

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Banking and Insurance

BILL: SB 1016

INTRODUCER: Senator Burgess

SUBJECT: Mortgage Payoff Letters

DATE: February 7, 2022

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Schrader	Knudson	BI	Pre-meeting
2.	_____	_____	JU	_____
3.	_____	_____	RC	_____

I. Summary:

SB 1016, makes significant revisions to Florida law regarding estoppel letters provided by mortgagees and mortgage servicers under ch. 701, Florida Statutes (F.S.). Specifically, SB 1016:

- Reduces from 14 days to 10 days the timeframe during which a mortgagee or mortgage servicer must respond to an estoppel letter request.
- Allows mortgagees and mortgage servicers to send corrected estoppel letters which supersede previous letters, subject to specified conditions.
- Prohibits a mortgagee or mortgage servicer from qualifying, reserving the right to change, or conditioning or disclaiming the reliance of others on a current, valid estoppel letter.
- Prohibits a mortgagee or mortgage servicer from refusing to accept funds received that conform with the amount provided in a current, valid estoppel letter; and requires the mortgagee or mortgage servicer to apply such funds to the balance of the loan.
- Specifies that within 60 days after the mortgage loan has been paid pursuant to the estoppel letter, the mortgagee or mortgage servicer must execute, have duly entered in the official records of the proper county, and send to the mortgagor or record title owner an instrument acknowledging release of the mortgage (i.e., a satisfaction of mortgage or a release of mortgage).
- Provides the requirements for making and responding to an estoppel letter request.
- Standardizes the minimum contents of an estoppel letter
- Provides for attorney fees for prevailing parties in civil actions arising out of s. 701.04(F.S.), regarding the cancellation of mortgages, liens, and judgments.
- Revises the definition of an estoppel letter.

The effective date of the bill is October 1, 2022.

II. Present Situation:

Estoppel Letters

In general, an estoppel letter (or estoppel certificate) is a legal document that stops someone from claiming different facts or terms regarding an agreement.¹ In regards to real estate, these types of letters are typically used to confirm amounts of moneys owed that attach to a certain piece of property, such as mortgage debt, condominium association fees, home owners association fees, and outstanding claims or deposits due to tenants. These types of letters are often sought prior to closing on a real estate transaction as part of due diligence to confirm proper amounts due that can affect the settlement of said transaction.

In Florida, s. 701.04, F.S., provides the requirements for estoppel letters in regards to real estate mortgages (these letters are also commonly known as mortgage payoff letters).² Section 701.04(1), F.S., requires that a mortgage lender (also known as the mortgagee) or mortgage servicer deliver to the requestor, within 14 days after receipt of a written request, a mortgage payoff letter setting forth the unpaid balance of the loan secured by the mortgage. The request may be made by a mortgagor (the borrower under the mortgage), a record title owner of the property, a fiduciary or trustee lawfully acting on behalf of a record title owner, or any other person lawfully authorized to act on behalf of a mortgagor or record title owner of the property.

Section 701.04(2), F.S., requires that, upon the payment of the money due on a mortgage, the mortgage lender or servicer must execute in writing an instrument acknowledging satisfaction of the mortgage and have the instrument acknowledged, or proven, and duly entered in the official records of the proper county.³ Within 60 days after the date of receipt of the full payment of the mortgage the person required to acknowledge satisfaction of the mortgage must send or cause to be sent the recorded satisfaction to the person who has made the full payment. In the case of a civil action arising out of these requirements, the prevailing party is entitled to attorney fees and costs.

It is notable, that s. 701.04(2), F.S., requires the *full* payment of the mortgage, not the amount that was specified in the estoppel letter provided pursuant to 701.04(1), F.S. This is in contrast with homeowners' association estoppel certificates in Florida where s. 701.04(s), F.S., specifically states that a homeowners' association "waives the right to collect any moneys owed in excess of the amounts specified in the estoppel certificate from any person who in good faith relies upon the estoppel certificate and from the person's successors and assigns." Sections 718.116(8)(c), and 719.108(6)(c), F.S., provide similar language regarding estoppel certificates for any unpaid condominium association assessments and unpaid rents, and assessments due to cooperatives (i.e. co-ops), respectively.⁴ A mortgagee is not necessarily held to the same waiver

¹ *Estoppel Letter*, CREPedia, <https://www.crepedia.com/dictionary/definitions/estoppel-letter/> (last visited Feb. 4, 2022); and *What is an Estoppel Certificate*, Redfin <https://www.redfin.com/definition/estoppel-certificate> (last visited Feb. 4, 2022).

