LEGISLATIVE BILL 3

Approved by the Governor November 20, 1986

Introduced by R. Johnson, 34

AN ACT relating to real estate; to amend section 76-1006, Revised Statutes Supplement, 1984, section 76-1012, Reissue Revised Statutes of Nebraska, 1943, as amended by section 6, Legislative Bill 999, Eighty-ninth Legislature, Second Session, 1986, and section 76-1008, Revised Statutes Supplement, 1984, as amended by section 5, Legislative Bill 999, Eighty-ninth Legislature, Second Session, 1986; to adopt the Farm Homestead Protection Act; to harmonize provisions; to provide severability; to repeal the original sections, and also Laws 1986, LB 999, sections 1 and 4; and to declare an emergency.

Be it enacted by the people of the State of Nebraska,

Section 1. <u>Sections 1 to 16 of this act shall</u>
<u>be known and may be cited as the Farm Homestead</u>
<u>Protection Act.</u>

Sec. 2. As used in the Farm Homestead Protection Act, unless the context otherwise requires:

(1) Designation of homestead shall mean a sworn written statement by an individual mortgagor, trustor, or judgment debtor which describes his or her homestead, executed on or after the effective date of this act. Such statement shall include a legal description of the homestead. If only a portion of the homestead will be encumbered by the mortgage, trust deed, or judgment lien with respect to which a designation is made, then such portion so encumbered shall also be identified by proper legal description. If the homestead or the encumbered portion of the homestead is not separately described in its entirety in the mortgage or trust deed with respect to which designation is made, or cannot be accurately described as a fractional part of a section, the designation shall be accompanied by a survey which includes a metes and bounds description with reference to established datum. The survey and description shall be prepared by and bear the signature and seal of a registered land surveyor. The designation shall include statements by the individual mortgagor, trustor, or judgment debtor that

(a) he or she resides in a dwelling house located upon the homestead, (b) all appurtenances to such dwelling and an adequate supply of potable water and an adequate system of sewage disposal exist upon the homestead, (c) both the water supply and sewage disposal system are located entirely upon the homestead and neither will require access to or an easement across any part of the nondesignated agricultural land encumbered by such mortgage or trust deed, (d) both the homestead and the nonhomestead real estate encumbered by such mortgage or trust deed have existing legal access to a public roadway, and (e) provide a complete listing of all structures and other improvements situated on the portion of the homestead so encumbered, together with a representation that such structures and improvements are within the homestead boundary and do not encroach upon any of the nonhomestead real estate encumbered by such mortgage or trust deed:

(2) Agricultural land shall mean a parcel of land larger than twenty acres not located in any incorporated city or village which is owned by an individual and used in farming operations carried on by the owner at any time within the preceding three-year period for the production of farm products as defined in section 9-109 of the Uniform Commercial Code. Agricultural land shall include wasteland lying within or contiguous to and in common individual ownership with land used in farming operations for the production of

farm products:

(3) Homestead shall mean a parcel of agricultural land encumbered in whole or in part by the lien of a mortgage, trust deed, or judgment, for which a designation of homestead has been made pursuant to the Farm Homestead Protection Act, and which possesses all of the attributes legally requisite to its selection by the mortgagor, trustor, or judgment debtor as his or her homestead under Chapter 40, except that the value limitation of section 40-101 shall not be construed to limit or impede any such designation:

(4) Protected real estate shall mean agricultural land which is encumbered by the lien of a judgment entered or a mortgage or trust deed executed on or after the effective date of this act, which lien is of a first and paramount priority over any other lien

except a tax lien; and

(5) Redemptive homestead shall mean that portion of any protected real estate for which an owner has made a designation of homestead as provided in the Farm Homestead Protection Act.

Sec. 3. (1) In any action for the foreclosure of a mortgage upon protected real estate, if the mortgaged premises are used in farming operations carried on by the mortgagor, the mortgagee shall, before the commencement of such action, send to the mortgagor written notice of right to cure.

