

# **MLTA Legislative Priorities 2026**



## HF 704- Mortgage Satisfaction and Understated Payoff Statement Reliance

### **Why House File 704 Is Necessary**

Real estate closings depend on the accuracy of mortgage payoff statements issued by mortgagees and mortgage servicers. House File 704 amends Minnesota Statutes § 507.41 to establish a clear statutory framework governing reliance on payoff statements and the correction of understated payoff amounts.

### **Without these statutory clarifications:**

- Buyers, sellers, title insurers, and closing agents face uncertainty even after transmitting funds in full reliance on a written payoff statement.
- Real estate transactions remain exposed to post-closing disputes and delayed mortgage satisfactions.
- Parties who have no control over a servicer's internal accounting systems bear the financial risk of payoff miscalculations.

### **How House File 704 Functions**

#### **- Reliance on a Payoff Statement**

HF 704 adds provisions addressing "Understated payoff statement; reliance." When payment is made in reasonable and detrimental reliance on a payoff statement issued by a mortgagee or servicer, the mortgagee or servicer may not later deny the accuracy of the understated payoff amount against the relying party.

#### **- Opportunity to Correct an Understated Payoff**

HF 704 permits a mortgagee or servicer to issue a corrected payoff statement if an earlier payoff amount was understated. The corrected statement supersedes the prior statement only if received in time for the payor or title agent to act before payment is made.

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- **Timely Satisfaction Requirement**

HF 704 amends § 507.41 to require that, upon receipt of full payment or performance of the loan as provided in a payoff statement, the mortgagee or servicer must submit a recordable satisfaction of mortgage within 45 days.

- **Preservation of Borrower Liability**

HF 704 does not extinguish legitimate underlying debt. If a payoff statement omits an amount and reliance protections apply, any omitted amount may remain collectible from the borrower as an unsecured obligation.

**Comparable Statutes in Other States**

Minnesota currently lacks explicit statutory provisions addressing reliance on understated payoff statements in the manner proposed in HF 704. However, similar payoff-reliance and mortgage satisfaction statutes have been adopted in multiple jurisdictions, including:

- Wisconsin – Wis. Stat. § 708.15(4)
- Florida – Fla. Stat. § 701.04
- California – Cal. Civ. Code §§ 2943 and 2943.1
- Massachusetts – Mass. Gen. Laws ch. 183, § 54D
- North Carolina – N.C. Gen. Stat. § 45-36.8(b)
- Texas – Tex. Fin. Code § 343.106(e)–(g)
- Oregon – ORS 86.157(3)–(5)
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These statutes reflect a recognized policy principle: parties who reasonably rely on a written payoff statement in closing a real estate transaction should not bear the risk of internal lender accounting errors. HF 704 would align Minnesota with these established statutory frameworks.

**Policy Impact of HF 704**

Promotes clear and marketable title.

Enhances reliability of Minnesota’s public land records.

Improves efficiency and predictability in real estate closings.

Allocates risk to the party best positioned to prevent payoff errors.

Reduces post-closing disputes and litigation.

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