

# TITLE 9

## MORTGAGES AND LIENS

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### Chapter 86

#### 1983 REPLACEMENT PART

#### Mortgages; Trust Deeds

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## REAL PROPERTY MORTGAGES

**86.010 Nature of mortgagee's interest.** A mortgage of real property is not a conveyance so as to enable the owner of the mortgage to recover possession of the property without a foreclosure and sale. This section is not intended as a limitation upon the right of the owner of real property to mortgage or pledge the rents and profits thereof, nor as prohibiting the mortgagee or pledgee of such rents and profits, or any trustee under a mortgage or trust deed from entering into possession of any real property, other than farm lands or the homestead of the mortgagor or his successor in interest, for the purpose of operating the same and collecting the rents and profits thereof for application in accordance with the provisions of the mortgage or trust deed or other instrument creating the lien, nor as any limitation upon the power of a court of equity to appoint a receiver to take charge of the property and collect the rents and profits thereof.

**86.020 Covenant to pay money not implied.** No mortgage shall be construed as implying a covenant for the payment of the sum thereby secured. When there is no express covenant for such payment contained in the mortgage, and no bond or other separate instrument to secure such payment shall have been given, the remedies of the mortgagee shall be confined to the lands mentioned in the mortgage.

**86.030 Absolute deed as a mortgage.** When a deed purports to be an absolute conveyance in terms, but is made or intended to be made defeasible by a deed of defeasance or other instrument, the original conveyance shall not be thereby defeated or affected as against any person other than the maker of the defeasance, or his heirs or devisees, or persons having actual notice thereof, unless the instrument of defeasance is recorded with the recording officer of the county where the lands lie.

**86.040 Improvements on mortgaged lands.** No person shall sell, dispose of, remove or damage any building or other improvements upon mortgaged lands. All such improvements are deemed a part of the mortgaged property and are subject to the mortgage lien. When any improvements are removed from the mortgaged premises in violation of this section, the mortgagee may follow and regain possession of such improvements wherever found or may recover the reasonable value thereof from the person removing them.

**86.050 Payment of taxes and other charges by mortgagee.** Whenever a mortgagor fails to pay when due any taxes, assessments, interest on prior mortgages, insurance premiums or other charges necessary to be paid for the protection of the lien of a mortgagee, the mortgagee may pay the same, and such payments shall be added to the mortgage debt and secured by the mortgage held by the mortgagee, and shall bear interest at the same rate as specified in the mortgage. This section applies only to mortgages executed after June 3, 1929, and does not affect the right of parties to specifically contract otherwise than as provided in this section.

**86.060 Assignment of mortgage.** Mortgages may be assigned by an instrument in writing, executed and acknowledged with the same formality as required in deeds and mortgages of real property, and recorded in the records of mortgages of the county where the land is situated.

**86.070** [Repealed by 1965 c.252 §1]

**86.080 Record of assignment not notice to mortgagor.** The recording of the assignment of a mortgage is not of itself notice of such assignment to the mortgagor, his heirs or personal representatives, so as to invalidate a payment made by any of them to the mortgagee.

**86.090** [Repealed by 1965 c.252 §1]

**86.095 Acts not affecting priority of mortgage lien.** (1) The priority granted to the lien of a mortgage at the time it is first received for recordation shall not be affected by:

(a) Renegotiation or adjustment of the initial interest rate provided in the note or mortgage, upward or downward, which may increase or decrease the amount of periodic payments or may extend or shorten the term of the mortgage, or both;

(b) An increase in the underlying obligation secured by the mortgage during any part of the term of the mortgage as a result of deferment of all or a portion of the interest payments and the addition of such payments to the outstanding balance of the obligation; or

(c) Execution of new notes at designated intervals during the term of the mortgage which reflect changes made pursuant to paragraph (a) or (b) of this subsection.

(2) Subsection (1) of this section shall apply where the terms of the obligation provide that the interest rate, payment terms or balance due on the loan may be indexed, adjusted, renewed or renegotiated and the mortgage received for recordation discloses that fact.

(3) As used in this section mortgage includes deed of trust. [1981 c.304 §2]

**86.100 Discharge of record on deed of release.** Any mortgage shall be discharged of record whenever there is presented to the recording officer a certificate executed by the mortgagee, his personal representatives or assigns, acknowledged or proved and certified as prescribed by law to entitle conveyances to be recorded, specifying that such mortgage has been paid or otherwise discharged. Every such certificate, and the proof or acknowledgment thereof, shall be recorded at full length. [Amended by 1965 c.252 §2]

**86.110 Discharge of record by owner and holder of mortgage note who is not the mortgagee of record.** (1) Whenever a promissory note secured by mortgage on real property is transferred by indorsement without a formal assignment of the mortgage, and the mortgage is recorded, the mortgage, upon payment of the promissory note, may be discharged of record by the owner and holder of the promissory note making and filing with the recording officer in whose custody the record of such mortgage is, a certificate, verified by his oath, declaring, in substance, that he is the owner and holder of the note secured by said mortgage by indorsement of the mortgagee, and that the note has been fully paid, and proving that fact to the satisfaction of the recording officer, and delivering the original note to such officer.

(2) Upon receiving the certificate and original note, the recording officer shall enter them in full length upon the record book of mortgages, and such entry shall have the same effect as a deed of release of the mortgagee duly acknowledged and recorded. [Amended by 1965 c.252 §3]

**86.120 Discharge of mortgage on real property; effect of discharge.** No mortgage upon real property shall be discharged except as provided in ORS 86.110 or by the person appearing upon the records of the county where the mortgage is recorded to be the owner thereof. A discharge of the mortgage by such person shall operate to free the land described in the mortgage from the lien of the mortgage as against all subsequent purchasers and incumbrances for value and without notice.

