded interest with a higher priority shall be satisfied  
 20                       before distribution is made to the recorded interest that is next lower in priority;  
 21                       however, if a person holds a recorded interest that is an assessment, the person is  
 22                       entitled only to the amount of the assessment that was due at the time of the sale; in  
 23                       this paragraph, "recorded interest" means an interest, including a lease, recorded under  
 24                       AS 40.17;

25                       (3) the trustor in the trust deed if the trustor is still the owner of the  
 26                       property at the time of the foreclosure sale, but, if the trustor is not still the owner of  
 27                       the property at the time of the foreclosure sale, then to the trustor's successor in  
 28                       interest whose interest appears of record at the time of the foreclosure sale.

29               (g) The trustee may withhold delivery of the deed under (b) of this section for  
 30               up to five days after the sale. If, during the five days, the trustee determines that the  
 31               sale should not have proceeded, the trustee may not issue the deed but shall

1 (1) inform the beneficiary, the otherwise successful bidder, and the  
 2 trustor of the trust deed or the trustor's successor in interest that the sale is rescinded;  
 3 and

4 (2) return to the otherwise successful bidder money received from the  
 5 otherwise successful bidder as a bid on the property; return of this money is the  
 6 otherwise successful bidder's only remedy if the trustee withholds delivery of the deed  
 7 under (b) of this section.

8 (h) If a trustee rescinds a sale under (g) of this section and the obligation  
 9 secured by the deed of trust remains in default, the trustee may, at the request of the  
 10 beneficiary, reschedule the sale for a date that is not less than 45 days after the date of  
 11 the rescinded sale. Not less than 30 days before the rescheduled sale date, the trustee  
 12 shall

13 (1) mail notice of the rescheduled sale date by certified mail to the last  
 14 known address of each of the persons identified by AS 34.20.070(c); and

15 (2) publish and post the notice of the rescheduled sale date as provided  
 16 by law for the sale of real property on execution.

17 (i) Unless a sale is rescinded under (g) of this section, the sale completely  
 18 terminates the rights of the trustor of the trust deed in the property.

19 \* **Sec. 10.** AS 34.20.120(a) is amended to read:

20 (a) The trustee under a trust deed upon real property given to secure an  
 21 obligation to pay money and conferring no duties upon the trustee other than the duties  
 22 that are incidental to the exercise of the power of sale conferred in the deed may be  
 23 substituted by recording in the mortgage records of the recording district in which the  
 24 property is located a substitution executed and acknowledged by

25 (1) all the beneficiaries under the trust deed, or their successors in  
 26 interest; ~~or~~

27 (2) the attorneys for all of the beneficiaries or the attorneys for all  
 28 of the beneficiaries' successors in interest.

29 \* **Sec. 11.** AS 34.20.120(b) is amended to read:

30 (b) The substitution must contain

31 (1) the date of execution of the trust deed;

1 (2) the names of the trustee, trustor, and beneficiary, **and, if the**  
 2 **substitution is executed by the attorney for the beneficiary or successor in**  
 3 **interest to the beneficiary, the name, address, and Alaska Bar Association**  
 4 **identification number of the attorney;**

5 (3) the book and page where the trust deed is recorded or the serial  
 6 number assigned to the trust deed by the recorder;

7 (4) the name of the new trustee; and

8 (5) an acknowledgment signed and acknowledged by the trustee  
 9 named in the trust deed of a receipt of a copy of the substitution, or an affidavit of  
 10 service of a copy of it.

11 \* **Sec. 12.** AS 34.20 is amended by adding a new section to read:

12 **Sec. 34.20.125. Trustee bond required.** (a) Before performing the duties of a  
 13 trustee under AS 34.20.070 and 34.20.080, a person shall obtain a surety bond in the  
 14 amount of \$250,000 to protect the trustors and beneficiaries of trust deeds against  
 15 fraud or defalcation by the trustee in the performance of the duties.

16 (b) The bond required by (a) of this section must be a bond that is terminable  
 17 at any time by the surety by sending written notice by first class United States mail to  
 18 the obligee and the principal at the address for each that is last known by the surety.  
 19 The bond terminates when 30 days have expired after the date the notice is mailed.  
 20 The surety is not liable for an act or omission of the principal that occurs after the  
 21 termination. The surety is not liable after the termination for more than the face  
 22 amount of the bond, regardless of the number of claims made against the bond or the  
 23 number of years the bond remains in force. A revision of the amount of the bond is not  
 24 cumulative.

25 (c) Each year, a trustee shall file evidence of the bond with the Department of  
 26 Commerce, Community, and Economic Development. The Department of Commerce,  
 27 Community, and Economic Development shall verify that the evidence is satisfactory  
 28 to indicate the existence of the bond, keep an updated list of trustees who are bonded,  
 29 and make the evidence and the list available to the public for inspection. The  
 30 Department of Commerce, Community, and Economic Development may charge the  
 31 trustee a reasonable fee for verifying the existence of the bond and maintaining the

1 records required by this subsection.

2 (d) The bonding requirements of this section do not apply to

3 (1) a title insurance company authorized under AS 21.66 to transact a  
4 title insurance business in this state; or

5 (2) a title insurance limited producer who is licensed as required by  
6 AS 21.66.270.