Senate Bill 306 (SB 306)
Changes to Short Sales in California

SB 306 was signed into law by Governor Arnold Schwarzenegger on August 5, 2009.

SB 306 will require a beneficiary, within 21 days of the receipt of a short-pay request, to prepare and deliver a short-pay demand statement, which would be a written statement, conditioned on the existence of a short-pay agreement, that is prepared in response to a request from an entitled person or authorized agent, setting forth an amount less than the outstanding debt, together with any terms and conditions, under which the beneficiary would exectue and deliver a reconveyance of the deed of trust securing the note that is the subject of the short-pay demand statement.

The bill also provides that the short-pay agreement is an agreement in writing in which the beneficiary agrees to release its lien on a property in return for payment of an amount less than the secured obligation.

SB 306 permits a beneficiary that elects not to proceed with the transaction that is the subject of the short-pay request to refuse to provide a short-pay demand statement, but would require that the beneficiary provide a written statement, indicating that the beneficiary has elected not to proceed.

SB 306 provides that if the terms and conditions of the short-pay agreement require approval by the beneficiary of a closing statement prepared by an escrowholder, approval or disapproval shall be provided not more than 4 days after receipt by the beneficiary of the closing statement, shall be deemed approved, except as specified.

Please consult your attorney or lender for more information regarding SB 306.

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