**86.130 Discharge by foreign executors, administrators, conservators and guardians.** Foreign executors, administrators, conservators and guardians may discharge mortgages upon the records of any county upon recording with the recording officer of the county in which the mortgage is recorded a certified

copy of their letters testamentary, or of administration, or of guardianship or of conservatorship. The certificate shall include a statement that the letters are in effect, and the certificate shall be recorded in the mortgage records. [Amended by 1973 c.506 §§2, 44]

**86.140 Liability of mortgagee for failure to discharge mortgage.** If any mortgagee or his personal representative or assignee, after full performance of the condition of the mortgage before or after a breach thereof, shall, within 30 days after being thereto requested, and after tender of his reasonable charges, fail to discharge the same, or to execute and acknowledge a certificate of discharge or release thereof, he shall be liable to the mortgagor, his heirs or assigns, in the sum of \$100 damages and also for all actual damages occasioned by such failure, to be recovered in an action at law. The owner and holder of the promissory note referred to in ORS 86.110 is deemed the personal representative of the mortgagee for the purposes of this section. [Amended by 1955 c.29 §1; 1955 c.512 §1]

**86.150 Loan agreements and promissory notes to state maximum prepayment privilege penalty.** (1) Any person making a loan having a loan period of more than three years secured by a mortgage or by a trust deed on real property located in this state shall, with respect to such loan, expressly and clearly state on the loan agreement and promissory note any maximum prepayment privilege penalty. The statement shall include the maximum prepayment penalty applicable for prepayment during the first year of the loan period and for each year thereafter.

(2) Violation of subsection (1) of this section with respect to a loan agreement or promissory note shall render any prepayment privilege penalty provision in the agreement void.

(3) "Loan agreement" as used in this section means a written document issued in connection with a particular loan which sets forth the terms upon which the loan will be made. "Loan agreement" does not include a mortgage or trust deed which secures a promissory note. Nothing in this section shall be deemed to require a lender to issue a loan agreement.

(4) This section does not apply to any loan agreement executed on or before September 13, 1967. [1967 c.336 §§1, 2]

**LATE CHARGES**

**86.160 Definitions for ORS 86.160 to 86.185.** As used in ORS 86.160 to 86.185:

(1) "Late charge" means a sum payable by a mortgagor to the holder of a mortgage pursuant to a note or mortgage to compensate the holder for servicing and other costs attributable to the receipt of mortgage payments from the mortgagor after the date upon which payment is due.

(2) "Mortgagor" includes the grantor under a deed of trust.

(3) "Mortgage" includes a deed of trust.

(4) "Residential real property" means a single-family, owner-occupied dwelling and appurtenances. [1977 c.427 §1]

**86.165 Late charge.** No lender may impose a late charge:

(1) With respect to any periodic instalment payment received by it within 15 days after the due date. However, if the 15-day period ends on a Saturday, Sunday or legal holiday the 15-day period is extended to the next business day.

(2) In a dollar amount which exceeds five percent of the sum of principal and interest of the delinquent periodic instalment payment or the amount provided in the note or mortgage held by the lender, whichever is the lesser.

(3) Unless the note or mortgage held by the lender provides for payment of a late charge on delinquent periodic instalments and a monthly billing, coupon or notice is provided by the lender disclosing the date on which periodic instalments are due and that a late charge may be imposed if payment is not received by lender within 15 days thereafter.

(4) More than once on any single instalment. [1977 c.427 §2; 1979 c.101 §1]

**86.170 Prohibited mortgage provisions.** Notwithstanding ORS 708.480 (3), any provision in a mortgage for a late charge except as authorized by ORS 86.160 to 86.185 shall be invalid. [1977 c.427 §3]

**86.175 Scope.** ORS 86.160 to 86.185 shall be applicable only to late charges on loans secured by residential real property. [1977 c.427 §4]

**86.180 ORS 86.160 to 86.185 not applicable to certain mortgagees; notice to borrowers.** Nothing in ORS 86.160 to 86.185 shall pertain to a mortgage banking company or mortgage servicing company except that if the terms of the mortgage do not conform to the requirements of ORS 86.165, the borrower shall be notified prior to the execution of the mort-

gage. [1977 c.427 §5]

**86.185 ORS 86.160 to 86.185 not applicable to certain loans.** Nothing in ORS 86.160 to 86.185 shall apply to loans insured, guaranteed or purchased by an instrumentality of the Federal Government, whose regulations establish late charge limitations. [1977 c.427 §6]

**REAL ESTATE LOANS;  
SECURITY PROTECTION**

**86.205 Definitions for ORS 86.205 to 86.275.** As used in ORS 86.205 to 86.275:

(1) "Borrower" means any person who becomes obligated on a real estate loan agreement, either directly or indirectly, and includes, but is not limited to, mortgagors, grantors under trust deeds, vendees under conditional land sales contracts, and persons who purchase real property securing a real estate loan agreement, whether the persons assume the loan or purchase the property subject to the loan.

(2) "Direct reduction provision" or "capitalization provision" means any provision which is part of a real estate loan agreement, whether incorporated into the agreement or as part of a separately executed document, whereby the borrower makes periodic prepayment of property taxes, insurance premiums and similar charges to the lender or his designee, who applies such prepayments first to accrued interest and then to the principal amount of the loan, and upon payment of such charges, adds the amount of such payment to the principal amount of the loan.

(3) "Escrow account" means any account which is a part of a real estate loan agreement, whether incorporated into the agreement or as part of a separately executed document, whereby the borrower makes periodic prepayment to the lender or his designee of taxes, insurance premiums, and similar charges, and the lender or his designee pays the charges out of the account at the due dates.

(4) "Lender" means any person who makes, extends, or holds a real estate loan agreement and includes, but is not limited to, mortgagees, beneficiaries under trust deeds, and vendors under conditional land sales contracts.

(5) "Lender's security protection provision" means any provision which is a part of a real estate loan agreement, whether incorporated into the agreement or as part of a separately executed document, whereby the borrower pre-pays, pledges or otherwise commits cash or other assets owned by him in advance of due dates for

payments of property taxes, insurance premiums and similar charges relating to the property securing the loan in order to assure timely payment of the charges and protect the lender's security interest in the property, and includes, but is not limited to, escrow accounts, direct reduction provisions, capitalization provisions, and pledges of savings accounts.

(6) "Person" means individuals, corporations, associations, partnerships and trusts, and includes, but is not limited to, banks, trust companies, national banks, savings banks, savings and loan associations, private bankers, credit unions, investment companies, insurance companies, pension funds, and mortgage companies.