² Section 701.041, F.S., defines an estoppel letter in regards to mortgages as a statement of the amount of the unpaid balance of a loan secured by a mortgage, including principal, interest, and any other charges properly due under or secured by the mortgage; and the interest on a per-day basis for the unpaid balance.

³ Section 701.04(2), F.S., also applies to liens and judgments attached to a property.

⁴ Section 701.116(8)(c) states that a condominium association "waives the right to collect any moneys owed in excess of the amounts specified in the estoppel certificate from any person who in good faith relies upon the estoppel certificate and from the person's successors and assigns." 719.108(6)(c), F.S. states that a cooperative association "waives the right to collect any

of rights to collect additional moneys from a mortgagor upon the provision of an estoppel letter as s. 701.04, F.S., does not provide a similar waiver provision as seen for homeowners' associations, condominium associations, and cooperatives.⁵

Qualifying Language in Estoppel Letters

Some mortgage servicers and lenders, when sending the estoppel letter required under 701.04(2), F.S., include language which seeks to reserve that servicer's or lender's right to change the amounts listed in the payoff letter or disclaiming the reliance of others on the information in the payoff letter. Examples of such language include:

- “The payoff figures provided are subject to final verification by the Note Holder. The noteholder reserves the right to adjust these figures and refuse or accept any funds which are insufficient to satisfy the full indebtedness for any reason.”
- “The payoff amount is subject to our final verification once we receive payoff funds. ... If the payoff funds received are insufficient to pay off the account in full for any reason including, but not limited to, error in calculation, NSF, or additional escrow disbursements and/or adjustments. [We] reserve the right to decline to pay the account in full. In addition, any and all interest will be due at the time of payoff.”
- “All payoff figures are subject to final verification of the mortgage lender. We may adjust any portion of this payoff statement, at any time, for the following reasons, including but not limited to: escrow disbursements made on behalf of the loan holder(s), fee advances, items returned by your financial institution including previously made payments, additional fees or charges, and any good faith and/or inadvertent clerical errors.”
- “We will not be bound by errors and/or omissions contained herein.”
- “Agent hereby reserves the right to adjust Payoff Amount or the Per Diem Amount in the event that we discover a mathematical, typographical, bookkeeping or clerical error.”
- “Borrower forever releases and discharges Agent, the Lenders, and their respective officers, directors, employees, agents, representatives, successors and assigns...from any and all claims, causes of action, damages and liabilities of any nature whatsoever, known or unknown, which such person ever had, now has or might hereafter have against [the parties] which relates, directly or indirectly, to any of the Loan Documents or the Loan.”⁶

Such language can frustrate the parties involved in a real estate transaction since, arguably, the amounts provided in estoppel letters with such language cannot be definitively relied upon. In

moneys owed in excess of the amounts specified in the estoppel certificate from any person who in good faith relies upon the estoppel certificate and from the person's successors and assigns.”

⁵ *But see, Rissman on Behalf of Rissman Inv. Co. v. Kilbourne*, 643 So. 2d 1136, 1139 (Fla. 1st DCA 1994), where the 1st District Court of Appeal found that a lender could be estopped from claiming additional moneys after an estoppel letter. The facts of this case, however, were rather unique. As the court mentioned, the mortgagee regularly reaffirmed the amount given in the estoppel letter over a number of years. In addition, the mortgagor made a number of transactions based in detrimental reliance on the amount provided by the mortgagee.