(2) The notice of right to cure shall set

forth:

(a) A statement identifying the mortgage instrument by stating the name of the mortgagor named therein and giving the book and page or computer system reference where the same is recorded a brief description of the mortgaged premises, and a statement that a breach of an obligation contained in or secured by the mortgage has occurred, setting forth the nature of such breach and of the mortgage's election to enforce the mortgage against the mortgaged premises:

(b) A statement that the mortgagor, his or her in interest in the mortgaged premises or any successor part thereof, or any other person having a subordinate lien or encumbrance of record thereon may, at any time within two months of the sending of the notice of right to cure, render to the mortgagee or his or her successor in interest full performance and payment of the entire amount then due under the terms of the mortgage and the obligation secured thereby, including costs and expenses actually incurred in enforcing the terms of such obligation and mortgage, including reasonable attorney fees not exceeding one half of one per cent of the unpaid principal balance then due, and any reinstatement fee provided for under the terms of the mortgage or the obligation thereby secured, other than such portion of the principal as would not then be due had no default occurred, and thereby cure the default previously existing:

(c) A statement of the amount of the entire unpaid principal sum secured by the mortgage, the amount of interest accrued thereon to and including the date of notice, and the dollar amount of the per diem interest accruing from and after such date; and

(d) A statement of the amount of the unpaid principal which would not then be due had no default occurred.

(3) A copy of the notice of right to cure sent to the mortgagor shall be appended as an exhibit to the foreclosure petition filed with the court. The right to cure provided by this section shall expire two months from the date the notice of right to cure is sent to the mortgagor.

(4) If the default is cured prior to the expiration of the two-month period, any action previously commenced shall be dismissed and the mortgage and the obligation thereby secured shall be reinstated and shall be and remain in force and effect the same as if no default or acceleration had occurred.

Sec. 4. (1) In any mortgage or trust deed executed on or after the effective date of this act upon agricultural land, the mortgagor or trustor may make a designation of homestead in the body of such mortgage or

trust deed.

(2) In any mortgage or trust deed executed on after the effective date of this act upon agricultural land, if no (a) designation of homestead is made pursuant to subsection (1) of this section or (b) waiver or disclaimer given in accordance with subsection (3) of this section, such mortgage or trust deed shall be construed as affording to the mortgager or trustor a reservation of right to defer his or her designation of homestead until such time as a decree of foreclosure is entered upon such mortgage or trust deed or a trustee's notice of default is filed for record pursuant to section 76-1006.

(3)(a) On or after the effective date of this prior to the execution of any mortgage or trust deed upon agricultural land, the mortgagor or trustor may disclaim in writing his or her right to make a designation of homestead. The disclaimer shall contain a statement by the mortgagor or trustor that no part of his or her homestead is presently or in the future will be situated upon the real estate described in the mortgage or trust deed and that the mortgagor or trustor understands that if he or she establishes a homestead on any part of the real estate during the time the mortgage or trust deed remains unsatisfied and a lien upon the real estate, there shall be no right to make a designation of homestead in the event of a foreclosure or trustee's sale upon such mortgage or trust deed. Such written disclaimer shall be set forth as a preface to the mortgage or trust deed and shall be filed for record as a part of the mortgage or trust deed in the office of the register of deeds. Failure by the mortgagee or trustee to file a written disclaimer as provided in this subdivision shall nullify any purported disclaimer by the mortgagor or trustor of his or her right to make a designation of homestead.

(b) On and after the effective date of this act, prior to the execution of any mortgage or trust deed upon agricultural land, the mortgager or trustor

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may waive by written acknowledgment his or her right to make a designation of homestead. The written acknowledgment shall contain a statement that the mortgage or trustor understands that he or she has the right to make a designation of homestead in the mortgage or trust deed and the execution of such acknowledgment constitutes the waiver of rights otherwise available for the purpose of affording the mortgager or trustor the opportunity to retain his or her homestead in the event of a default upon such mortgage or trust deed. Such written acknowledgment shall be set forth as a preface to the mortgage or trust deed and shall be filed for record as a part of the mortgage or trust deed in the office of the register of deeds. Failure by the mortgagee or trusteet to file a written acknowledgment as provided in this subdivision shall nullify any purported waiver by the mortgagor or trustor of his or her right to make a designation of homestead.