(7) "Real estate loan agreement" or "real estate loan" means any agreement providing for a loan on residential property, including multifamily, occupied by the borrower in the amount of \$100,000 or less, secured in whole or in part by real property, or any interest therein, located in this state, and includes, but is not limited to, mortgages, trust deeds and conditional land sales contracts. [1975 c.337 §1]

**86.210 Types of lender security protection provisions allowed.** No lender shall require as a condition to making a new real estate loan or as a condition to extending, renegotiating, consenting to assumption, or otherwise maintaining in force an existing real estate loan, that a borrower agree to the lender's security protection provision, except as permitted by ORS 86.215 and 86.220. A lender who may require a lender's security protection provision under ORS 86.205 to 86.275 shall require either a direct reduction provision, an escrow account, or a pledge of an interest-bearing savings account in an amount not to exceed the maximum amount which a lender may require a borrower to deposit in a lender's security protection provision under ORS 86.240 and bearing interest at a rate not less than the rate required on lender's security protection provisions by ORS 86.245. [1975 c.337 §2]

**86.215 When security protection provisions allowed.** (1) A lender may require a lender's security protection provision if such provision is required by state or federal law or regulation.

(2) A lender may require a lender's security protection provision in connection with a real estate loan agreement when:

(a) It is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way by the Secretary of Housing and Urban Development or any other officer or agency of

the Federal Government or under or in connection with a housing or urban development program administered by the Secretary of Housing and Urban Development or a housing or related program administered by any other officer or agency of the Federal Government.

(b) It is eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, or by any financial institution from which it could be purchased by the Federal Home Loan Mortgage Corporation; or

(c) It is insured by a private mortgage insurance company.

(3) A lender may require a lender's security protection provision in connection with a real estate loan agreement if a buyer is delinquent in payment of two consecutive quarterly tax payments. A lender's failure to require the provision in one instance shall not constitute a waiver of the lender's right to require the provision in the event of a subsequent delinquency by the borrower in such payments. [1975 c.337 §§3, 4, 5]

**86.220 Security protection provisions when principal of loan in excess of 85 percent of purchase price or appraised value; termination.** A lender may require a lender's security protection provision in connection with a real estate loan agreement where the original principal amount of the loan is in excess of 85 percent of the lesser of the original purchase price paid by the original borrower at the time the loan was made or the lender's original appraised value of the property at the time the loan was made. When the principal amount of the loan is reduced to 85 percent or less of the lesser of the original purchase price or the lender's original appraised value of the property at the time the loan was made, the borrower shall have a right to terminate the lender's security protection provision and shall be notified of this right in writing by the lender no later than December 1 of the calendar year in which the principal amount was valued at 85 percent or less. The lender then shall terminate his security protection provision when requested to do so, in writing by the borrower as of the December 31 following the date of the borrower's request. If the lender's security protection provision is an escrow account, upon termination the lender or his designee shall refund to the borrower all funds on deposit therein, plus accrued interest. [1975 c.337 §6]

**86.225 When security protection provisions shall be terminated; notice; effect.** (1) In the case of a real estate loan in existence on September 1, 1975, and except as permitted by ORS 86.215 a lender shall not require compliance with a lender's security protection provision executed in connection with the existing real estate loan agreement if:

(a) The principal amount of the loan is reduced to 85 percent or less of the lesser of the original purchase price paid by the original borrower at the time the loan was made or the lender's original appraised value of the property at the time the loan was made; and

(b) The borrower requests, in writing, that the lender's security protection provision be terminated after the notice required by subsection (2) of this section is given. Termination shall occur as of the December 31 following the date of the borrower's request to terminate.

(2) With respect to any real estate loan agreement in existence on September 1, 1975, and with respect to which there is a lender's security protection provision, the lender shall notify the borrower, not later than December 1 of the calendar year in which the principal amount was valued at 85 percent or less of his right to terminate the lender's security protection provision as described in paragraph (a) of subsection (1) of this section. Notice by the lender shall be given in writing, shall indicate that the borrower may, in writing, terminate the lender's security protection provision and shall specify the date of termination should the right to terminate be exercised by the borrower.

(3) If the lender's security protection provision terminated under this section is an escrow account, upon termination, the lender or his designee shall refund to the borrower all funds on deposit therein. [1975 c.337 §6a]

**86.230 Contents of notice to borrower.** Notices required to be given by the lender to the borrower pursuant to ORS 86.220 or 86.225 shall clearly inform the borrower, in practical language, of the alternatives available to him with respect to security protection provisions and the financial effects of his choosing each of the alternatives. [1975 c.337 §6b]

**86.235 Termination of security protection provisions at lender's option.** Nothing in ORS 86.215 to 86.225 shall prevent a lender from terminating the lender's security protection provision established in connection with a real estate loan agreement at any time the lender determines that such provision is no longer necessary to protect the lender's security

interest in the property securing the loan agreement. [1975 c.337 §7]

**86.240 Limit on amount required in security protection escrow account.** No lender, in connection with a real estate loan agreement, shall require a borrower or prospective borrower:

(1) To deposit in any escrow account which may be established in connection with the agreement, prior to or upon the date of settlement, a sum in excess of the estimated total amount of property taxes, insurance premiums, and similar charges which actually will be due and payable on the date of settlement, and the pro rata portion thereof which has accrued, plus one-twelfth of the estimated total amount of the charges which will become due and payable during the 12-month period beginning on the date of settlement; or

(2) To deposit in any escrow account, which may be established in connection with the agreement, in any month beginning after the date of settlement a sum in excess of one-twelfth of the total amount of estimated property taxes, insurance premiums or similar charges which will become due and payable during the 12-month period beginning on the first day of the month, except that in the event the lender determines there will be a deficiency on the due date, he shall not be prohibited from requiring additional monthly deposits in the escrow account of pro rata portions of the deficiency corresponding to the number of months from the date of the lender's determination of the deficiency to the date upon which the charges become due and payable. [1975 c.337 §13]

**86.245 Interest on security protection deposits; inapplicable to certain agreements.** (1) Except as provided in subsections (2) and (4) of this section, any lender who requires a lender's security protection provision in connection with a real estate loan agreement shall pay interest to the borrower on funds deposited in the account at a rate not less than the rate currently being paid by the lender on its open passbook or statement account, minus three-quarters of one percent. If such rate is less than four and one-half percent, the rate of interest paid shall be four and one-half percent. If a lender does not offer an open passbook or statement account, the rate of interest paid shall be four and one-half percent. Interest shall be computed on the average monthly balance in the account and shall be paid quarterly to the borrower by crediting to the escrow account the amount of the interest due.