⁶ *See* Email from Melissa Murphy, Executive Vice President, Chief Legal Officer & General Counsel, The Fund (Feb. 4, 2022, 11:46 EST) (on file with the Senate Banking and Insurance Committee), which provided samples of escrow letters that were sent to Florida borrowers.

the event that the mortgage lender or servicer determines after sending an estoppel letter that the borrower owes additional money beyond that provided in the estoppel letter, some mortgage lenders or servicers return all of the funds received from the closing and demand full payment—even if such funds were sent in reliance on an estoppel letter that was never corrected or revised by the lender or servicer. This can result in the continued accrual of interest on the full amount of the mortgage (not just the amount in dispute) during the pendency of resolving the discrepancy in the amount owed. Further, prior to resolution of the discrepancy, there may not be clear title to the property.⁷

III. Effect of Proposed Changes:

Section 1 of the bill substantially amends s. 701.04, F.S., in regards to estoppel letters and the satisfaction of mortgages. Specifically, the bill:

- Reduces from 14 days to 10 days the amount of time a mortgagee or mortgage servicer has to send a requested estoppel letter setting forth the unpaid balance of the mortgage loan;⁸
- Requires that if the estoppel letter request is sent by a person other than the mortgagor, such request must include a copy of the instrument showing title in the property or lawful authorization; and
- Specifies that the mortgagee or mortgage servicer must send the estoppel letter by first-class mail, common carrier delivery service, facsimile transmission, or e-mail, as directed in the written request, provided, however, that the mortgagee or servicer is not required to pay for common carrier delivery service.

For an estoppel request to be valid under the bill, a written request from an estoppel letter must be sent to the mortgagee or mortgage servicer, using address information made available by the mortgagee or mortgage servicer for such purpose, by first-class mail, common carrier delivery service, facsimile transmission, or e-mail. The mortgagee or mortgage servicer is deemed to have received said request:

- The day that it is sent by facsimile transmission or e-mail;
- The fifth day after it is deposited with the U.S. Postal Service for prepaid first-class delivery; or
- The day of delivery by a common carrier delivery service.

The bill also creates a standard specifying the minimum information that must be included in an estoppel letter (regardless of which party made the request). Such letters must include:

- The unpaid balance of the loan properly due under, or secured by, the mortgage. This balance must include an itemization of the principal, interest, and other charges comprising the unpaid balance; and
- The interest, on a per-day basis, for the unpaid balance of the loan.

In addition, the bill allows for mortgagees or servicers of mortgages, to send corrected estoppel letters in the event that they determine that a previous letter that was sent was inaccurate. In such

⁷ *Id.*

⁸ If the 10th day after receipt of a written request is a Saturday, Sunday, or legal holiday, the estoppel letter would be considered timely if sent on the next business day.

case, if the recipient of the letter has reasonable opportunity to act upon such corrected estoppel letter before making payment, the corrected estoppel letter supersedes any earlier estoppel letter. If any of the required information in the estoppel letter is inaccurate, and is not corrected as provided above, the mortgagee or servicer of the mortgage may not deny the accuracy of that information if a person reasonably and detrimentally relied upon such information. In addition, such mortgagee or servicer of the mortgage may not return or refuse to accept any funds received in response to an estoppel letter and must promptly apply such funds to the unpaid balance of the loan properly due under or secured by the mortgage.

The bill requires that, upon full payment of the mortgage, or full payment made pursuant to the last-effective estoppel letter, the mortgagee or servicer of the mortgage must, within 60 days, execute in writing an instrument acknowledging satisfaction of the mortgage and have the instrument acknowledged, or proven, and duly entered in the official records of the proper county and send or cause to be sent the recorded satisfaction to the mortgagor or record title owner of the property. Such recording, however, does not relieve the mortgagor, or the mortgagor's successors or assigns, from any personal liability on the loan or other obligations secured by the mortgage. Essentially, what these proposed provisions allow, is that if the lender later determines that additional funds are due from the borrower (over and above what was in the last-effective estoppel letter), the lender must release the mortgage; however, the lender will still have an unsecured debt that they can attempt to collect from the borrower or their successors or assigns.

Finally, the section provides that for civil actions arising out of s. 701.04, F.S., the prevailing party is entitled to attorney fees and costs. This provision would apply not only to mortgages, but also the cancellation of liens and judgments (the subject of which are also included within 701.04, F.S.).

Section 2 of the bill revises the definition of an "estoppel letter" to be the unpaid balance of a loan properly due under or secured by a mortgage, including principal, interest, and any other charges comprising the unpaid balance.

