



Legal Services Advocacy Project

HF 1027 / SF 2338
Foreclosure Redemption and Surplus Bill

Authors:

House: Rep. West (chief); Rep. Feist (co-author)
Senate: Sen. Kruen (chief); Sens. Latz and Westlin (co-authors)

Background

Chapter 580 governs foreclosures by advertisement and foreclosure sales. These sales are conducted by the county sheriff's office. The Hennepin County Sheriff's Office, which conducts more than half the foreclosure sales statewide, has encountered a number of situations that have appeared harmful to the interests of homeowners trying to save (redeem) their homes and gaps in the law that create uncertainty about what process the sheriff should follow.

The Hennepin County Sheriff's Office has tried to protect homeowners' interests while being fair to creditors, but seeks clarity in the law to provide statutory guidance on how to do so. In 2024, the Hennepin County Sheriff's Office, along with a foreclosing attorney from the law firm Wilford Geske approached Rep. West with a proposal to tighten the law. Rep. West, the Hennepin County Sheriff, and the Wilford Geske attorney enlisted Legal Aid's involvement to assure the homeowners' interests were furthered.

Legal Aid has contributed a number of suggestions that have been incorporated into the bill (and has suggested – and Rep. West has approved – a few more that will be adopted in an author's amendment; see below).

Purpose of the Bill

The bill seeks to do two major things:

1. Clarify procedural aspects of Chapter 580 to ensure that foreclosure speculators do not use loopholes to thwart the interests of both legitimate creditors and homeowners trying to save their homes; and
2. Make it easier for homeowners to obtain any surplus due them and give them the opportunity to use the surplus towards redemption.

Section By Section Summary of the Bill

Section 1 – Property Taxes

Amends Minn. Stat. § 272.45

Effective August 1, 2025

- Protects homeowners' interests by preventing foreclosure speculators from creating a redeemable interest and then taking equity by paying real estate taxes on property for which they have no other connection.

Section 2 – Surplus

Amends Minn. Stat. § 580.10

Effective August 1, 2025

- Addresses a problem that the Hennepin County Sheriff's wherein individuals have faced personal liability for giving the surplus to the wrong party because the current law ties the sheriff's hands.
- The bill:
 - Gives the homeowner the right to have the surplus applied to the redemption amount.
 - Requires the sheriff to hold the surplus for the entire redemption period (giving the homeowner time to request that it be applied to the redemption amount);
 - Establishes a clear order of priority for the payment of the surplus;
 - Requires notice to the homeowner of the right to claim the surplus;
 - Establishes a clear procedure for the resolution of competing claims to the surplus (including filing a petition to have the court adjudicate disputes).

Section 3 – Satisfaction

Amends Minn. Stat. § 580.225

Effective August 1, 2025

- Makes a technical change, replacing “judgment” with “mortgage” to more accurately reflect the amount received from the foreclosure sale is in satisfaction of a mortgage debt.

Section 4 – Redemption by Creditor

Amends Minn. Stat. § 580.24

Effective for redemptions occurring after January 1, 2026

- Increases the window for each junior creditor to redeem from 7 to 14 days to minimize unnecessary time pressures for the sheriff and other participants and avoid confusion, uncertainty to title, and mistakes.
- Provides protection for the sheriff against liability when disputes arise.

Section 5 – Process for Creditor Redemption

Amends Minn. Stat. § 580.25

Effective for redemptions occurring after January 1, 2026

- Makes technical changes and requires that a redeeming creditor’s affidavit must specify the date for each amount due and owing, and the interest rate applicable, to allow for better accounting for redemption calculations.
- Allows some leeway for recording the affidavit to avoid harsh consequences for minor delays.

Section 6 – Certificate of Redemption

Amends Minn. Stat. § 580.26

Effective for redemptions occurring after January 1, 2026

- Requires that the homeowner be named on the certificate.
- Extends the deadline to record a certificate of redemption from four days to one week to allow more time for the Sheriff to execute and deliver the document and avoid errors in the process.

Section 7 – Action to Challenge Redemption or Surplus

Amends Minn. Stat. § 580.28

Effective for redemptions occurring after January 1, 2026

- Expands the ability where the sheriff can commence a court action for disputed redemptions, consistent with other amendments involving redemption and the surplus.
- Replaces the requirement the person redeeming must submit a bond or surety with the requirement that the person deposit an amount equal to one year’s interest.

Section 8 and 9– Allowable Costs/Affadavit

Amends Minn. Stat. §§ 582.03, subds. 1 and 2

Effective for affidavits filed with the sheriff after January 1, 2026

- Requires the date of payment for each itemized cost and the interest rate to be stated in the sheriff’s certificate to protect against fraud and abuse from claiming amounts due that were not incurred during the redemption period.

Section 10 – Dual Tracking

Amends Minn. Stat. § 582.043, subd. 6

Effective August 1, 2025

- Clarifies dual tracking law (which prohibits lenders/servicers from proceeding with foreclosure actions while negotiating loan modifications with homeowners) to give foreclosing lenders more flexibility to postpone or cancel sheriff sales to minimize costs.
- Gives homeowners more time to look for other options to save the home if denied a loan modification.

Amendment

Legal Aid has sought – and Rep. West has agreed to offer – an author’s amendment to HF 1027 that will:

1. On Page 2, Line 2, to make every effort to notify the homeowner of the right to claim a surplus, provide that the notice of surplus must also be mailed to the address on the property tax statement if there is no street address assigned for the property.
2. On Page 3, Lines 2 and 3, take the burden off the sheriff to act like a judge in determining if there are disputed claims.
3. On Page 10, Line 14, extend further the time a homeowner has to seek alternatives to save or sell the home if denied a loan modification from 30 to 60 days.

Stakeholders

Supporters

- Hennepin County Sheriff's Office
- Wilford Geske
- Legal Aid

Opponents

- None

New Interested Party

- Auction.com - a private, third party, online auction firm that conducts online mortgage foreclosure sales.
- Auction.com seeks to amend HF 1027 to allow private, third party auctioneers to conduct mortgage foreclosure sales, instead of the sheriff.