SUPREME COURT OF WYOMING

McNeill Family Trust v. Centura Bank

60 P.3d 1277 (Wyo. 2003) · No. Nos. 02-43, 02-44, 02-59 · Decided January 8, 2003

SUMMARY

The Wyoming Supreme Court reviewed the setting aside of a foreclosure-by-power-of-sale proceeding conducted after the mortgagee's attorneys failed to notify a second mortgagee, failed to account for an automatic bankruptcy stay, and failed to cancel or postpone the sale. The court held that the mortgagee's unilateral mistakes, an allegedly inadequate sale price, and the other asserted circumstances did not justify equitable relief because the mortgagee lacked clean hands, had an adequate remedy at law, and the parties could not be restored fully to their pre-sale positions. The court reversed both the order setting aside the foreclosure sale and the award of attorney fees and costs.

CASE DETAILS

COURT	Supreme Court of Wyoming
WRITING FOR THE COURT	Kite, Justice; Hill, C.J.; Golden, J.; Lehman, J.; Kite, J.; Voigt, J.
JURISDICTION	Wyoming
DECIDED	January 8, 2003
DOCKET	Nos. 02-43, 02-44, 02-59
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Consolidated appeals from a district court order granting Centura Bank summary judgment, setting aside a foreclosure-by-power-of-sale sale, ordering restoration of the parties' presale positions, and awarding the McNeill Family Trust attorney fees and costs.
STANDARD OF REVIEW	Summary judgment is reviewed de novo; the appellate court examines the case in the same manner as the district court and uses the identical materials and information presented below.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	McNeill Family Trust, Centura Bank v. Centura Bank, McNeill Family Trust, Sandra Dvorscak, Meinhold, Stawiarski, Shapiro & Codilis, LLP, Lynn M. Janeway, Hayley Belt

TOPICS

foreclosure · mortgages · summary judgment · equitable relief · attorney fees

PRACTICE AREAS

real estate · mortgage foreclosure · bankruptcy · equitable remedies · civil procedure

QUESTIONS PRESENTED

1. Whether an inadequate or allegedly unconscionable foreclosure-sale price, combined with the mortgagee's unilateral mistakes and procedural errors, required setting aside the foreclosure sale.
2. Whether the mortgagee's absence from the sale, failure to notify a junior lienholder, delayed tender of the purchase check, or alleged unjust enrichment invalidated the sale.
3. Whether the district court had legal authority to award the McNeill Family Trust attorney fees and costs as part of equitable restoration.

HOLDINGS

1. A foreclosure sale may not be set aside merely because the sale price is inadequate when the sale was not shown to involve fraud or a legally sufficient irregularity, particularly where the mortgagee seeking equitable relief was responsible for the mistakes and cannot show the required prejudice or inability to obtain an adequate remedy at law.
2. The mortgage and Wyoming foreclosure statutes did not require the mortgagee to attend or bid at a foreclosure-by-power-of-sale proceeding; the mortgagee's absence therefore did not invalidate the sale.
3. Failure to notify a junior lienholder does not, by itself, invalidate the foreclosure sale, although the junior lienholder is not bound by the foreclosure and may exercise its rights as if the foreclosure had not occurred.
4. A bidder may be allowed a reasonable time to produce the amount of the bid, and the brief delay in obtaining a certified check did not invalidate the sale absent prejudice.
5. The McNeill Trust was not unjustly enriched merely because it purchased the property for less than the outstanding mortgage debt at a properly advertised competitive foreclosure sale.
6. The district court could not award the McNeill Trust attorney fees and costs solely as an exercise of equitable discretion to restore the presale status quo because no statutory or contractual authorization, or applicable fraud-based exception, supported the award.

KEY QUOTATIONS

> *"A mistake by only one of the parties ordinarily does not offer a reason for a remedy for that party unless the mistake was produced by the fraudulent or inequitable conduct of the other party."* (1284)

> *"The McNeill Trust was entitled to rely upon the sanctity and finality of the foreclosure process and to protect the interest it purchased in compliance with the statutory procedures."* (1286)

> *"Therefore, we reverse the award of attorney fees to the McNeill Trust and hold all parties responsible for their own fees and costs of litigation consistent with the American rule."* (1289)

FACTUAL BACKGROUND

Centura held a first mortgage on the Dvorsaks' Cody residence, while U.S. Bank held a second mortgage. After the Dvorsaks filed for Chapter 7 bankruptcy, Centura's attorneys commenced foreclosure proceedings without obtaining relief from the automatic stay, failed to notify U.S. Bank, failed to cancel or postpone the sale, and did not attend it. The McNeill Family Trust attended the advertised sale and made the only bid, $20,000, received a certificate of purchase, and later purchased U.S. Bank's second mortgage to protect its interest. The district court found the price unconscionably low and set aside the sale, but the Supreme Court held that Centura's mistakes, the absence of prejudice attributable to the Trust, and the inability to restore all parties to their presale positions did not justify equitable relief.