(2) Except as provided in subsection (3) of this section, this section shall not apply to real estate loan agreements entered into prior to September 1, 1975, or on which the payment of interest on a lender's security protection provision violates any state or federal law or regulation.

(3) If federal law or regulation does not prohibit the payment of interest on a lender's security protection provision by federally chartered or organized lenders, then this section shall apply to the federally chartered or organized lenders and the state chartered or organized lenders that are similar to the federally chartered or organized lenders with respect to a lender's security protection provision executed in connection with real estate loan agreement entered into prior to and in existence on September 1, 1975.

(4) This section shall not apply to real estate loan agreements which are made by the State of Oregon or are made, or held, for sale to, or sold to, the State of Oregon. [1975 c.337 §9; 1983 c.492 §1]

Note: Section 2, chapter 492, Oregon Laws 1983, provides:

Sec. 2. The amendments to ORS 86.245 by section 1 of this Act shall not apply to real estate loan agreements entered into prior to the effective date of this Act [October 15, 1983].

**86.255 Arrangements where security protection provisions not required; information to borrower.** In any real estate loan agreement with respect to which a lender does not require a lender's security protection provision, the parties may mutually agree to any arrangement whereby the borrower prepays, pledges or otherwise commits his assets in advance of due dates for payment of property taxes, insurance premiums and similar charges relating to the real property in order to assist the borrower in making timely payments of the charges. Prior to entering any such arrangement, the lender shall furnish the borrower a statement in writing, which may be set forth in the loan application:

(1) That the arrangement is not a condition to the real estate loan agreement;

(2) If it is an escrow account, whether or not the lender will pay interest and if interest is to be paid, the rate of interest; and

(3) Whether or not the borrower must pay the lender a charge for the service. If a charge is agreed to, the charge shall not exceed the amount of interest income earned under subsection (2) of this section. [1975 c.337 §10]

**86.260 Payment of taxes where security protection provision required; credit of discount where taxes not paid; cause of action by borrower.** (1) If a lender has a requirement that the borrower pay funds into a lender's security protection provision for the payment of property taxes on property that is the security for the real estate loan agreement, insurance premiums, and similar charges, and there are funds in the account, the lender shall pay the taxes or the amount in the account if less than the taxes due, in time to take advantage of any discount authorized by ORS 311.505, and all other charges on or before the due dates for payments.

(2)(a) If the lender fails to pay the taxes in accordance with subsection (1) of this section resulting in a loss of discount to the borrower, the lender shall credit the lender's security protection provision in an amount equal to the amount of discount denied on account of such failure, together with any interest that has accrued on the unpaid property taxes to the date the property taxes are finally paid.

(b) If the failure of the lender to comply with subsection (1) of this section is wilful and results in the loss to the borrower of the discount, or if the failure to comply was not wilful but upon discovery of the failure to comply and the loss of discount, the lender fails to credit the lender's security protection provision required by paragraph (a) of this subsection, the borrower shall have a cause of action against the lender to recover an amount equal to 15 times the amount of discount the borrower would have received, together with any interest that accrued on the unpaid property taxes to the date of recovery. Any borrower recovering damages under this section shall be entitled to reasonable attorney fees at trial and on appeal as determined by the court in addition to costs and necessary disbursements. [1975 c.337 §11; 1979 c.703 §15; 1981 c.897 §18]

**86.265 Effect of lender violation of ORS 86.205 to 86.275.** A violation of ORS 86.205 to 86.275 by a lender shall render the lender's security protection provision voidable at the option of the borrower, and the lender shall be liable to the borrower in an amount equal to:

(1) The borrower's actual damages or \$100, whichever is greater, and

(2) In the case of any successful action to enforce the foregoing liability, the court costs of the action together with reasonable attorney fees at trial and on appeal as determined by the court if the court finds that written demand for the payment of the borrower's claim was made on

the lender not less than 10 days before the commencement of the action. No attorney fees shall be allowed to the borrower if the court finds that the lender tendered to the borrower, prior to the commencement of the action, an amount not less than the damages awarded to the borrower. [1975 c.337 §14; 1981 c.897 §19]

**86.270 ORS 86.205 to 86.275 inapplicable to certain loan agreements; notice to borrower.** ORS 86.205 to 86.275 shall not apply to a real estate loan agreement which is serviced or held for sale within one year by a mortgage servicing company neither affiliated with nor owned in whole or in part by the purchaser and which is made, extended or held by a purchaser whose principal place of business is outside this state; provided that if the purchaser requires a lender's security protection provision, prior to entering into such agreement, the mortgage servicing company shall furnish the borrower a statement in writing, which may be set forth in the loan application, that the mortgage servicing company is not required by the laws of this state to pay interest on the lender's security protection provision, and specifically informing the borrower why he is not entitled to interest on the account. [1975 c.337 §15]

**86.275 Severability.** If any section of ORS 86.205 to 86.275, or the application of any section to any real estate loan agreement shall be held invalid, the remainder of ORS 86.205 to 86.275, and the application of ORS 86.205 to 86.275 to any real estate loan agreement other than the one or those to which it is held invalid, shall not be affected thereby. [1975 c.337 §12]

**86.310** [Amended by 1955 c.21 §1; repealed by 1961 c.726 §427]

**86.315** [1953 c.700 §2; repealed by 1961 c.726 §427]

**86.320** [Repealed by 1961 c.726 §427]

**86.330** [Repealed by 1961 c.726 §427]

**86.340** [Repealed by 1961 c.726 §427]

**86.350** [Amended by 1955 c.182 §1; repealed by 1961 c.726 §427]

**86.360** [Repealed by 1961 c.726 §427]

**86.370** [Amended by 1957 c.404 §1; repealed by 1961 c.726 §427]

**86.380** [Repealed by 1961 c.726 §427]

**86.390** [Repealed by 1961 c.726 §427]

**86.400** [Repealed by 1961 c.726 §427]

## CHATTEL MORTGAGES

**86.405 Secretary of State to furnish statement of mortgages filed before September 1, 1963; fee.** Upon the payment of a fee of 50 cents for each name to be searched for chattel mortgages filed under former ORS 86.370 or 86.390, prior to September 1, 1963, the Secretary of State shall furnish to any person applying therefor a statement of any mortgages noted on the indexes created under former ORS 86.380, or if no mortgages are noted, a statement to that effect. All such fees received by the Secretary of State shall be promptly paid to the State Treasurer and placed in the General Fund. [1961 c.726 §409]

**86.410** [Repealed by 1961 c.726 §427]

**86.420** [Repealed by 1961 c.726 §427]

**86.430** [Repealed by 1961 c.726 §427]

**86.440 Discharge of mortgage recorded or filed with county recording officer.** (1) Whenever any mortgage recorded or filed under the provisions of ORS 86.350 (1959 Replacement Part) is paid or otherwise satisfied, it shall be discharged by the indorsing by the owner of record upon the original instrument, if filed, or upon the margin of the record thereof, if recorded, of a notation, attested by the county recording officer, of such discharge, or by the filing with the recording officer of a certificate of such owner, executed and acknowledged with the same formalities as are prerequisite to the filing or recording of any such mortgage, showing the date of execution, date of filing or recording, and file number or volume and page of the record thereof, and that such mortgage has been fully discharged.

