

**Memorandum 95-39****Homestead Exemption: Draft of Tentative Recommendation**

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At the July meeting, the Commission directed the staff to prepare a tentative recommendation that would repeal the procedure for recording a homestead declaration, preserve any important features of the repealed statute in the general homestead statute, and provide for satisfaction of only senior liens and encumbrances when a homestead is sold. A staff draft tentative recommendation to implement these policies is attached to this memorandum.

At the meeting, the Commission should review the draft with a view toward distributing it for comment following the meeting, subject to any needed revisions. Several policy issues need further discussion, and are discussed in staff notes following the relevant sections.

Respectfully submitted,

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Assistant Executive Secretary

## HOMESTEAD EXEMPTION

1 In 1982, enactment of the Enforcement of Judgments Law<sup>1</sup> eliminated some of  
2 the rigid and outmoded aspects of the Civil Code homestead declaration  
3 procedure, such as restriction on conveyance, prevention of attachment of  
4 judgment and attachment liens, and restrictions on abandonment. However,  
5 complete reform was forestalled and a limited and largely redundant homestead  
6 declaration procedure was retained in the new law alongside the automatic  
7 homestead exemption.<sup>2</sup> The remnants of the old declared homestead that survive  
8 in the Enforcement of Judgments law are confusing and misleading. The time has  
9 come to complete the reform of the homestead statutes by repealing the unneeded  
10 homestead declaration procedure any preserving any of its useful aspects in the  
11 general automatic homestead exemption.

### 12 **Background**

13 There is no requirement that the law provide a homestead *declaration* procedure.  
14 The California Constitution requires the Legislature to “protect, by law, from  
15 forced sale a certain portion of the homestead and other property of all heads of  
16 families.”<sup>3</sup> The procedure for implementing this constitutional mandate is  
17 determined by the Legislature.<sup>4</sup>

18 California has not always had a homestead declaration procedure. A claimed  
19 homestead procedure existed from 1851 until it was superseded by the declared  
20 homestead in the early 1860’s.<sup>5</sup> For over a century, the homestead was protected  
21 against money judgment liens only if the homestead declaration was recorded  
22 before the judgment lien. The principle of first in time, first in right was applied  
23 with drastic consequences to the tardy debtor. To protect families of debtors who  
24 failed to record the exemption before death, the probate homestead procedure was  
25 developed permitting the court to declare the exemption.

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1. See 1982 Cal. Stat. ch. 1364, operative July 1, 1983. The Enforcement of Judgments Law was enacted on recommendation of the Commission. See *Tentative Recommendation Proposing the Enforcement of Judgments Law*, 15 Cal. L. Revision Comm’n Reports 2001, 2094 (1980); *1982 Creditors’ Remedies Legislation*, 16 Cal. L. Revision Comm’n Reports 1001, 1009 (1982). The Commission recommended abolition of the declared homestead in favor of the automatic homestead in its 1980 report.

2. The homestead declaration procedure — Code of Civil Procedure Sections 704.910-704.995 — contains many substantive statutory cross-references to the automatic homestead exemption. See Code Civ. Proc. §§ 704.910(c) & (e), 704.950(c)(2), 704.960(a), 704.965, 704.970(b), 704.995(c). All further statutory references are to the Code of Civil Procedure, unless otherwise indicated.

3. Cal. Const. Art. XX, § 1.5.

4. See, e.g., *Noble v. Hook*, 24 Cal. 638 (1864).

5. For detailed background on the history of the exemption, see *Taylor v. Madigan*, 53 Cal. App. 3d 943, 126 Cal. Rptr. 376 (1975); Adams, *Homestead Legislation in California*, 9 Pac. L.J. 723 (1978) (prepared by Commission consultant).

1 In 1974, the Legislature enacted a second procedure enabling debtors who had  
2 not recorded a homestead declaration to claim an exemption when the dwelling  
3 was levied on under a writ of execution.<sup>6</sup> The judgment creditor was required to  
4 petition for issuance of a writ of execution directed against a dwelling and give  
5 notice to the debtor who could then assert the exemption. This procedure was  
6 substantially revised in the Enforcement of Judgment Law enacted in 1982,  
7 resulting in the homestead exemption procedure in Code of Civil Procedure  
8 Sections 704.710-704.850. The probate homestead was put on an independent  
9 footing, unrelated to the homestead declaration.<sup>7</sup>

