

1 page 15. However, Petersen believes that what this Court has perceived to be
2 an “idle act” is in fact an important procedural safeguard, the removal of which
3 has undermined the primary policies of the anti-deficiency statutes. Rehearing
4 should be granted because this Court has overlooked and misapprehended the
5 importance of applying the procedural barriers imposed by NRS Chapter 40
6 strictly rather than viewing them as superfluous acts which can be disregarded
7 without consequence to the party seeking a deficiency.

8 Standard For Petition For Rehearing.

9 NRAP 40(C)(2) provides as follows:

10 The court may consider rehearings in the following circumstances:

11 (A) When the court has overlooked or misapprehended a material
12 fact in the record or a material question of law in the case, or

13 (B) When the court has overlooked, misapplied or failed to
14 consider a statute, procedural rule, regulation or decision directly
controlling a dispositive issue in the case.

15 Legal Argument

16 Though it was not a published decision, *Lavi*, supra., relied heavily on the
17 published decision of *Walters*, supra., and it has been looked upon extensively
18 by the Nevada trial courts as persuasive authority when presiding over
19 deficiency lawsuits. In light of the importance of this precedence, Petersen
20 requests rehearing because he believes the decision rendered in this appeal
21 marks a strong departure from this Court’s prior strict interpretation of the anti-
22 deficiency statutes. This court’s prior jurisprudence interpreted the anti-
23 deficiency statutes strictly which in turn fulfilled the underlying purpose of the
24 statutes of providing strong substantive and procedural safeguards for
25 borrowers who are often facing financial annihilation against highly
26 sophisticated adversaries with nearly unlimited legal resources.

27 The apparent differing viewpoints between justices inherent in this
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1 court's prior jurisprudence is identified in the *Lavi* dissent wherein the dissent
2 submitted as follows:

3 Third, new NRS 40.495(4), which applies specifically to suits against
4 guarantors who have given NRS 40.495(2) waivers, confirms that, in this
5 context, NRS 40.455 and NRS 40.459 do not apply because they are
6 inconsistent with NRS 40.495(4) and do not require an "application"
7 beyond the pre-foreclosure complaint against the guarantor.

8 *Lavi*, supra., Dissent, p. 7.

9 By contrast, the *Lavi* majority rejected this argument and ultimately held
10 as follows:

11 BB & T's interpretation that waiving the one-action rule also frees an
12 obligee from complying with the provisions of NRS 40.455 is
13 unreasonable. NRS 40.495(2) focuses on maintaining a separate action;
14 nothing in the subsection implies that it also terminates the procedural
15 requirements for that action.

16 *Lavi*, supra., p. 5.

17 Stated another way, what has been deemed to be idle and superfluous acts
18 by the *Lavi* dissent, has been viewed as important procedural safeguards by the
19 majority. Petersen submits that the majority position stated in *Lavi* follows
20 strong precedent from this Court and courts from many jurisdictions which have
21 interpreted state anti-deficiency statutes strictly due to the policy consideration
22 of insuring that strong procedural and substantive safeguards are in place to
23 protect borrowers. As an example, the Arizona courts have held as follows:

24 Statutory anti-deficiency protection reflects a legislative policy decision
25 to place the risk of inadequate security on lenders rather than borrowers,
26 and is intended to discourage purchase money lenders from over-valuing
27 real property by requiring them to look solely to the collateral for
28 recovery in the event of foreclosure.

Helvetica Servicing, Inc. v. Pasquan, 277 P.3d 198, 229 Ariz. 493 (Court
of Appeals of Arizona, Division 1, 2012).

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1 As was also recently held in *Badger v. Eighth Jud. Dist. Ct.*, 132 Nev.
2 Adv. Op. 39, 373 P.3d 89 (2016):

3 Indeed, “the Legislature has shown a strong inclination towards
4 protecting an obligor's rights under the antideficiency statutes.” *Lavi v.*
5 *Eighth Judicial Dist. Court*, 130 Nev. —, —, 325 P.3d 1265, 1268
6 (2014). Accordingly, Nevada's deficiency judgment statutes are intended
7 not only to protect borrowers, but to protect guarantors as well. *Shields*,
8 102 Nev. at 621, 730 P.2d at 432. Such protection furthers Nevada public
9 policy goals because “[a] guarantor is the favorite of the law.” *Tri-Pac.*
10 *Commercial Brokerage, Inc. v. Boreta*, 113 Nev. 203, 206, 931 P.2d 726,
11 729 (1997) (citation omitted).

12 *Id.*, 373 P.3d at 93-94.