Sec. 5. For so long as any mortgage or trust described in section 4 of this act remains a lien upon the real estate, the designation of homestead, the reservation of the right to make a designation of homestead, or a waiver or disclaimer of the right make a designation of homestead made in accordance with section 4 of this act shall be binding upon the parties to such instrument and their successors in interest and upon any other interest in the real estate which is junion in priority to the priority of the lien created by such mortgage or trust deed. Except as provided in sections 12 and 13 of this act, no designation of homestead shall have any force or effect if any mortgage or trust deed executed or a judgment rendered prior to the effective date of this act remains a lien upon the real estate and is senior in priority to the instrument in which a designation of homestead, reservation of the right to make a designation of homestead, or a waiver or disclaimer of the right to make a designation of

homestead is made.

Sec. 6. (1) In an action against protected real estate for the foreclosure of any mortgage or trust deed described in section 4 of this act with respect to which no waiver or disclaimer of the right to make a designation of homestead has been made or is otherwise binding in accordance with section 5 of this act, if any part of the homestead of the mortgager or trustor is included in a decree directing a sale of the mortgaged premises or trust property, the mortgager or trustor may request redemption of his or her redemptive homestead. Such request shall be made in a petition signed and

sworn to by the mortgagor or trustor and filed in the foreclosure action not later than twenty days after

rendition of the decree of foreclosure.

(2) In any proceeding against protected real estate involving the exercise of a power of sale by a trustee under a trust deed described in section 4 of this act with respect to which no waiver or disclaimer of the right to make a designation of homestead has been made or is otherwise binding in accordance with section 5 of this act, if any part of the homestead of the trustor is included in the notice of default filed in accordance with section 76-1006, the trustor may request redemption of his or her redemptive homestead. Such request shall be made in a petition signed and sworn to by the trustor and filed in the district court of the county where the trust property is located not later than two months following recordation of the notice of default.

(3) If protected real estate of a judgment debtor is subject to the lien of a judgment entered on or after the effective date of this act, and if no waiver or disclaimer of the right to make a designation of homestead is binding in accordance with section 5 of this act, the judgment debtor may request redemption of his or her redemptive homestead. Such request shall be made in a petition signed and sworn to by the judgment debtor and filed in the district court of the county where the redemptive homestead is located not later than the date of the last publication of the notice required by section 25-1529. Sec. 7.

Sec. A petition filed pursuant to section

6 of this act shall:

(1) Set forth a designation of the homestead which shall, with respect to the redemptive homestead. be limited by the boundaries of any designation made pursuant to section 4 of this act in any mortgage or trust deed having priority under section 5 of this act; and

(2) Include a written appraisal report prepared and signed by a licensed real estate appraiser setting forth the appraiser's estimate and basis for such estimate of the current fair market value of each the following: (a) The protected real estate as a whole; (b) the redemptive homestead if sold separately from the balance of the protected real estate; and (c) the balance of the protected real estate if sold separately from the redemptive homestead.

Sec. 8. If after trial as an action in equity the court finds: (1) That the petition provided for in section 6 of this act is filed in good faith and not for delay: (2) that the statements contained in the petition are true; and (3) that the requested redemption will not unreasonably affect the fair market value of the protected real estate exclusive of the redemptive homestead, then the court shall confirm the redemption.

Sec. 9. (1) Except as provided in subsection this section, an order confirming a requested homestead redemption shall direct the petitioner to pay into the court not later than ten days from the entry of such order a cash amount equal to the current fair market value of the redemptive homestead as found and determined by the court in its confirmation order. the petitioner fails to make such payment, the court shall, upon its own motion or the motion of any party to the action, vacate the confirmation order, and all of the protected real estate shall then be subject to sale as provided by law. free of any redemptive or other right of the petitioner otherwise existing under the Farm Homestead Protection Act. The filing of a petition requesting redemption on the basis of the payment of a cash amount equal to the current fair market value of the redemptive homestead shall not constitute a waiver of any stay in effect or available to the petitioner under section 25-1506.

(2) Redemption based upon the petitioner's equity in the protected real estate shall be permitted when requested in the prayer of the petition and when the court specifically finds and determines in its confirmation order that the sum of all liens upon the protected real estate is equal to eighty-five per cent or less of the current fair market value of that portion of the protected real estate exclusive of the redemptive If the court finds that the petitioner has homestead. sufficient equity as required by this subsection, the payment otherwise required by subsection (1) of this section shall be waived by the court in its order confirming the redemption. The filing of a petition requesting redemption on the basis of the petitioner's equity in the protected real estate as provided in this subsection shall constitute a waiver of any stay in effect or available to the petitioner under section

Sec. 10. (1) The filing of a petition as provided in section 6 of this act shall not delay or preclude the holder of a mortgage, trust deed, or judgment lien, referred to in such section, from causing a sale as otherwise permitted by law of that portion of the protected real estate exclusive of the redemptive

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homestead described in the petition.

