

A bill for an act

relating to real property; clarifying tenant rights with respect to property
subject to a mortgage foreclosure; amending Minnesota Statutes 2008, sections
504B.151, subdivision 1; 504B.178, subdivision 8.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2008, section 504B.151, subdivision 1, is amended to
read:

Subdivision 1. **Limitation on lease and notice to tenant.** (a) Once a landlord has
received notice of a contract for deed cancellation under section 559.21 or notice of a
mortgage foreclosure sale under chapter 580, 581, or 582, the landlord may only enter
into (i) a periodic residential lease agreement with a term of not more than two months
or the time remaining in the contract cancellation period or the mortgagor's redemption
period, whichever is less or (ii) a fixed term residential tenancy not extending beyond the
cancellation period or the landlord's period of redemption until:

(1) the contract for deed has been reinstated or paid in full;

(2) the mortgage default has been cured and the mortgage reinstated;

(3) the mortgage has been satisfied;

(4) the property has been redeemed from a foreclosure sale; or

(5) a receiver has been appointed.

(b) Before entering into a lease under this section and accepting any rent or security
deposit from a tenant, the landlord must notify the prospective tenant in writing that the
landlord has received notice of a contract for deed cancellation or notice of a mortgage
foreclosure sale as appropriate, and the date on which the contract cancellation period or
the mortgagor's redemption period ends.

(c) This section does not apply to a manufactured home park as defined in section 327C.01, subdivision 5.

EFFECTIVE DATE. This section is effective August 1, 2009, and applies to leases entered into on or after that date.

Sec. 2. Minnesota Statutes 2008, section 504B.178, subdivision 8, is amended to read:

Subd. 8. **Withholding rent.** No tenant may withhold payment of all or any portion of rent for the last payment period of a residential rental agreement, except an oral or written month to month residential rental agreement concerning which neither the tenant nor landlord has served a notice to quit, or for the last month of a contract for deed cancellation period under section 559.21 or a mortgage foreclosure redemption period under chapter 580, 581, or 582, on the grounds that the deposit should serve as payment for the rent. Withholding all or any portion of rent for the last payment period of the residential rental agreement creates a rebuttable presumption that the tenant withheld the last payment on the grounds that the deposit should serve as payment for the rent. Any tenant who remains in violation of this subdivision after written demand and notice of this subdivision shall be liable to the landlord for the following:

(1) a penalty in an amount equal to the portion of the deposit which the landlord is entitled to withhold under subdivision 3 other than to remedy the tenant's default in the payment of rent; and

(2) interest on the whole deposit as provided in subdivision 2, in addition to the amount of rent withheld by the tenant in violation of this subdivision.

EFFECTIVE DATE. This section is effective August 1, 2009, and applies to cancellations of contracts for deed in which the notice of cancellation is first served or published on or after August 1, 2009, and mortgage foreclosures under Minnesota Statutes, chapter 581, in which the lis pendens is recorded on or after August 1, 2009.