PROCEDURAL HISTORY

Centura commenced a state-court action seeking to invalidate a foreclosure sale at which the McNeill Family Trust had purchased the property for $20,000. The district court converted Centura's motion for judgment on the pleadings into a summary-judgment motion, granted relief to Centura, set aside the sale, and awarded the Trust $82,458 in fees and costs. The bankruptcy court had previously annulled the automatic stay to validate the sale, and Centura did not appeal that ruling. The Wyoming Supreme Court reversed the summary judgment and fee award and remanded for entry of summary judgment for the Trust and dismissal of the remaining claims and defenses.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

Reverse the district court's grant of summary judgment to Centura and its attorney-fee award. Remand for entry of summary judgment on the McNeill Trust's motion, dismissal of all other claims and defenses, and an order holding all parties responsible for their own fees and costs under the American rule.

CASES CITED

- Marple v. Wyoming Production Credit Association, 750 P.2d 1315 (Wyo. 1988)
- Baldwin v. McDonald, 24 Wyo. 108, 156 P. 27 (1916)
- Hyatt Brothers, Inc. ex rel. Hyatt v. Hyatt, 769 P.2d 329 (Wyo. 1989)
- Paulson v. Andicoechea, 926 P.2d 955 (Wyo. 1996)
- Pekas v. Thompson, 903 P.2d 532 (Wyo. 1995)
- Delfelder v. Teton Land & Investment Co., 46 Wyo. 142, 24 P.2d 702 (1933)
- Manion v. Chase Manhattan Mortgage Corp., 2002 WY 49, 43 P.3d 576
- Fremont Homes, Inc. v. Elmer, 974 P.2d 952 (Wyo. 1999)
- Givens v. Fowler, 984 P.2d 1092 (Wyo. 1999)
- Raymond v. Steen, 882 P.2d 852 (Wyo. 1994)
- Texaco, Inc. v. State Board of Equalization, 845 P.2d 398 (Wyo. 1993)

- Colorado Interstate Gas Co. v. Natural Gas Pipeline Co. of America, 842 P.2d 1067 (Wyo. 1992)
- BHP Petroleum Co., Inc. v. Okie, 836 P.2d 873 (Wyo. 1992)
- Patel v. Khan, 970 P.2d 836 (Wyo. 1998)
- Boyce v. Freeman, 2002 WY 20, 39 P.3d 1062
- Coones v. Federal Deposit Insurance Corporation, 894 P.2d 613 (Wyo. 1995)
- Metz Beverage Co. v. Wyoming Beverages, Inc., 2002 WY 21, 39 P.3d 1051
- Alexander v. Meduna, 2002 WY 83, 47 P.3d 206
- Schlesinger v. Woodcock, 2001 WY 120, 35 P.3d 1232
- Cline v. Rocky Mountain, Inc., 998 P.2d 946 (Wyo. 2000)
- Olds v. Hosford, 354 P.2d 947 (Wyo. 1960)
- Ellis v. Consolidated Diesel Electric Corp., 894 F.2d 371 (10th Cir. 1990)
- In re Calder, 907 F.2d 953 (10th Cir. 1990)
- 6 Angels, Inc. v. Stuart-Wright Mortgage, Inc., 85 Cal. App. 4th 1279, 102 Cal. Rptr. 2d 711 (2001)
- Abboud v. Abboud, 2000 OK CIV APP 116, 14 P.3d 569
- Pole v. Trudeau, 516 N.W.2d 217 (Minn. Ct. App. 1994)
- Peterson v. First National Bank of Ceylon, 162 Minn. 369, 203 N.W. 53 (1925)
- TCF Banking & Savings, F.A. v. Loft Homes, Inc., 439 N.W.2d 735 (Minn. Ct. App. 1989)
- World Savings and Loan Association v. Amerus Bank, 317 Ill. App. 3d 772, 251 Ill. Dec. 385, 740 N.E.2d 466 (2000)
- BFP v. Resolution Trust Corporation, 511 U.S. 531 (1994)
- Krohn v. Sweetheart Properties, Ltd., 203 Ariz. 205, 52 P.3d 774 (2002)
- Crown Life Insurance Co. v. Candlewood, Ltd., 112 N.M. 633, 818 P.2d 411 (1991)
- Armstrong v. Csurilla, 112 N.M. 579, 817 P.2d 1221 (1991)
- Burge v. Fidelity Bond and Mortgage Co., 648 A.2d 414 (Del. 1994)
- Kantack v. Kreuer, 280 Minn. 232, 158 N.W.2d 842 (1968)
- Giordano v. Stubbs, 228 Ga. 75, 184 S.E.2d 165 (1971)
- West Roxbury Co-op. Bank v. Bowser, 324 Mass. 489, 87 N.E.2d 113 (1949)
- Pentad Joint Venture v. First National Bank of La Grange, 797 S.W.2d 92 (Tex. App. 1990)