Section 3 provides an effective date of October 1, 2022, for the bill.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The bill will likely lead to fewer irregularities in real estate closings since the bill creates additional incentive for the mortgagee or mortgage servicer to provide accurate information in estoppel letters. In regards to consumers, the bill will prevent the accrual of interest and potential fees while the mortgagee or mortgage servicer and the mortgagor work through any dispute regarding funds due to the mortgagee or mortgage servicer over and above that provided in the estoppel letter. The bill will also likely reduce issues with titles during the pendency of such disputes by requiring the mortgagee or mortgage servicer to deem such mortgage satisfied.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

Proposed s. 701.04(2), F.S., authorizes a lender, under certain conditions and after the satisfaction of a mortgage, to seek recovery of a shortfall from the mortgagor, or the mortgagor's successors or assigns. However, if the mortgage has been satisfied, it is unclear who the mortgagor's assigns would be, at least in regards to the property subject to the satisfied mortgage.

Proposed s. 701.04(5), F.S., provides that for civil actions arising out of s. 701.04, F.S., the prevailing party is entitled to attorney fees and costs. This provision would apply not only to mortgages (the subject of this bill), but also the cancellation of liens and judgments (the subject of which are also included within current s. 701.04, F.S.). Since liens and judgments were not generally part of the subject of this bill, it is not clear if the intention was for this attorney fee provision to apply to these areas as well.

VII. Related Issues:

As presently written, the bill does not contain an indication that it has retroactive application. Under Florida law, statutes are presumed to operate prospectively, not retroactively. In other

words, statutes generally apply only to actions that occur on or after the effective date of the legislation, not before the legislation becomes effective.

The Florida Supreme Court has noted that, under the rules of statutory construction, if statutes are to operate retroactively, the Legislature must clearly express that intent for the statute to be valid.⁹ When statutes that are expressly retroactive have been litigated and appealed, the courts have been asked to determine whether the statute applies to cases that were pending at the time the statute went into effect. The conclusion often turns on whether the statute is procedural or substantive.

In a recent Florida Supreme Court case, the Court acknowledged that “[t]he distinction between substantive and procedural law is neither simple nor certain.”¹⁰ The Court further acknowledged that their previous pronouncements regarding the retroactivity of procedural laws have been less than precise and have been unclear.¹¹

Courts, however, have invalidated the retroactive application of a statute if the statute impairs vested rights, creates new obligations, or imposes new penalties.¹² Still, in other cases, the courts have permitted statutes to be applied retroactively if they do not create new, or take away, vested rights, but only operate to further a remedy or confirm rights that already exist.¹³

The aspects of the bill specifying how an estoppel letter may be requested, how such request is to be responded to, and what must be contained an estoppel letter, would likely apply to all mortgages upon the effective date of the bill—regardless of when the mortgage itself was entered into. However, operationalizing the provision of the bill that the mortgagee or mortgage servicer must, under certain circumstances, deem a mortgage satisfied when additional funds may be owed by the borrower, may necessitate revising the terms of already existing mortgage contracts that specify when a mortgage is to be released by the lender.¹⁴ Thus, as written, this provision of the bill could, conceivably, only apply to mortgage contracts entered into on or after the effective date of the bill.

VIII. Statutes Affected:

This bill substantially amends sections 701.04 and 701.041 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

⁹ *Walker & LaBerge, Inc., v. Halligan*, 344 So. 2d 239 (Fla. 1977).

¹⁰ *Love v. State*, 286 So. 3d 177, 183 (Fla. 2019) quoting *Caple v. Tuttle’s Design-Build, Inc.*, 753 So. 2d 49, 53 (Fla. 2000).

¹¹ *Love*, *supra* note 10 at 184.

¹² *R.A.M. of South Florida, Inc. v. WCI Communities, Inc.*, 869 So. 2d 1210 (Fla 2004).

¹³ *Ziccardi v. Strother*, 570 So. 2d 1319 (Fla. 1990).

¹⁴ For example, Clause 23 of Fannie Mae’s Standard Instrument for Florida, Form 3010, states that “upon payment of all sums secured by this Security Instrument, Lender shall release this Security Instrument.” *Available here:* <https://singlefamily.fanniemae.com/legal-documents/security-instruments> (last visited Feb. 5, 2022).

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
