

AN ACT relating to liens on real property.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

➔Section 1. KRS 382.365 is amended to read as follows:

(1) *A lien on real property, including a lien provided for in KRS 376.010, may be released by either of the following methods:*

*(a) Subject to the provisions of paragraph (b) of this subsection,* a holder of a lien on real property, including a lien provided for in KRS 376.010, shall release the lien in the county clerk's office where the lien is recorded within thirty (30) days from the date of satisfaction; *or*[-]

*(b) If evidence of the satisfaction of a lien is required before the thirty (30) day period has expired, a licensed attorney admitted to the practice of law in the Commonwealth of Kentucky may record, or cause to be recorded, an affidavit, in writing, duly executed in the presence of two (2) witnesses, in the county clerk's office where the lien is recorded. The affidavit shall state that full payment of the balance or payoff of the amount of the lien to the final lienholder or final assignee has been made and that evidence of satisfaction of the lien exists. The attorney shall send notice of the recording of the affidavit to the lienholder, and upon receipt of the notice, the holder of a lien shall be released from the obligation of releasing the lien pursuant to paragraph (a) of this subsection. The filing of an affidavit under this paragraph shall result in a release of the lien.*

(2) An assignee of a lien on real property shall record the assignment in the county clerk's office as required by KRS 382.360. Failure of an assignee to record a mortgage assignment shall not affect the validity or perfection, or invalidity or lack of perfection, of a mortgage lien under applicable law.

(3) A proceeding may be filed by any owner of real property or any party acquiring an interest in the real property in District Court or Circuit Court against a lienholder

that violates subsection (1) or (2) of this section. A proceeding filed under this section shall be given precedence over other matters pending before the court.

- (4) Upon proof to the court of the lien being satisfied by payment in full to the final lienholder or final assignee, the court shall enter a judgment noting the identity of the final lienholder or final assignee and authorizing and directing the master commissioner of the court to execute and file with the county clerk the requisite release or assignments or both, as appropriate. The judgment shall be with costs including a reasonable attorney's fee. If the court finds that the lienholder received written notice of its failure to release and lacked good cause for not releasing the lien, the lienholder shall be liable to the owner of the real property or to a party with an interest in the real property in the amount of one hundred dollars (\$100) per day for each day, beginning on the fifteenth day after receipt of the written notice, of the violation for which good cause did not exist. This written notice shall be properly addressed and sent by certified mail or delivered in person to the final lienholder or final assignee as follows:
- (a) For a corporation, to an officer at the lienholder's principal address or to an agent for process located in Kentucky; however, if the corporation is a foreign corporation and has not appointed an agent for process in Kentucky, then to the agent for process in the state of domicile of the corporation;
  - (b) For an individual, to the individual at the address shown on the mortgage, at the lienholder's residence or place of business, or at an address to which the lienholder has directed that correspondence or payoff be sent;
  - (c) For a trust or an estate, to a fiduciary at the address shown on the mortgage or at an address to which the lienholder has directed that correspondence or payoff be sent; and
  - (d) For any other entity, including but not limited to limited liability companies, partnerships, limited partnerships, limited liability partnerships, and

associations, to an officer, partner, or member at the entity's principal place of business or to an agent for process.

- (5) A lienholder that continues to fail to release a satisfied real estate lien, without good cause, within forty-five (45) days from the date of written notice shall be liable to the owner of the real property or to a party with an interest in the real property for an additional four hundred dollars (\$400) per day for each day for which good cause did not exist after the forty-fifth day from the date of written notice, for a total of five hundred dollars (\$500) per day for each day for which good cause did not exist after the forty-fifth day from the date of written notice. The lienholder shall also be liable for any actual expense including a reasonable attorney's fee incurred by the owner or a party with an interest in the real property in securing the release of real property by such violation and in securing an award of damages. Damages under this subsection for failure to record an assignment pursuant to KRS 382.360(3) shall not exceed three (3) times the actual damages, plus attorney's fees and court costs, but in no event less than five hundred dollars (\$500).
- (6) The former holder of a lien on real property shall send by regular mail a copy of the lien release to the property owner at his or her last known address within seven (7) days of the release. A former lienholder that violates this subsection shall be liable to the owner of the real property for fifty dollars (\$50) and any actual expense incurred by the owner in obtaining documentation of the lien release.
- (7) For the purposes of this section, "date of satisfaction" means that date of receipt by a holder of a lien on real property of a sum of money in the form of a certified check, cashier's check, wired transferred funds, or other form of payment satisfactory to the lienholder that is sufficient to pay the principal, interest, and other costs owing on the obligation that is secured by the lien on the property.
- (8) The provisions of this section shall not apply when a lienholder is deceased and the estate of the lienholder has not been settled.

- (9) The state licensing agency, if applicable, or any holder of a lien on real property shall be notified of the disposition of any actions brought under this section against the lienholder.
- (10) The provisions of this section shall be held and construed as ancillary and supplemental to any other remedy provided by law.
- (11) If more than one (1) owner or party with an interest in the real property brings an action to recover damages under this section, any statutory damages shall be allocated equally among recovering parties in the absence of agreement otherwise among said parties. The entry of a judgment awarding damages shall bar a subsequent action by any other person or entity to recover damages for the same violation.
- (12) If an attorney files a false affidavit under subsection (1)(b) of this section, the lienholder may file an action in either District Court or Circuit Court against the owner of real property or any party acquiring an interest in the real property. Any judgment rendered against the owner of real property or any party acquiring an interest in the real property under this section shall include reasonable attorney's fees and court costs.**