(2) Upon (a) payment of the fair market value of the redemptive homestead as provided in subsection (1) of section 9 of this act or (b) confirmation of a requested redemption on the basis of the petitioner's equity in the protected real estate pursuant to subsection (2) of section 9 of this act, the petitioner shall be entitled to retain his or her interest in the redemptive homestead free of the lien of the mortgage or trust deed or the judgment lien, against which the petition for redemption was filed, and free of any other lien held therein by any party to the action.

Sec. 11. No action on any petition filed in accordance with section 6 of this act nor any order of confirmation entered thereon shall at any time affect or impair any prior lien upon agricultural land under any mortgage or trust deed executed or judgment rendered prior to the effective date of this act, and no redemptive right created by the Farm Homestead Protection Act shall exist with respect to any such

mortgage, trust deed, or judgment.

Sec. 12. (1) In an action for the foreclosure of a mortgage upon agricultural land which was recorded prior to the effective date of this act or a mortgage recorded on or after the effective date of this act in which the right to designate a homestead has been waived or disclaimed pursuant to section 4 of this act, if any part of the homestead of the mortgagor is included in a directing a sale of the mortgaged premises, upon request of the mortgagor, the mortgaged premises shall be offered in separate sales. The first sale shall be en masse and, immediately thereafter, at the same location, the premises shall again be sold. At the second sale, the mortgaged premises shall be sold in two separate parcels with the homestead designated in mortgagor's request being the last parcel to be sold. The sheriff or other person authorized by the court to sell the mortgaged premises shall make return of both sales. The court shall confirm, subject to the provisions of section 25-1531, the sale upon which the greater amount is realized, except that if in the second sale by parcels the mortgagor bids for his or her designated homestead, and if, by virtue of the price bid by the mortgagor for such homestead, the aggregate amount realized in the second sale equals or exceeds the amount realized from the first sale en masse or the amount of the decree, whichever is less, then the court shall confirm the sale by parcels and the mortgagor shall be the purchaser of his or her designated

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homestead.

(2) The mortgagor's request shall <u>be</u> signed acknowledged by the mortgagor and filed with the clerk of the court within twenty days after rendition of the decree of foreclosure.

(3) The mortgagor's request shall include his

or her designation of homestead.

(1) If any part of the homestead of 13. the trustor is included in a description of agricultural land set forth in a notice of default under a trust deed recorded prior to the effective date of this act or a trust deed recorded on or after the effective date of this act in which the trustor has waived or disclaimed the right to designate a homestead pursuant to section 4 of this act, upon request by the trustor, such property shall be offered in two separate sales in the manner set forth in section 76-1009. The first sale shall be en masse and, immediately thereafter, at the same location, the property shall again be sold. In the second sale, the property shall be sold in separate parcels with homestead designated in the trustor's request being the last parcel to be sold. The property shall be sold the highest bidder or bidders at the sale producing the greatest aggregate price, except that if at the second sale by parcels the trustor bids for his or her designated homestead, and if, by virtue of the price bid by the trustor for such homestead, the aggregate price realized in the second sale equals or exceeds the price realized from the first sale en masse or the amount sufficient to satisfy the cost and expenses described in 76-1011 and the obligation secured by the trust deed and all other indebtedness secured by subordinate liens and encumbrances, whichever is less, then the trustor shall be the purchaser of the homestead parcel and entitled to a trustee's deed thereto and the balance of the property shall be sold to the highest bidder therefor at the second sale by parcels.

(2) The trustor's request shall identify the trust deed by giving the book and page or computer system reference where the same is recorded and shall be signed and acknowledged by the trustor and filed for record in the office of the register of deeds of each county where the trust property or some part or parcel thereof is situated within two months of the filing for

record of the notice of default.

(3) The trustor's request shall include his or

her designation of homestead.

The Farm Homestead Protection Act Sec. 14. shall not be construed to impair any right of a judgment

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debtor to claim and receive the dollar amount of the exemption afforded to the holder of the homestead under section 40-101.