(2) Upon receipt of the fee prescribed by law the recording officer shall prepare such notation and attest the execution of it, or file such certificate in an appropriate place in his office. Upon the making of the entry or the filing of the certificate, the recording officer shall deliver the original mortgage to the mortgagor, his personal representatives or assigns, if such mortgage shall have been filed, and shall enter the word "satisfied," with the date thereof, opposite each entry of the mortgage in the index.

**86.450** [Repealed by 1961 c.726 §427]

**86.460 Discharge of mortgage filed with Secretary of State.** In the event of the satisfaction or release of any chattel mortgage, a certified copy of which has been filed with the Secretary of State prior to September 1, 1963; the person so satisfying or releasing the mortgage shall send a duly executed discharge or

certified copy thereof, with a fee of 25 cents, to the Secretary of State, who shall note such discharge in an appropriate column of the index kept by him. All such fees received by the Secretary of State shall be promptly paid to the State Treasurer and placed in the General Fund.

[Amended by 1961 c.726 §407]

**86.470 Discharge, assignment and foreclosure of mortgages on chattels registered and licensed by Motor Vehicles Division.** The recording officer of counties having less than 50,000 population on the last day of each calendar month, and the recording officer of counties having more than 50,000 population on the last day of each calendar week, shall notify the Motor Vehicles Division of the Department of Transportation, upon forms to be provided by the department, of the partial or full satisfaction, assignment or foreclosure during such period of all mortgages theretofore certified to the department prior to September 1, 1963, as formerly provided in ORS 86.390. The notice shall completely identify the mortgage so satisfied, assigned or foreclosed; and the department thereupon shall note on each index margin such satisfaction, assignment or foreclosure. [Amended by 1961 c.726 §408]

**86.480** [Repealed by 1961 c.726 §427]

**86.490** [Repealed by 1961 c.726 §427]

**86.500** [Amended by 1955 c.30 §1; repealed by 1961 c.726 §427]

**86.510** [Repealed by 1961 c.726 §427]

**86.520** [Repealed by 1961 c.726 §427]

## INVESTMENTS; FEDERAL HOUSING ADMINISTRATOR

**86.610 Power of banks, fiduciaries and others to make loans secured by property insured by Federal Housing Administrator.** Banks, trust companies, savings and loan associations, trustees, guardians, conservators, executors, administrators, other fiduciaries and all other persons, associations and corporations, subject to the laws of this state, may make such loans, secured by real property or leasehold, as the Federal Housing Administrator insures or makes a commitment to insure, and may obtain such insurance.

[Amended by 1967 c.359 §678; 1973 c.823 §93]

**86.620 Investment of funds of banks, fiduciaries and others in bonds and mortgages accepted by Federal Housing Administrator, debentures issued thereby,**

**and obligations of national mortgage associations.** Banks, trust companies, savings and loan associations, trustees, guardians, conservators, executors, administrators, other fiduciaries and all other persons, associations and corporations, subject to the laws of this state, may invest their funds, and the money in their custody or possession, eligible for investment, in bonds and mortgages on real property insured by the Federal Housing Administrator, in debentures issued by the Federal Housing Administrator, and in obligations of national mortgage associations. [Amended by 1967 c.359 §679; 1973 c.823 §94]

**86.630 Eligibility of securities described in ORS 86.620 as security for deposits, investment or reserve of securities.** Whenever, by statute, collateral is required as security for the deposit of public or other funds, or deposits are required to be made with any public official or department, or an investment of capital or surplus, or a reserve or other fund is required to be maintained consisting of designated securities, the securities described in ORS 86.620 shall be eligible for such purposes.

**86.640 Applicability of other laws requiring security or regulating loans and investments.** No law of this state requiring security upon which loans or investments may be made, or prescribing the nature, amount or form of such security, or prescribing or limiting the period for which loans or investments may be made, shall apply to loans or investments made pursuant to ORS 86.610 and 86.620.

## TRUST DEEDS

**86.705 Definitions for ORS 86.705 to 86.795.** As used in ORS 86.705 to 86.795, unless the context requires otherwise:

(1) "Beneficiary" means the person named or otherwise designated in a trust deed as the person for whose benefit a trust deed is given, or the person's successor in interest, and who shall not be the trustee unless the beneficiary is qualified to be a trustee under ORS 86.790 (1)(d).

(2) "Grantor" means the person conveying an interest in real property by a trust deed as security for the performance of an obligation.

(3) "Trust deed" means a deed executed in conformity with ORS 86.705 to 86.795, and conveying an interest in real property to a trustee in trust to secure the performance of an obligation owed by the grantor or other person named in the deed to a beneficiary.

(4) "Trustee" means a person, other than the beneficiary, to whom an interest in real property is conveyed by a trust deed, or such person's successor in interest. [1959 c.625 §1; 1961 c.616 §1; 1975 c.618 §1; 1983 c.719 §1]

**Note:** Section 14, chapter 719, Oregon Laws 1983, provides:

**Sec. 14.** (1) The amendments to ORS 86.705, 86.710, 86.735, 86.770 (2) and 86.790, by sections 1 to 3, 8 and 9 of this Act, shall apply to all trust deeds, whether executed before or after the effective date of this Act [August 3, 1983].

(2) The amendments to ORS 86.740, 86.745, 86.750, 86.755, 86.770 (3) and 86.780, by sections 4 to 8 and 12 of this Act, the repeal of ORS 86.760 by section 13 of this Act and the provisions of section 11 of this Act, shall apply to all trust deeds, whether executed before or after the effective date of this Act, but shall apply only to trust deed foreclosure proceedings commenced after July 1, 1984.