### 10 **Automatic Homestead Exemption (Code Civ. Proc. §§ 704.710-704.850)**

11 The “automatic” homestead exemption — or dwelling house exemption, as it is  
12 also known — requires the judgment creditor to initiate court proceedings to  
13 determine whether the property is exempt and the amount of the exemption.  
14 Generally where property is levied on to enforce a money judgment, the debtor is  
15 given notice of levy and must make an exemption claim within 10 days.<sup>8</sup> A  
16 creditor who levies on a “dwelling,”<sup>9</sup> which may be an exempt homestead, may  
17 not have it sold to enforce a money judgment without first obtaining a court order  
18 for sale. The creditor must apply for the order for sale within 20 days after notice  
19 of levy is served on the judgment debtor.<sup>10</sup> The judgment creditor’s application is  
20 not simple: the creditor must determine whether the county tax assessor’s records  
21 show a current homeowner’s exemption or disabled veteran’s exemption, must  
22 state on information and belief whether the dwelling is a homestead, the amount of  
23 the exemption, and whether there is a homestead declaration recorded, and must  
24 state the amount of liens and encumbrances and the address of other lien creditors  
25 and encumbrancers as shown in the recorder’s files.<sup>11</sup> The creditor must give  
26 notice of the application, including personal service on any occupant, at least 30  
27 days before the hearing.<sup>12</sup> At the hearing, the creditor has the burden of showing  
28 the dwelling is not exempt if there is a tax exemption on file in the tax assessor’s  
29 office; otherwise, the burden is on the debtor to prove the exempt status.<sup>13</sup> The  
30 property is appraised, and if it is of sufficient value, it is ordered to be sold. Notice  
31 of the sale cannot be given until at least 120 days after the notice of levy.<sup>14</sup>

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6. See 1974 Cal. Stat. ch. 1251, superseded by a revised but similar procedure, 1976 Cal. Stat. ch. 1000.

7. See Prob. Code §§ 60, 6520-6528; *Recommendation Relating to Probate Homestead*, 15 Cal. L. Revision Comm’n Reports 401 (1980).

8. Section 703.520.

9. A detailed definition of “dwelling” is set out in Section 704.710.

10. Sections 704.740-704.750.

11. Section 704.760.

12. Section 704.770.

13. Section 704.780(a).

14. Section 701.545.

1 Ultimately, the homestead cannot be sold unless the bid exceeds the amount of the  
2 applicable homestead exemption plus the amount necessary to satisfy all liens and  
3 encumbrances on the property, and the price must be 90 percent of the appraised  
4 value, unless the court orders otherwise.<sup>15</sup> Proceeds of a sale are distributed first to  
5 pay off “all liens and encumbrances,” second to the debtor in the amount of the  
6 exemption, third to the levying officer for costs, and finally to the judgment  
7 creditor to satisfy the judgment.<sup>16</sup>

8 This procedure is highly protective of debtors’ homesteads. There are multiple  
9 notices, including personal service, built-in delays and a second chance  
10 proceeding, significant procedural burdens, appraisals with presumptive minimum  
11 bids, burden shifting. In light of these protections, there is no need for a separate  
12 homestead declaration procedure.

### 13 **Modern Declared Homestead Exemption (Sections 704.910-704.995)**

14 The minimal declared homestead procedure that has existed since 1982 is largely  
15 a formality. A homeowner or spouse of a homeowner may record a homestead  
16 declaration describing the principal dwelling. The declaration must be  
17 acknowledged in the manner of a conveyance of real property.<sup>17</sup> Unlike its  
18 predecessor, the modern homestead declaration has no affect on the right to  
19 convey or encumber the property.<sup>18</sup> Nor does it prevent creation of judgment  
20 liens.<sup>19</sup> It does not prevent attachment liens<sup>20</sup> or state tax liens.<sup>21</sup>

21 While the real homestead protection lies in the automatic exemption statute, the  
22 homestead declaration provides several distinct features that must be evaluated  
23 before the procedure can be repealed:

24 1. *Judgment lien attaches only to surplus value.* Section 704.950 is a major  
25 source of confusion. Subdivision (a) provides that judgment liens do not attach to  
26 property subject to a prior homestead declaration, seemingly preserving the old  
27 shield rule. However, subdivision (a) is subject to the exception provided in  
28 subdivision (c), which provides that a judgment lien *does* attach to the surplus  
29 value of the property over all senior liens and encumbrances plus the homestead  
30 exemption amount. Thus, the exception in subdivision (c) eats up the rule in  
31 subdivision (a).<sup>22</sup>

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15. Section 704.800.

16. Section 704.850.

17. Sections 704.920-704.930.

18. Section 704.940.

19. Section 704.950(c).

20. Section 487.025.

21. Gov’t Code § 7170(a).

22. Subdivision (c) was added to Section 704.950 at the last opportunity when the bill was before the Legislature, as is evident from the Comment which was not revised to reflect the final statutory language.

