A bill for an act

relating to landlord and tenant; providing for certain notices relating to foreclosure; amending Minnesota Statutes 2006, sections 504B.151; 504B.178, subdivision 8; 504B.285, subdivision 1.

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

Section 1. Minnesota Statutes 2006, section 504B.151, is amended to read:

**504B.151 RESTRICTION ON RESIDENTIAL LEASE TERMS FOR BUILDINGS IN FINANCIAL DISTRESS; REQUIRED NOTICE OF PENDING FORECLOSURE.**

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 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.

Subd. 2. **Exception allowing a longer term lease.** This section does not apply if:

(1) the holder or the mortgagee agrees not to terminate the tenant's lease other than for lease violations for at least one year from the commencement of the tenancy; and

(2) the lease does not require the tenant to prepay rent for any month commencing after the end of the cancellation or redemption period, so that the rent payment would be due prior to the end of the cancellation or redemption period.

For the purposes of this section, a holder means a contract for deed vendor or a holder of the sheriff's certificate of sale or any assignee of the contract for deed vendor or of the holder of the sheriff's certificate of sale.

Subd. 3. **Attornment.** (a) A tenant who enters into a lease under subdivision 2 is:

(1) deemed by operation of law to attorn to the holder immediately upon the holder succeeding to the interest of the landlord under the lease; and

(2) bound to the holder under all the provisions of the lease for either the balance of the lease term or for one year after the start of the tenancy, whichever occurs first.

(b) A tenant who attorns under this subdivision is not obligated to pay rent to the holder until the holder provides and the tenant receives written notice that the holder has succeeded to the interest of the landlord. A letter from the holder to the tenant to that effect is prima facie evidence that the holder has succeeded to the interest of the landlord.

Subd. 4. **Holder not bound by certain acts.** A holder succeeding to an interest in a lease lawfully entered into under subdivision 2 is not: (1) liable for any act or omission of any prior landlord; (2) subject to any offset or defense which the tenant had against any prior landlord; or (3) bound by any modification of the lease entered into under subdivision 2, unless the modification is made with the holder's consent.

Sec. 2. Minnesota Statutes 2006, 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 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.

Sec. 3. Minnesota Statutes 2006, section 504B.285, subdivision 1, is amended to read:

Subdivision 1. **Grounds.** The person entitled to the premises may recover possession by eviction when:

(1) any person holds over real property:

(i) after a sale of the property on an execution or judgment; or

(ii) ~~on foreclosure of a mortgage and~~ after the expiration of the time for redemption~~;~~ on foreclosure of a mortgage, or

~~(iii)~~ after termination of contract to convey the property, provided that if the person holding the real property after the expiration of the time for redemption or termination ~~is~~ was a tenant during the redemption or termination period, the person entered into the lease of any duration after the date of the notice of mortgage foreclosure or contract for deed cancellation and prior to the expiration of the time for redemption or termination, and the person has received:

(A) at least ~~one month's~~ two months' written notice to vacate no sooner than one month after the expiration of the time for redemption or termination, provided that the tenant pays the rent and abides by all terms of the lease; or

(B) at least ~~one month's~~ two months' written notice to vacate no later than the date of the expiration of the time for redemption or termination, which notice shall also state that the sender will hold the tenant harmless for breaching the lease by vacating the premises if the mortgage is redeemed or the contract is reinstated;

(2) any person holds over real property after termination of the time for which it is demised or leased to that person or to the persons under whom that person holds possession, contrary to the conditions or covenants of the lease or agreement under which that person holds, or after any rent becomes due according to the terms of such lease or agreement; or

(3) any tenant at will holds over after the termination of the tenancy by notice to quit.