(3) The amendment to ORS 86.770 (4), by section 8 of this Act, shall only apply to trust deeds executed after the effective date of this Act.

**86.710 Trust deeds authorized to secure performance of an obligation; methods of foreclosure after breach.** (1) Except as provided in subsection (2) of this section, transfers in trust of an interest in real property may be made to secure the performance of an obligation of a grantor, or any other person named in the deed, to a beneficiary. Where any transfer in trust of an interest in real property is made pursuant to the provisions of ORS 86.705 to 86.795 to secure the performance of an obligation, a power of sale is conferred upon the trustee. The power of sale may be exercised after a breach of the obligation for which the transfer is security; and a trust deed, executed in conformity with ORS 86.705 to 86.795, may be foreclosed by advertisement and sale in the manner provided in ORS 86.705 to 86.795, or, at the option of the beneficiary, may be foreclosed by the beneficiary as provided by law for the foreclosure of mortgages on real property.

(2) Transfers in trust of an interest in real property shall be foreclosed as mortgages unless the instrument creating the trust provides that the real property is not currently used for agricultural, timber or grazing purposes. Where the trust deed states that the real property involved is not used for agricultural, timber or grazing purposes, such statement shall be binding and conclusive upon the grantor of the trust deed and the grantor's successors in interest. [1959 c.625 §2; 1961 c.616 §2; 1965 c.457 §1; 1975 c.618 §2; 1979 c.879 §1; 1983 c.719 §2]

**Note:** See note under 86.705.

**86.715 Trust deed deemed to be mortgage on real property.** A trust deed is deemed to be a mortgage on real property and is subject to all laws relating to mortgages on real property except to the extent that such laws are inconsistent with the provisions of ORS 86.705 to 86.795, in which event the provisions of ORS 86.705 to 86.795 shall control. For the purpose of applying the mortgage laws, the grantor in a trust deed is deemed the mortgagor and the beneficiary is deemed the mortgagee. [1959 c.625 §21]

**86.720 Reconveyance upon performance; liability for failure to reconvey.** Upon performance of the obligation secured by the trust deed, the trustee, upon written request of the beneficiary, shall reconvey the estate of real property described in the trust deed to the grantor. In the event the obligation is performed and the beneficiary refuses to request reconveyance or the trustee refuses to reconvey the property, the beneficiary or trustee so refusing shall be liable as provided by ORS 86.140 in the case of refusal to execute a discharge or satisfaction of a mortgage on real property. [1959 c.625 §18]

**86.725 Time within which foreclosure must be commenced.** The foreclosure of a trust deed by advertisement and sale or the foreclosure of a trust deed by judicial procedure shall be commenced within the time, including extensions, provided by ORS 88.110 and 88.120 for the foreclosure of a mortgage on real property. [1959 c.625 §20]

**86.730** [1959 c.625 §§17, 22; repealed by 1961 c.616 §8]

**86.735 Foreclosure by advertisement and sale.** The trustee may foreclose a trust deed by advertisement and sale in the manner provided in ORS 86.740 to 86.755 if:

(1) The trust deed, any assignments of the trust deed by the trustee or the beneficiary and any appointment of a successor trustee are recorded in the mortgage records in the counties in which the property described in the deed is situated; and

(2) There is a default by the grantor or other person owing an obligation, the performance of which is secured by the trust deed, or by their successors in interest with respect to any provision in the deed which authorizes sale in the event of default of such provision; and

(3) The trustee or beneficiary has filed for record in the county clerk's office in each county where the trust property, or some part of it, is situated, a notice of default containing the information required by ORS 86.745 and containing

the trustee's or beneficiary's election to sell the property to satisfy the obligation; and

(4) No action has been instituted to recover the debt or any part of it then remaining secured by the trust deed, or, if such action has been instituted, the action has been dismissed, except that subject to ORS 86.010, an action may be instituted to appoint a receiver pursuant to ORCP 80 during foreclosure of a trust deed by advertisement and sale, if, at the time the action is filed, the trust deed is a commercial trust deed as defined in ORS 86.770 (4). [1959 c.625 §§4, 5; 1965 c.457 §2; 1983 c.719 §3]

Note: See note under 86.705.

**86.740 Notice of sale to be given to certain persons.** (1) Subsequent to recording notice of default as provided in ORS 86.735 and at least 120 days before the day the trustee conducts the sale, notice of the sale shall be served pursuant to ORCP 7 D.(2) and 7 D.(3) or mailed by both first class and certified mail with return receipt requested, to the last-known address of the following persons or their legal representatives, if any:

(a) The grantor in the trust deed.

(b) Any successor in interest to the grantor whose interest appears of record, or of whose interest the trustee or the beneficiary has actual notice.

(c) Any person, including the Department of Revenue or any other state agency, having a lien or interest subsequent to the trust deed if the lien or interest appears of record or the beneficiary has actual notice of the lien or interest.

(d) Any person requesting notice as provided in ORS 86.785.

(2)(a) The disability, insanity or death of any person to whom notice of sale must be given under this section shall not delay or impair in any way the trustee's right under a trust deed to foreclose under the deed. If the disability, insanity or death occurs prior to the recording of notice of default, the notice shall be given instead to the guardian, the conservator of the estate of the person or the administrator or executor of the person, as the case may be, in the manner and by the time set forth in this section.

(b) If the disability, insanity or death of any person to whom notice of sale must be given under this section occurs on or after the recording of notice of default, the trustee shall, if and when the trustee has knowledge of the disability, insanity or death, promptly give the guardian, conservator of the estate or the administrator or executor, as the case may be, the notice provided in ORS 86.745. This notice shall be given by first

class and certified mail with return receipt requested, to the last-known address of the guardian, conservator or administrator or executor.

[1959 c.625 §6; 1961 c.616 §3; 1965 c.457 §3; 1973 c.823 §95; 1979 c.879 §2; 1983 c.719 §4]

Note: See note under 86.705.

**86.745 Contents of notice of sale.**

The notice of sale shall set forth:

(1) The names of the grantor, trustee and beneficiary in the trust deed.

(2) A description of the property covered by the trust deed.

(3) The book and page of the mortgage records where the trust deed is recorded.

(4) The default for which the foreclosure is made.

