

FAQS FOR HOMEOWNERS AND HOUSING COUNSELORS:

WHAT ARE MY RIGHTS DURING THE REDEMPTION PERIOD?

What is the redemption period?

After a property is sold at a sheriff's sale (foreclosure sale), there is a period of time referred to as the "redemption period" during which you still have some rights. For most properties it is a six month period. If you use the property for agricultural purposes you may be able to request that your redemption period be increased to one year. If you have paid off more than two-thirds of the loan amount, the redemption period must be increased to one year. If the property has been declared abandoned, the redemption period can be shortened to one month.

If you unreasonably refuse to allow your property to be inspected or if the property is deemed in need of repairs or in "imminent" need of repairs, the redemption period can be terminated.

What happens during the redemption period?

During the redemption period, you or your tenant may continue to live in the property and are not required to make any mortgage payments. You also have the right to sell the property to another person or re-purchase the property.

If I want to re-purchase the property, what is the purchase price?

At the sheriff's sale, the buyer paid a certain amount of money to purchase the property. Often the buyer will be your mortgage company although it may be a third party. The amount necessary for you to buy back, or redeem, your property is the amount the purchaser paid, plus some allowable costs and a daily interest rate based upon your mortgage loan interest rate. You can learn the sale price for your property by purchasing a copy of the sheriff's deed from the Register of Deeds in the county where the property is located.

What if the purchase price at the sheriff's sale is less than the amount of my loan?

If you want to redeem, or buy back, your property you only have to pay the purchase price from the sheriff's sale plus interest and some costs even if it is substantially less than your loan amount.

Regardless of whether you redeem the property or not, if the purchase price from the sheriff's sale is less than the amount owing on your loan then you may be responsible for the difference, called a deficiency. The amount of the deficiency is set by the sheriff's sale purchase price, not what the purchaser sells it for later. The mortgage company (or another company to whom they sell the debt) can try to collect on this deficiency. If a company attempts to collect the deficiency, you should see legal counsel regarding your rights and obligations.

Do I have to allow the bank or the purchaser at the sheriff's sale to inspect my property during the redemption period?

Yes. The purchaser has the right to inspect the inside and outside of your house and all other structures (such as a garage). They may inspect the outside of your property as many times as they want without any notice.

In order to inspect the inside, the purchaser must first send you an initial notice that includes the purchaser's identity, contact information for the purchaser, the date of the sale, the amount of the sale, the date the redemption period expires, information about the purchaser's inspection rights under the law, how to notify the purchaser when you move out of the property, and that you are obligated to notify the purchaser when you move out of the property. After the purchaser sends this first notice, the purchaser may undertake an initial interior inspection by providing an additional notice of the purchaser's intent to inspect. This additional notice

must be made at least 72 hours in advance and shall set the date and time of the inspection, in coordination with you. After that, the purchaser may request that you provide additional information regarding the property no more than once per month or three times in the six month redemption period. If you fail to provide the requested information or if the information indicates the possibility of damage to the property, then the purchaser may schedule another interior inspection with 72 hours notice.

If you “unreasonably” refuse any inspection, you can be evicted and the redemption period may be terminated.

What if the inspection shows that there is a risk of damage or that the property has already been damaged?

If the inspections indicate that there is “imminent” danger of damage or if the property has, in fact, been damaged, then the purchaser must give you notice of the problems and seven days to repair the damage. If you complete the repairs or if you and the purchaser agree to a different timeline and you abide by the timeline then the purchaser will not seek to evict you and terminate your redemption period.

If the repairs are not made, the purchaser can seek to evict you and terminate the redemption period. .

Damage can include “stripping” the pipes or metal from the property, missing or destroyed structural items such as kitchen cabinets, furnaces, walls or roofs.

I use my property for farming; is there anything I need to do to get the one year redemption period?

Yes. Before the sheriff’s sale you must provide a copy of your Schedule F to your previous year’s federal tax return to the mortgage company’s attorneys and file an affidavit with the register of deeds in your county indicating you have provided this document. After the sheriff’s sale, you can try to provide the Schedule F but you may have to file a court action during the first six months of your redemption period to get the full one year redemption period.

What if I move out before the end of the redemption period?

If the purchaser gave you an interior inspection notice, then you must give the purchaser at least 10 days notice of your move out date at the address listed in the notice and you must give them an opportunity to secure the property. If you do not, then it will be presumed you are responsible for any damage that occurs to the property.

What if I’m still there at the end of the redemption period?

If you do not buy back the property or sell the property to someone else, then the sheriff’s sale purchaser can file a court action to evict you from the property. They may also offer you “cash for keys,” which is where they pay you a small amount of cash if you agree to move out of the property by a specific date and leave the property in an acceptable condition. If you are a tenant, you may have additional rights under federal law.

The purchaser should not simply change the locks or evict you without a court order. If this happens you should contact an attorney immediately for assistance.

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