Sec. The rights afforded to a mortgagor or trustor under the Farm Homestead Protection Act shall be available for the protection of the homestead of his or her successor in interest in the mortgaged premises or trust property only if the successor has entered into an agreement signed and acknowledged by the mortgagee or beneficiary and by the successor for the assumption and full performance by the successor of the obligations

secured by the mortgage or trust deed.

Sec. 16. (1) A sale or conveyance of agricultural land in parcels pursuant to any action on a petition filed pursuant to section 6 of this act. (2) foreclosure sale of mortgaged premises in parcels pursuant to section 12 or 13 of this act or a decree entered under section 25-2138, or (3) a conveyance by deed executed by the owner to a mortgagee or trustee in lieu of foreclosure or exercise of the trustee's power sale shall be exempt from the requirements of <u>subdivision approval contained in sections 14-116.</u> 15-901, 16-902, 17-1002, 23-174.03, and 23-373 and shall not constitute a subdivision as defined in sections 14-116, 15-901, 19-921, 23-174.03, and 23-372. Sec. 17. That section 76-1006,

Statutes Supplement, 1984, be amended to read as

follows:

76-1006. The power of sale herein conferred

upon the trustee shall not be exercised until:

(1) The trustee shall first file for record in the office of the register of deeds of each county wherein the trust property or some part or parcel is situated a notice of default identifying the thereof trust deed by stating the name of the trustor named therein and giving the book and page or computer system reference where the same is recorded and a description of the trust property, containing a statement that a breach of an obligation for which the trust property was conveyed as security has occurred, and setting forth the nature of such breach and of his or her election to sell or cause to be sold such property to satisfy the obligation; and

(2) If the trust property is used in farming operations carried on by the trustor, not in any incorporated city or village, the notice of default also

sets forth:

A statement that the default may be cured within two months of the filing for record of the notice

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of default and the obligation and trust deed may be thereby reinstated as provided in section 76-1012;

(b) A statement of the amount of the entire unpaid principal sum secured by the trust deed, the amount of interest accrued thereon to and including the date the notice of default is filed for record, and the dollar amount of the per diem interest accruing from and

after such date; and
(c) A statement of the amount of the unpaid principal which would not then be due had no default

occurred:_and

After the lapse of not less than one (3) month, or two months if the notice of default is subject to subsection (2) of this section. the trustee give notice of sale as provided in section 76-1007.

Sec. 18. That section 76-1008, Revised Statutes Supplement, 1984, as amended by section 5, Legislative Bill 999, Eighty-ninth Legislature, Second

Session, 1986, be amended to read as follows:

76-1008. (1) Any person desiring a copy of any notice of default and of any notice of sale under any trust deed may, at any time subsequent to the filing for record of the trust deed and prior to the filing for record of a notice of default thereunder, file for record in the office of the register of deeds of any county in which any part or parcel of the trust property is situated a duly acknowledged request for a copy of any such notice of default and notice of sale. The request shall set forth the name and address of the person or persons requesting copies of such notices and shall identify the trust deed by stating the names of the original parties thereto, the date of filing for record thereof, and the book and page or computer system reference where the same is recorded and shall be in substantially the following form:

Request is hereby made that a copy of any notice of default and a copy of notice of sale under the trust deed filed for record 19...., and recorded in book, page, (or computer system reference) Records of County, Nebraska, executed by as trustor, in which is named as beneficiary and as trustee, be mailed to (insert name) at (insert address)

Signature

(2) Not later than ten days after recordation of such notice of default, the trustee or peneficiary shall mail, by registered or certified mail with postage prepaid, a copy of such notice with the recording date

shown thereon, addressed to each person whose name and address is set forth in a request therefor which has been recorded prior to the filing for record of the notice of default, directed to the address designated in such request. At least twenty days before the date of sale, the trustee shall mail, by registered or certified mail with postage prepaid, a copy of the notice of the time and place of sale, addressed to each person whose name and address is set forth in a request therefor which has been recorded prior to the filing for record of the notice of default, directed to the address

designated in such request.

