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Resources Group, LLC v. Nevada Association Services, Inc., 135 Nev. Adv. Op. 8 (Mar. 14, 2019)

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Resources Group, LLC v. Nevada Association Services, Inc., 135 Nev. Adv. Op. 8 (Mar. 14, 2019)[1]

QUIET TITLE TO REAL PROPERTY

Summary

The Court determined that each party in a quiet title action has the burden of demonstrating superior title. Further, once a bid is accepted and payment is made, the foreclosure sale is complete and title vests in the purchaser, and the person conducting the sale does not have discretion to refuse issuing the foreclosure deed. Lastly, the correct standard for determining whether to set aside a sale on equitable grounds is whether there has been some showing of fraud, unfairness, or oppression affecting the sale.

Background

Hydr-O-Dynamic Corporation ("HODC") was the legal owner and titleholder of real property within a common-interest community overseen by a unit-owner association ("UOA"). HODC failed to pay the UOA periodically. Nevada Association Services, Inc. ("NAS"), UOA's foreclosure agent, satisfied all statutory presale requirements for a foreclosure sale of the Property. The foreclosure sale was set to occur on February 13, 2015, at 10 a.m.

On February 6, 2015, a HODC check was mailed to NAS for the full amount of the delinquency. On February 13, 2015, at 10 a.m., NAS was unaware of HODC's payment and initiated its auction to sell the Property. Resources Group, LLC was the successful bidder and paid immediately after the auction. The same day, sometime between 9:30 a.m. and 11 a.m., NAS received HODC's check but did not inform its general counsel until February 17. Subsequently, NAS reached out to Resources Group to explain the situation and offered to return their check in exchange for canceling the Property sale. Resources Group declined the offer.

At the lower court, Resources Group argued that a mailman arrived on February 13, 2015 around 10:30 a.m. which would have been the time of the foreclosure sale. Thus, by the time that NAS would process HODC's payment, the foreclosure sale would've concluded. Despite Resources Group's claim, NAS refused to issue Resources Group a foreclosure deed.

The district court reasoned that since Resources Group failed to prove that HODC's check didn't arrive before the foreclosure sale, Resources Group failed to meet its burden to prove title. The district court also decided to set aside the foreclosure sale.

Discussion

A quiet title plea does not require particular elements thus, each party must prove their claim to the property in question.

Here, after reviewing Chapman v. Deutsche Bank Nat'l Tr. Co.[2], the Court analyzes each parties' claims to the Property.

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[1] By Alfa Alemayehu.

[2] 129 Nev. 314, 318, 302 P.3d 1103, 1106 (2013).

HODC did not meet its burden in proving that it paid before the foreclosure sale.

The UOA must comply with the provisions in NRS Chapter 116 to complete a valid foreclosure sale for unpaid assessments.[3] The Court decided that since payment of a debt was an affirmative defense, HODC had the burden of proving that its delinquency check arrived before the foreclosure sale. HODC argued it had superior title to the Property, despite the properly conducted sale and Resources Group's payment, because HODC paid its delinquency prior to the sale.

Even though HODC bears the burden of proof, the Court found that HODC could not meet its burden because evidence could only show that HODC's check arrived between 9:30 a.m. and 11:30 a.m. and the foreclosure sale ended at 10:30 a.m. Thus, this finding does not show HODC paid before the foreclosure sale.

NAS lacked discretion in refusing to issue a foreclosure deed to Resource Group, LLC.

The Court relied on NRS 116.31164(3)(a) which stated that once payment has been made, the person that conducted the sale shall make, execute and deliver to the purchaser a deed which conveys to the grantee all title to the purchase property. Since "shall" indicates a lack of discretion, the Court found that NAS lacked discretion to refuse issuing a foreclosure deed to Resource Group.

The District Court abused its discretion by setting aside the sale on equitable grounds.

Resource Group argued that the sale should not be set aside. It contended that HODC must show that there was fraud, unfairness, or oppression in order for the sale to be set aside. Further, Resource Group argued that HODC isn't entitled to equitable relief because the sale was done properly and fairly.

HODC argued that, based on the totality of the circumstances, the Court should set aside the foreclosure sale. Moreover, HODC argued that since it paid on the same day as the foreclosure sale, it is entitled to equitable relief. The Court reasoned that the District Court erred because none of HODC equities constituted fraud, unfairness, or oppression. Instead, it was HODC's lack of diligence that led to the foreclosure sale. Thus, the district court abused its discretion by setting the foreclosure sale aside.

Conclusion

The Court reversed the district court's ruling and concluded that both Resources Group and HODC had the burden of proving superior title. HODC failed to prove that the delinquency check was received presale. Also, the foreclosure sale was complete and Resources Group was entitled to the foreclosure deed since NAS accepted Resources Group's bid and payment. Lastly, since there was no fraud, unfairness, or oppression, HODC was not entitled to equitable relief.

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[3] NEV. REV. STAT. § 116 (2017).