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5 IN THE UNITED STATES BANKRUPTCY COURT
6 FOR THE DISTRICT OF ARIZONA
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9 In re SHERRYL MADISON,
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12 Debtor.

13 CYLER and ROXANNE GROSETH,
husband and wife,
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15 Movants,
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17 v.
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19 SHERRYL MADISON, Debtor;
20 ANTHONY MASON, Chapter 7 Trustee,
21

22 Respondents.
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Chapter 7

Case No.: 2:09-bk-22225-PHX SSC

(Not for Publication- Electronic Docketing
ONLY)

MEMORANDUM DECISION

24 I. PRELIMINARY STATEMENT

25 On September 23, 2010, this Court conducted a preliminary hearing on the
26 motion for relief from the automatic stay filed by Cyler Groseth and Roxanne Groseth
27 (“Movants”). The Debtor, Sherryl Madison, filed an objection the relief requested. Counsel for
28 the Movants and the Debtor presented oral argument at the preliminary hearing. The Court
advised the parties that it intended to vacate the stay, and outlined its reasons therefor
preliminarily on the record. It stated that it would place its decision on the record later that day.
Unfortunately, because of the Court’s heavy calendar, the decision was not placed on the record

1 that day. The Court has now set forth, in this memorandum decision, its findings of fact and
2 conclusions of law. Fed.R. Bankr.P. 7052. The Court has jurisdiction over this matter, and this
3 is a core proceeding. 28 U.S.C. §§1334 and 157 (West 2010).

4 II. FACTUAL FINDINGS

5 At the preliminary hearing, the Court inquired of Debtor's counsel whether he
6 had reviewed the electronic docket in the Debtor's case, given his arguments that the Movants
7 had improperly acquired their interest in the real property located at 24220 N. 53rd Avenue,
8 Glendale, AZ 85310 ("Property"). Given his response, in the negative, the Court must first
9 outline what has transpired in this case as to the Property.

10 The Debtor filed her chapter 13 petition on September 10, 2009. On September
11 25, 2009, the Debtor listed this Property on Schedule A, with a value of \$390,000; and on
12 Schedule C, as to property claimed as exempt, with a value of \$439,500.¹ The Debtor has
13 amended her Schedules a number of times, but has consistently listed the Property as noted
14 above.² Although the Debtor asserted that she was proceeding with an objection as to the proof
15 of claim, filed by the secured creditor, as to this Property, she never followed through on her
16 objection, as amended.³

17 Meanwhile, on December 4, 2009, Residential Funding LLC filed a motion for
18 relief from stay as to the Property.⁴ The Motion was duly served on the Debtor and the Chapter
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21 **1.** Docket Entry No. 29. On Schedule D, the Debtor listed no creditors as having a
22 secured claim or interest in any of her property.

23 **2.** See, for instance, Docket Entry Nos. 63 and 86.

24 **3.** For instance, on November 18, 2009, she filed an objection to the proof of claim filed
25 by GMAC Mortgage as to her residence. Docket Entry No. 65. On November 20, 2009, she
26 filed an amended objection to the same claim. Docket Entry No. 67. However, she did not
proceed with the objection, providing notice and requesting a hearing thereon.

27 **4.** Docket Entry No. 82.

1 Trustee's Deed Upon Sale.¹⁰ In the current Motion for Relief from Stay, the Movants assert that
2 on April 15, 2010, they filed a complaint to evict the Debtor with the Maricopa County Superior
3 Court. On May 24, 2010, the Debtor removed the action to the Arizona Federal District Court.¹¹
4 The Arizona Federal District Court Judge concluded that there was no federal question presented
5 and remanded the eviction action back to the Maricopa County Superior Court.¹² The State
6 Court subsequently conducted a hearing, concluded that possession of the Property should be
7 granted to the Movants, noted unpaid rent in the amount of \$7,500, awarded attorneys' fees and
8 costs, and directed that a writ of restitution issue on July 1, 2010.¹³

9 On June 30, 2010, the Debtor converted her chapter 13 case to proceedings under
10 chapter 7. It was only after the conversion that the Movants avow that they learned of the
11 Debtor's bankruptcy proceedings. The Movants filed their Motion for Relief from Stay so that
12 they may obtain possession of the Property as ordered by the State Court.