(5) The sum owing on the obligation secured by the trust deed.

(6) The election to sell the property to satisfy the obligation.

(7) The date, time and place of the sale, which shall be held at a designated time after 9 a.m. and before 4 p.m. Standard Time as established by ORS 187.110 and at a designated place in the county or one of the counties where the property is situated.

(8) The right under ORS 86.753 to have the proceeding dismissed and the trust deed reinstated by payment of the entire amount then due, together with costs, trustee's and attorney's fees, and by curing any other default complained of in the notice of default, at any time prior to five days before the date the trustee conducts the sale. [1959 c.625 §7; 1961 c.616 §4; 1965 c.457 §4; 1983 c.719 §5]

Note: See note under 86.705.

**86.750 Service of notice; publication of notice; recording proof of compliance.**

(1) The notice prescribed in ORS 86.745 shall be served upon an occupant of the property described in the trust deed in the manner in which a summons is served pursuant to ORCP 7 D.(2) and 7 D.(3) at least 120 days before the day the trustee conducts the sale.

(2) A copy of the notice of sale shall be published in a newspaper of general circulation in each of the counties in which the property is situated once a week for four successive weeks. The last publication shall be made more than 20 days prior to the date the trustee conducts the sale.

(3) Prior to the date the trustee conducts the sale, an affidavit of mailing notice of sale, proof of service (if any), and an affidavit of publication

of notice of sale shall be recorded in the official records in the county or counties in which the property described in the deed is situated. [1959 c.625 §8; 1961 c.616 §5; 1965 c.457 §5; 1979 c.879 §3; 1983 c.719 §6]

Note: See note under 86.705.

**86.753 Discontinuance of foreclosure proceedings after cure of default.** (1) Where a trustee has commenced foreclosure of a trust deed by advertisement and sale, the grantor, the grantor's successor in interest to all or any part of the trust property, any beneficiary under a subordinate trust deed, or any person having a subordinate lien or encumbrance of record on the property, may cure the default or defaults at any time prior to five days before the date set by the trustee for the trustee's sale. If the default consists of a failure to pay, when due, sums secured by the trust deed, the default may be cured by paying the entire amount due at the time of cure under the terms of the obligation, other than such portion as would not then be due had no default occurred. Any other default of the trust deed obligation that is capable of being cured may be cured by tendering the performance required under the obligation or trust deed. In any case, and in addition to paying the sums or tendering the performance necessary to cure the default, the person affecting the cure shall pay to the beneficiary all costs and expenses actually incurred in enforcing the obligation and trust deed, together with trustee's and attorney fees not exceeding:

(a) \$125 each if the default is cured more than 90 days before the date of sale set in the trustee's notice of sale;

(b) \$175 each if the default is cured between 90 and not more than 60 days before the date of sale set in the trustee's notice of sale;

(c) \$225 each if the default is cured between 60 days and not more than 30 days before the date of sale set in the trustee's notice of sale; or

(d) \$275 each if the default is cured any time thereafter.

(2) After cure of the default under subsection (1) of this section, all proceedings under ORS 86.740 to 86.755 shall be dismissed by the trustee, and the obligation and trust deed shall be reinstated and shall remain in force the same as if no acceleration had occurred. [1983 c.719 §11]

Note: See note under 86.705.

**86.755 Sale of property.** (1) The sale shall be held on the date and at the time and place designated in the notice of sale. The trustee may sell the property in one parcel or in sepa-

rate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash. Any person, including the beneficiary under the trust deed, but excluding the trustee, may bid at the trustee's sale. The attorney for the trustee may conduct the sale and act in the sale as the auctioneer of the trustee.

(2) The trustee or the attorney conducting the sale may postpone the sale for one or more periods totaling not more than 180 days from the original sale date, giving notice of each adjournment by public proclamation made at the time and place set for sale. The proclamation may be made by the trustee, the attorney, or any agent designated by the trustee or the attorney.

(3) The purchaser shall pay at the time of sale the price bid, and, within 10 days following payment, the trustee shall execute and deliver the trustee's deed to the purchaser.

(4) The trustee's deed shall convey to the purchaser the interest in the property which the grantor had, or had the power to convey, at the time of the execution by the grantor of the trust deed, together with any interest the grantor or the grantor's successors in interest acquire after the execution of the trust deed.

(5) The purchaser at the trustee's sale shall be entitled to possession of the property on the 10th day following the sale, and any persons remaining in possession after that day under any interest, except one prior to the trust deed, shall be deemed to be tenants at sufferance. Such persons may be removed from possession by following the procedures set out in ORS 105.105 to 105.165 or other applicable judicial procedure.

(6) Notwithstanding subsection (2) of this section, except when a beneficiary has participated in obtaining a stay, foreclosure proceedings that are stayed by order of the court, by proceedings under the National Bankruptcy Act or for any other lawful reason shall, after release from the stay, continue as if uninterrupted, if within 30 days after release the trustee gives amended notice of sale by registered or certified mail to the last-known address of those persons listed in ORS 86.740 and 86.750 (1). The amended notice of sale shall:

(a) Be given at least 20 days prior to the amended date of sale;

(b) Set a new date, time and place for sale;

(c) Conform to the requirements of ORS 86.745; and

(d) State that the original sale proceedings were stayed and the date the stay terminated. [1959 c.625 §9; 1965 c.457 §6; 1983 c.719 §7]

Note: See note under 86.705.

**86.760** [1959 c.625 §10; 1961 c.616 §6; 1965 c.457 §7; 1979 c.879 §4; repealed by 1983 c.719 §13]

**86.765 Disposition of proceeds of sale.** The trustee shall apply the proceeds of the trustee's sale as follows:

(1) To the expenses of the sale, including the compensation of the trustee, and a reasonable charge by the attorney.

(2) To the obligation secured by the trust deed.

(3) To all persons having recorded liens subsequent to the interest of the trustee in the trust deed as their interests may appear in the order of their priority.

(4) The surplus, if any, to the grantor of the trust deed or to his successor in interest entitled to such surplus. [1959 c.625 §11; 1965 c.457 §8]

**86.770 Effect of sale.** (1) A sale made by a trustee under ORS 86.705 to 86.795 shall foreclose and terminate all interest in the property covered by the trust deed of all persons to whom notice is given under ORS 86.740 and 86.750 and of any other person claiming by, through or under such persons, and such persons shall have no right to redeem the property from the purchaser at the trustee's sale. The failure to give notice to any of these persons shall not affect the validity of the sale as to persons so notified.

