

QUESTION 7 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK III

At the height of the real estate bubble in 1998, Jamie, an up-and-coming medical professional, purchased a beautiful vacation home in northern Michigan for \$200,000. Her initial purchase was financed by Local Bank, to whom she granted a mortgage. On the same day the sale closed, Local Bank properly recorded its mortgage.

Five years after the initial purchase, Jamie decided to construct an addition to the home. Jamie financed the \$100,000 addition by executing a second mortgage on the home, which was granted to National Bank. National Bank properly recorded its mortgage, which contained a power of sale clause. The home's addition was subsequently completed.

In November 2009, Jamie fell upon hard economic times and could no longer afford to pay the mortgages on her vacation home. Realizing that the value of the home was now substantially less than the remaining principal on her mortgage, she ceased paying both mortgages that month but continued to use the property. National Bank decided to foreclose on its mortgage, so it posted notice of the impending foreclosure by sale in the county newspaper for each of the four weeks in February 2010, and nailed a copy of the foreclosure to the front door of the vacation home. On March 15, 2010, a public foreclosure sale was held wherein National Bank, the highest bidder, purchased the home for the outstanding balance (\$80,000) of the mortgage, and a sheriff's deed was executed in National Bank's name the same day.

In April 2010, the ABC Corporation announced that it wished to purchase property in the area in order to develop a large, government-subsidized wind farm in northern Michigan. Jamie, realizing that the property suddenly became very valuable once again, now wishes to keep the home.

Assess: (1) whether National Bank's foreclosure was valid; (2) assuming the foreclosure was valid, what options, if any, exist for Jamie to reassert her interest in the foreclosed vacation home; and (3) the status of Local Bank's mortgage. Explain your answers.

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