

Homeowners In California Now Have Stronger Anti-Deficiency Protection In The Event Of A Short Sale

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This year a wave of new legislation protecting homeowners from legal and financial consequences in the event of a short sale has become effective in California. The first wave of relief came in January of 2011 when Section 580(e) of the Code Of Civil Procedure took effect, providing that a primary mortgage holder had no further recourse against a homeowner if it agreed to a short sale in which the residence was sold for less than the balance remaining on the mortgage, and the note was secured solely by the mortgage.

Now comes a [revision to the law](#), effective July 15, 2011, which also protects homeowners involved in a short sale from deficiency judgments by junior lien holders whose notes are secured solely by the mortgage.

There are exceptions, applicable to both primary and secondary mortgage or note holders, and these include situations that involve fraud or waste. Also, the anti-deficiency laws do not apply if the homeowner is a corporation, limited liability company, limited partnership or political subdivision, or if the mortgage secures a dwelling of more than four units.

Still, homeowners that proceed with short sales now have a few less headaches to worry about.

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