13 *Badger* concluded as follows:

14 Having considered the parties' filings and the attached documents, we
15 choose to entertain the Guarantor's petition for a writ of mandamus. In
16 doing so, we conclude that the district court erred in permitting Omni's
17 Amended Borrower Complaint to relate back to the timely Borrower
18 Complaint pursuant to NRCP 15(c), so as to satisfy the six-month
19 deadline for an application for a deficiency judgment required by NRS
20 40.455(1).

21 *Id.*, 373 P.3d at 96.

22 While *Badger* addressed different issues than this appeal, the tenor of
23 *Badger* is in conflict with the tenor of the Court's Opinion in this appeal.
24 Specifically, *Badger* stands for the underlying proposition that in spite of the
25 general rule of interpreting and applying pleadings liberally in most garden
26 variety civil actions³, this liberality does not extend to NRS Chapter 40
27 deficiency actions.

28 In this case the District Court ruling ultimately hinged on a simple
interpretation of the statute and on simple facts.⁴ The District Court applied a

24 ³ See for instance NRCP 15 (a) leave shall be freely given to amend the
25 pleadings, and also NRCP 15 (b) permitting the amendment of pleadings even
26 after trial to conform to the evidence.

27 ⁴ Pursuant to NRAP 40(2)(A), the arguments raised on this page and on
28 the following pages were raised on pages 4, 5, 7, 8 and 10 thru 12 of

1 very simple interpretation that an “application” for a deficiency under NRS
2 40.455 must be filed within 6 months of the foreclosure date, whether its
3 deemed an application for a deficiency hearing or a motion for summary
4 judgment as contemplated by *Walters*. Specifically, the District Court ruled at
5 the hearing “I tend to agree that it does not necessarily require an amendment to
6 the Complaint but, you know, a literal reading of 455 just says an application
7 for a deficiency judgment. That sounds like a motion to me.”(III JA at 557-558).

8 Although Petersen may have waived the one-action rule (II JA AA352-
9 361) there is no Nevada case which suggests that the 6 month limitation
10 prescribed by NRS 40.455 can be waived. Under NRS 40.455(1) a judgment
11 creditor must apply for a deficiency judgment "within 6 months after the date of
12 the foreclosure sale or the trustee's sale" An application for a deficiency
13 judgment must be in writing, "set forth in particularity the grounds for the
14 [deficiency] application, set forth the relief sought" and be filed within six
15 months after the foreclosure sale. *Walters v. Eighth Judicial Dist. Court of State*
16 *ex rel. Cnty. of Clark*, 263 P.3d 231, 232-35 (Nev. 2011).

17 No “application” of any kind was filed by Bank until the untimely motion
18 for summary judgment was filed on January 6, 2014 (II JA AA 161-410). Here
19 the bank has failed to apply for a deficiency within 6 months of foreclosure.

20 While the trial court’s ruling could possibly be viewed as harshly leading
21 to a forfeiture (see *Lavi*, supra., Dissent, p. 12), it is not harsh when placed in the
22 context of the anti-deficiency statutes. The banks that make, hold and enforce
23 the commercial loans that come under NRS Chapter 40 are highly sophisticated
24 entities that have almost unlimited legal resources. The “harshness” that is
25 perceived to have been generated by the District Court’s decision that its claims
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27 Respondents Answering Brief filed April 8, 2015
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1 are time barred due to procedural failings is not harsh at all when placed within
2 the policy consideration of placing strong procedural barriers in the way of what
3 usually emerges as the financial annihilation that results when distressed
4 commercial borrowers are sued.

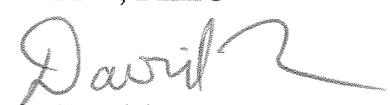
5 The imposition of making a creditor formally seek a deficiency within 6
6 months of a foreclosure does not mandate an idle act nor does it cause an unjust
7 and harsh result in deficiency actions. The District Court's ruling correctly
8 applied strict procedural barriers that were imposed by the legislature for strong
9 public policy reasons. The District Court ruling that the Bank's claims were
10 time barred was correct and should not have been overturned.

11 CONCLUSION

12 Petersen requests rehearing so that this appeal may be reconsidered in
13 light of longstanding policy considerations that were affirmed recently in
14 *Badger v. Eighth Jud. Dist. Ct.*, 132 Nev. Adv. Op. 39, 373 P.3d 89 (2016) and
15 which require that Bank of Nevada's claims are time barred due to failure to
16 timely apply for a deficiency judgment.

17 DATED this 27th day of August, 2016.

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CERTIFICATE OF COMPLIANCE WITH RULES 40 and 40A

1. I hereby certify that this petition for rehearing/reconsideration or answer complies with the formatting requirements of NRAP 32(a)(4), the typeface requirements of NRAP 32(a)(5) and the type style requirements of NRAP 32(a)(6) because:

It has been prepared in a proportionally spaced typeface using Times New Roman in Wordperfect in 14 font size; or

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DATED this 29th day of August, 2016.

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