(2) Except as provided in subsection (3) of this section, when a sale is made by a trustee under ORS 86.705 to 86.795, or under a judicial foreclosure, no other or further action shall be brought, nor judgment entered for any deficiency, against the grantor or the grantor's surety, guarantor or successor in interest, if any, on the note, bond, or other obligation secured by the trust deed or against any other person obligated on such note, bond or other obligation.

(3) Where the trust deed being foreclosed is a commercial trust deed and where the trust deed is foreclosed by judicial procedure, the judgment shall provide that if the sale proceeds are insufficient to satisfy the judgment, execution may issue, for any amount by which the unpaid balance of the obligation secured by the trust deed exceeds the net sale proceeds payable to the beneficiary.

(4) As used in this section, "commercial trust deed" means any of the following:

(a) A trust deed covering real property upon which were located improvements at the time of execution of the trust deed, if none of the improvements were designed for residential use;

(b) A trust deed covering real property which, at the time of entry of the judgment foreclosing the trust deed, is not occupied by the grantor, the grantor's spouse or the grantor's child as the primary residence of such person unless the property was occupied by such person at the time the foreclosure action was commenced and the grantor establishes that the property was the only real property in which the grantor had any interest at that time;

(c) A trust deed covering real property upon which are situated four or more residential units, either at the time of execution of the trust deed or at the time of entry of the judgment foreclosing the trust deed; or

(d) A trust deed covering real property which is more than one acre in size and which is vacant at the time of execution of the trust deed. [1959 c.625 §§12, 13; 1965 c.457 §9; 1981 c.811 §1; 1983 c.719 §8]

**Note:** Section 2, chapter 811, Oregon Laws 1981, provides:

**Sec. 2.** The amendments to ORS 86.770 by this Act shall not apply to any trust deed executed before the effective date of this Act. [November 1, 1981]

**Note:** See note under 86.705.

**86.775 Contents of trustee's deed to purchaser.** The trustee's deed to the purchaser at the trustee's sale shall contain, in addition to a description of the property conveyed, a recital of the facts concerning the default, the notice given, the conduct of the sale and the receipt of the purchase money from the purchaser. [1959 c.625 §14]

**86.780 Recitals in trustee's deed and certain affidavits as prima facie or conclusive evidence.** When the trustee's deed is recorded in the deed records of the county or counties where the property described in the deed is situated, the recitals contained in the deed and in the affidavits required under ORS 86.750 (5) shall be prima facie evidence in any court of the truth of the matters set forth herein, but the recitals shall be conclusive in favor of a purchaser for value in good faith relying upon them. [1959 c.625 §15; 1983 c.719 §12]

**Note:** See note under 86.705.

**86.785 Requests for copies of notice of default or notice of sale.** At any time subsequent to the recordation of a trust deed and prior to a recording of notice of default under the deed, any person desiring a copy of any notice of default or any notice of sale under a trust deed as provided in ORS 86.740 (1) may cause to be filed for record in the county clerk's office of the county or counties in which any part or parcel of

the real property is situated, a duly acknowledged request for a copy of any notice of sale or default where service is made upon the trustee. The request shall contain the name and address of the person requesting copies of the notice or notices and shall identify the trust deed by stating the names of the parties to the deed, the date of recordation of the deed and the book and page where the deed is recorded. The county clerk shall immediately make a cross reference of the request to the trust deed, either on the margin of the page where the trust deed is recorded or in some other suitable place. No request, statement or notation placed on the record pursuant to this section shall affect title to the property or be deemed notice to any person that any person so recording the request has any right, title, interest in, lien or charge upon the property referred to in the trust deed. [1959 c.625 §16]

**86.790 Qualifications of trustee; appointment of successor trustee.** (1) Except as provided in ORS 713.012, the trustee of a trust deed under ORS 86.705 to 86.795 shall not be required to comply with the provisions of ORS chapters 707 and 709 and shall be:

(a) Any attorney who is an active member of the Oregon State Bar;

(b) A bank, trust company or savings and loan association authorized to do business under the laws of Oregon or the United States;

(c) A title insurance company authorized to insure title to real property in this state, its subsidiaries, affiliates, agents or branches;

(d) The United States or any agency thereof; or

(e) Escrow agents licensed under ORS 696.505 to 696.585.

(2) An attorney who is a trustee under paragraph (a) of subsection (1) of this section may represent the beneficiary in addition to performing the duties of trustee.

(3) At any time after the trust deed is executed, the beneficiary may appoint in writing another qualified trustee. If the appointment of the successor trustee is recorded in the mortgage records of the county or counties in which the

trust deed is recorded, the successor trustee shall be vested with all the powers of the original trustee.

(4) A trustee or successor trustee is a necessary and proper party to any proceeding to determine the validity of or enjoin any private or judicial proceeding to foreclose a trust deed, but a trustee or successor trustee is neither a necessary nor a proper party to any proceeding to determine title to the property subject to the trust deed, or to any proceeding to impose, enforce or foreclose any other lien on the subject property.

(5) Nothing in ORS 86.705 to 86.795 imposes a duty on the trustee or successor trustee to notify any person of any proceeding with respect to such person, except a proceeding initiated by the trustee or successor trustee.

(6) A trustee may announce and accept a bid from the beneficiary whether or not the beneficiary is present at the sale. [1959 c.625 §3; 1967 c.359 §680; 1975 c.618 §2a; 1979 c.879 §5; 1981 c.192 §1; 1983 c.719 §9]

**Note:** See note under 86.705.

**86.795 Compensation of trustee.** The charge of a trustee for the performance of powers and duties of foreclosure by advertisement and sale imposed under ORS 86.705 to 86.795 shall not exceed 50 percent of the compensation allowable to an executor or administrator under ORS 116.173 or a minimum charge of \$100. Such compensation shall be based upon the amount due on the obligation, both principal and interest, at the time of the trustee's sale. [1959 c.625 §19; 1961 c.616 §7; 1965 c.457 §10]

## PENALTIES

**86.990 Penalties.** Violation of ORS 86.040 is punishable, upon conviction, by a fine not exceeding \$500 or imprisonment in the county jail not exceeding six months, or both. [Amended by 1961 c.726 §410]

