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CONSTITUTIONAL LAW: JUDICIAL INTERPRETATION; SUPERPRIORITY LIENS

Summary

The Court determined that the SFR Investments Pool 1, LLC v. U.S. Bank, N.A. decision, extinguishing first security interests, applies retroactively to all foreclosures occurring prior to the date of the decision and since NRS 116.3116’s inception.

Facts and Procedural History

On May 31, 2013, appellant K&P Homes (K&P) purchased a property at a homeowners’ association foreclosure sale. Respondent Christiana Trust (Christiana) held a first deed of trust on the sold property and subsequently filed a quiet title action against K&P in federal district court. Christiana filed a motion to dismiss K&P’s counterclaims, arguing its trust survived the sale because it occurred before the Court’s decision in SFR Investments Pool 1, LLC v. U.S. Bank, N.A (“SFR”).\(^2\) K&P filed a countermotion for summary judgment arguing that SFR applied retroactively.

The district court, relying on Chevron Oil Co three-factor test to determine whether a court’s holding applies retroactively, granted Christiana’s motion and denied K&P’s countermotion.\(^3\) K&P filed a motion to certify the question presented to Nevada Supreme Court.

Discussion

Christiana argued that SFR cannot apply retroactively because of the Chevron Oil factors: (1) this court established a new principle of law, (2) a retroactive application would not further the purposes of NRS 116.3116, and (3) a retroactive application would produce inequitable results.\(^4\) However, K&P argues that Chevron Oil is inapposite and that the Court should apply Nevada Yellow Cab.\(^5\) The Court agreed with K&P.

Accordingly, Nevada Yellow Cab provides that “recent [United States] Supreme Court jurisprudence has strongly disapproved of the Chevron Oil factors when considering federal civil law.”\(^6\) The retroactive rule application of a federal law after case deciding it so prevails over any Chevron Oil claims.\(^7\) In that regard, retroactive application the federal law is consistent with “declaring what the law already is.”\(^8\) Here, SFR concluded that NRS 116. 3116 established “a true priority lien such that its foreclosure extinguishes a first deed of trust on the property.”\(^9\) Moreover,

\(^1\) By Yolanda Carapia.
\(^3\) Chevron Oil Co. v. Huson, 404 U.S. 97 (1971).
\(^4\) Id. at 106-07.
SFR did not create new law or overrule precedent. It merely declared what NRS 116.3116 required since the statue’s inception. The Chevron Oil factors do not apply and that the holding in SFR applies retroactively.

Conclusion

Therefore, Court’s decision in SFR, extinguishing first security interests, applies retroactively to foreclosures occurring since NRS 116.3116’s inception.