(3) Each trust deed shall contain a request that a copy of any notice of default and a copy of any notice of sale thereunder shall be mailed to each person who is a party thereto at the address of such person set forth therein, and a copy of any notice of default and of any notice of sale shall be mailed to each such person at the same time and in the same manner required though a separate request therefor had been filed by each of such persons as provided in this section. the trust property is agricultural land as described in sections 77-1359 and 77-1360; the notice of default shall also include: (a) A statement that the borrower has a right under section 76-1012 to remove the default within seventy days of the filing of record of the notice of default and reinstate the trust deed; (b) a listing of the delinquent amounts due for principal and interest; (e) any amount less than the total of the amounts listed in subdivision (b) of this subsection which the lender or holder of the secured interest would accept to reinstate the trust deed; and (d) a statement that the borrower has a right under section 76-1519 to partially redeem the homestead:

- (4) If no address of the trustor is set forth in the trust deed and if no request for notice by such trustor has been recorded as provided in this section, a copy of the notice of default shall be published at least three times, once a week for three consecutive weeks, in a newspaper of general circulation in each county in which the trust property or some part thereof is situated, such publication to commence not later than ten days after the filing for record of the notice of default.
- (5) No request for a copy of any notice filed for record pursuant to this section nor any statement or allegation in any such request nor any record thereof shall affect the title to trust property or be deemed notice to any person that any person requesting copies

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of notice of default or of notice of sale has or claims any right, title, or interest in or lien or claim upon the trust property.

Sec. 19. That section 76-1012, Reissue Revised Statutes of Nebraska, 1943, as amended by section 6, Legislative Bill 999, Eighty-ninth Legislature, Second Session, 1986, be amended to read as follows:

76-1012. Whenever all or a portion of principal sum of any obligation secured by a trust deed has, prior to the maturity date fixed in such obligation, become due or been declared due by reason of a breach or default in the performance of any obligation secured by the trust deed, including a default in the payment of interest or of any installment of principal, or by reason of failure of the trustor to pay, in accordance with the terms of such trust deed, taxes, assessments, premiums for insurance, or advances made by the beneficiary in accordance with terms of such obligation or of such trust deed, the trustor or his or her successor in interest in the trust property or any part thereof or any other person having a subordinate lien or encumbrance of record thereon or any beneficiary under a subordinate trust deed, at any time within one month, or within seventy days if the trust property is agricultural land as described in sections 77-1359 and 77-1360 two months if the notice of default is subject to subsection (2) of section 76-1006, of the filing for record of notice of default under such trust deed, the power of sale is to be exercised, may pay to the beneficiary or his or her successor in interest the entire amount then due under the terms of such trust deed and the obligation secured thereby, including costs and expenses actually incurred in enforcing the terms of such obligation, or trust deed, and the trustee's fees actually incurred not exceeding in the aggregate fifty dollars or one half of one per cent of the entire unpaid principal sum secured, whichever is greater, other than such portion of the principal as would not then be due had no default occurred, and thereby cure the default theretofore existing and thereupon all proceedings theretofore had or instituted shall be dismissed or discontinued, and the obligation and trust deed shall be reinstated and shall be and remain in force and effect the same as if no acceleration had occurred. If the default is cured and the trust deed reinstated in the manner hereinabove provided, the beneficiary, or his or her assignee, shall, on demand of any person having an interest in the trust property, execute and deliver to

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him or her a request to the trustee that the trustee execute, acknowledge, and deliver a cancellation of the recorded notice of default under such trust deed, and any beneficiary under a trust deed, or his or her assignee, who, for a period of thirty days after such demand, refuses to request the trustee to execute and deliver such cancellation shall be liable to the person such refusal. A cancellation of recorded notice of default under a trust deed shall, when acknowledged, be entitled to be recorded and shall be sufficient if made and executed by the trustee in substantially the following form:

Sec. 21. That original section 76-1006, Revised Statutes Supplement, 1984, section 76-1012, Reissue Revised Statutes of Nebraska, 1943, as amended by section 6, Legislative Bill 999, Eighty-ninth Legislature, Second Session, 1986, and section 76-1008, Revised Statutes Supplement, 1984, as amended by section 5, Legislative Bill 999, Eighty-ninth Legislature, Second Session, 1986, and also Laws 1986, LB 999, sections 1 and 4, are repealed.

Sec. 22. Since an emergency exists, this act shall be in full force and take effect, from and after its passage and approval, according to law.