HOMEOWNER RIGHTS DURING THE REDEMPTION PERIOD
(Minnesota Only)

The term "redemption period" refers to the period of time after a foreclosure sale (sheriff's sale) has been held. For residential property in Minnesota, the redemption period is typically six months, but in some cases twelve months. The length of the redemption period is listed on the sheriff's sale notice.

What happens during the redemption period?

- The homeowner can continue to live in the home until the end of the redemption period.
- If the owner wants to keep the property, the owner must pay off the entire balance of the existing mortgage. The past due payments of a mortgage loan cannot be "caught up" after the sheriff's sale.
- The owner has the right to sell the home and retain any equity that may exist. If there is equity, selling the home is always preferable to losing the equity at the end of the redemption period. Seek a free market analysis from several reputable real estate agents to determine a realistic value of the home.
- After the sheriff's sale date, interest continues to accrue daily at the note rate, which increases the outstanding loan balance.
- The owner has the responsibility to pay utilities and keep the property maintained.
- The owner should keep homeowners insurance in place.
- The redemption period can be shortened to 5 weeks if a judge determines that the property has been "abandoned" and is no longer occupied or maintained.

What happens at the end of the redemption period?

- Whoever holds the sheriff's sale certificate becomes the rightful owner of the property.
- The owner should vacate the property. They cannot legally remain in the residence.
- If the owner has not moved out by the end of the redemption period, they will be asked to vacate the premises by a specific date. If they do not comply, the new owner can evict them by filing an "unlawful detainer", which goes on record and can negatively affect future credit.
- If the mortgage company is the new owner, they will sell the property. If the house sells for more than what was owed, the mortgage company will keep any excess proceeds.

Other issues:

Filing bankruptcy may extend the redemption period 60 days from the date filed. This may allow time to complete a sale of the property, and to retain equity. Seek legal advice if this option is considered.

Some lenders may offer an incentive where homeowners receive up to $2000 for moving out before the end of the redemption period. For loans that are FHA insured, this is called "Cash for Keys" and is for up to $1000. Contact the lender to ask if this incentive is available, and under what conditions.

If there are loans or liens on the property in addition to the mortgage that foreclosed, the unpaid loans/liens may remain as unsecured, personal debts to be paid even after the property changes ownership. If there is more than one mortgage, be sure to seek advice from a qualified foreclosure counselor or attorney.

There are tax consequences of foreclosure; seek advice from a qualified tax professional about how this applies.

This information is a general guide and not intended as legal advice.
The above does not apply to contract for deed cancellations or mobile home repossessions.

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Minnesota Home Ownership Center

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Source: LSS Financial Counseling *Your Rights During the Redemption Period* fact sheet