13 The Debtor counters these allegations by asserting that (1) the Movants are not
14 the real parties in interest; (2) any assignment from MERS of the beneficial interest in the Deed
15 of Trust is not valid; (3) MERS assigned the Deed of Trust to Residential Funding Company
16 LLC, but there is no proper assignment from American Bank to GMAC to Residential Funding;
17 and (4) the Chief Executive Officer of Executive Trustee Services LLC and GMAC Mortgage
18 LLC committed fraud in the substitution of the trustee under the Deed of Trust and in the notice
19 of Trustee's Sale of the Property. The record also includes an incomplete declaration from the
20 Debtor's expert, Mr. William McCaffrey. The expert's declaration does not state any facts or
21 any opinion as to the Property.
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23 **10. Id.**

24 **11. See Exhibit C to the Groseths' Motion for Relief from Stay, Docket Entry No. 168.**

25 **12. Id.**

26 **13. See Exhibit D to the Groseths' Motion for Relief from Stay.**

1 III. CONCLUSIONS OF LAW

2 A. Preliminary Matters

3 This Court already vacated the stay as to Residential Funding Company LLC.
4 The record reflects that the Debtor received notice of the Motion and had an opportunity to
5 object. No objection was filed by her or the Chapter 13 trustee. Thereafter the Court executed
6 the order vacating the stay.¹⁴ Once the stay has been vacated as to the Debtor and the Trustee in
7 the Chapter 13 case, a creditor need not file another motion for relief from stay once the case has
8 been converted to another chapter. Stated another way, a conversion of a case from one chapter
9 to another does not reimpose the automatic stay. Since Residential Funding had the ability to
10 proceed with a non-judicial foreclosure sale under Arizona law, the purchaser at said sale need
11 not separately move for vacatur of the stay. Therefore, it is unclear why the Movants felt
12 compelled to file this current motion for relief from the automatic stay. Perhaps the Movants
13 were surprised to learn that the Debtor even had a pending case, since she had not raised the
14 issue in any of her prior pleadings filed in the State or Federal Courts.

15 B. The Allegations as to MERS

16 Turning to the merits of the current Motion, MERS primarily serves as a
17 document custodian or registry to assist members of its system in the transfers of the beneficial
18 interests in the deeds of trust or other documents concerning real estate. MERS provides this
19 service to members, and is generally listed as the party holding “legal title” to the beneficial
20 interest in the deed of trust as a means to effectuate the transfer of the beneficial interest in any
21 deed of trust amongst its members. Thus, if one member is listed as a beneficiary on a deed of
22 trust, it may transfer that interest to another member, through the MERS registry system,
23 without recording a document in the public records. As a result, the members need not pay a
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25 **14.** The order vacating the stay is Docket Entry No. 149. The order was sent to the
26 Chapter 13 trustee by the Bankruptcy Noticing Center on January 27, 2010. Docket Entry Nos.
27 150 and 151. There is no separate docket entry reflecting whether the order was also sent to the
28 Debtor.

1 The Trustee’s Deed shall raise the presumption of compliance with the
2 requirements of the Deed of Trust and this chapter relating to the exercise
3 of the power of sale and the sale of the trust property, including recording,
4 mailing, publishing and posting of Notice of Sale, and the conduct of the
5 sale. A Trustee’s Deed shall constitute conclusive evidence of the meeting
6 of those requirements in favor of purchasers or encumbrancers for value and
7 without actual notice. A.R.S. §33-811(B)(West 2010)

8 A.R.S. §33-811(E) also states that such a conveyance is “absolute without right of redemption
9 and clear of all liens, claims or interest that have a priority subordinate to the Deed of Trust. ...”

10 A.R.S. §33-811(E)(West 2010). This Court has also concluded that only in rare and exceptional
11 circumstances will it consider any type of claim as to an improper trustee’s sale. In re Hills, 299
12 B.R. 581 (Bankr. D. AZ 2002).¹⁵ There are no facts in this record to reflect that the Movants
13 acted improperly or engaged in any fraudulent conduct. The record reflects that they were
14 purchasers at an Arizona non-judicial trustee’s sale, for value, and without actual notice of any
15 deficiencies. As such, the Court concludes that the Movants have conclusively shown that all
16 requirements of the Deed of Trust have been complied with and all requirements under Arizona
17 law concerning non-judicial foreclosure sales have been complied with as to the conduct, and all
18 other elements, of the sale of this Property. The Movants are entitled to relief from stay to
19 continue with the eviction action or any other rights or remedies that they may have under
20 Arizona law.

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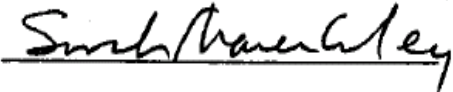
IV. CONCLUSION

The Groseths, by way of declaration and exhibits, are entitled to relief from the
automatic stay to pursue their rights and remedies under Arizona law. The Groseths should
submit a form of order vacating the automatic stay.

15. The Court was presented with a Trustee’s Deed Upon Sale in that case. However,
evidence was presented at the time the complaint was filed that the purchaser at the trustee’s sale
had notice of various deficiencies and could not be considered as “purchasers. . .for value and
without actual notice.” At the conclusion of all evidence presented at the trial, the Court
concluded the plaintiff did not have credible evidence to support its claim of actual notice of any
deficiency in the trustee’s sale and ruled that the trustee’s sale was valid.

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DATED this 4th day of October, 2010.

A handwritten signature in black ink, reading "Sarah Sharer Curley", is written over a horizontal line.

Honorable Sarah Sharer Curley
United States Bankruptcy Judge