



SB 458

Extending Protection of Short Sale Transactions to Junior Liens

Gov. Jerry Brown signed Senate Bill 458, authored by Senate Majority Leader Ellen Corbett (D-San Leandro,) into law on Friday. Senate Bill 458 is a new California law that further protects homeowners pursuing short sales by barring first and second lien holders from going after sellers for money owed after the short sale closes.

The new law builds on the protections offered by a previous law, SB 931, which required the first lien holder in a short sale to accept an agreed-upon payment as the full payment for the outstanding loan balance. The previous law did not address junior lien holders. The new law, which became effective immediately, now prohibits secondary lien holders from pursuing deficiencies after a short sale closes.

A short sale is a transaction in which the homeowner owes more on the loan than the property is worth. To sell the home, the lien holder or lien holders must approve the sale

because the amount owed to the lien holder will be “short” of what is currently owed by the borrower.

“The signing of this bill is a victory for California homeowners who have been forced to short sell their home only to find that the lender will pursue them after the short sale closes, and demand an additional payment to subsidize the difference,” said California Association of Realtors President Beth L. Peerce. “SB 458 brings closure and certainty to the short sale process and ensures that once a lender has agreed to accept a short sale payment on a property, all lienholders – those in first position and in junior positions – will consider the outstanding balance as paid in full and the homeowner will not be held responsible for any additional payments on the property.”