1 This section presents a conceptual conundrum. How can it be determined  
2 whether the judgment lien has attached? The amount of the homestead exemption  
3 can change, as well as the amount of senior liens. A judgment lien attaches to any  
4 property owned or acquired by a debtor in the county where the abstract of  
5 judgment is recorded; it is a “dragnet” lien and is not directed at particular  
6 property.<sup>23</sup> How can it be determined when the lien attaches since the value of the  
7 property is unknown in the absence of a sale or appraisal? Section 704.950(a)  
8 provides that the lien does not attach, subject to the exception in subdivision (c).  
9 Subdivision (c) provides that the lien attaches to the surplus value, but does not  
10 say when the lien attaches. Arguably it attaches only when the surplus value exists.  
11 Section 704.965 locks in the exemption amount at the time when the lien attaches,  
12 but when is that?

13 This rule, then, does not appear to provide any clear advantage to the homestead  
14 declaration. Theoretically, it might be easier to sell real property free of the  
15 judgment lien if there were a prior homestead declaration recorded, assuming that  
16 the debtor’s equity in the property was agreed by all parties to be less than the  
17 homestead exemption amount at the time of transfer. But this does not appear to be  
18 a practical advantage, and does not justify continuing the cumbersome homestead  
19 declaration procedure.

20 2. *Exemption of proceeds of voluntary sale.* Section 704.960(a) protects the  
21 proceeds of a voluntary sale of the homestead for six months after the date of sale.  
22 The automatic homestead exemption protects proceeds of sale, but only where the  
23 homestead is sold at an execution sale, is damaged or destroyed, or is acquired for  
24 public use — in other words, not in the case of a voluntary sale.<sup>24</sup> The proceeds  
25 exemption is limited, however, so that it does not include any increase in the  
26 exemption occurring after a judgment lien attaches.<sup>25</sup> This is consistent with the  
27 general rule that the amount of an exemption is determined according to the law in  
28 effect when the creditor’s lien attaches to the property.<sup>26</sup>

29 Under the existing scheme, a sufficiently sophisticated debtor would simply  
30 record a homestead declaration before a voluntary sale of the home and thereby  
31 protect the proceeds for six months in the amount applicable when the creditor’s  
32 lien attached. The Commission can envision no public policy that is served by this

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23. See Section 697.340.

24. See Section 704.720(b).

25. Section 704.965. This rule was added to the law in conjunction with a bill increasing the amount of the homestead exemption. See 1984 Cal. Stat. ch. 454. The limitation in Section 704.965 is irrelevant to the homestead exemption as applied in a forced sale by the judgment creditor. See Section 704.970(b). If a second homestead is purchased with exempt proceeds limited by the rule in Section 704.965, it appears that the exemption of voluntary sale proceeds from the second homestead would also be limited to the level locked in by the order of recording the judgment lien and initial homestead declaration. Similarly, if the homestead declaration had been recorded before any attachment or judgment lien, the debtor would have the benefit of any increased exemption amounts based solely on order of recording.

26. Section 703.050. See also Section 703.060 (liens deemed granted by statute in recognition of power of state to repeal, alter, or add to exemptions).

1 formality. The creditor cannot prevent the declaration. The proceeds exemption  
2 follows mechanically from the act of recording a piece of paper. The specific  
3 amount of the voluntary proceeds exemption depends on the fortuity of the order  
4 in which the debtor and the creditor record their respective papers. The recording  
5 has no relation to any other act. It is not reviewed and notice is not given. It is not  
6 subject to contest at the time of recording. The protection of voluntary sale  
7 proceeds depends solely on the arbitrary factor of whether the debtor has  
8 remembered to record a paper, a paper which will then clutter up the public  
9 records for years, since it describes as a homestead property that the debtor intends  
10 to sell shortly after the declaration is recorded.

11 The justification for the reforms of the old homestead declaration, which resulted  
12 in the modern automatic homestead exemption, apply as well to the exemption of  
13 proceeds. Since a prior judgment lien does not prevent recording a homestead  
14 declaration with its attendant voluntary sale proceeds exemption, the proceeds  
15 exemption should be incorporated into the automatic homestead exemption. The  
16 better procedure is the general one — proceeds of a voluntary sale are exempt for  
17 six months following sale and the burden is on the debtor to claim the exemption  
18 and trace the proceeds.<sup>27</sup>

19 3. *Relation-back of declared homestead.* Section 704.960(b) provides a  
20 portability feature, permitting the debtor to record a homestead declaration on  
21 property acquired with proceeds from a sale of a declared homestead and continue  
22 the original recording priority in the new homestead. This applies to any exempt  
23 proceeds, whether from voluntary or forced sale, or reimbursement from  
24 insurance, so long as the new declaration is recorded within six-month period  
25 during which proceeds are protected.

26 This feature also permits the debtor to lock in the opportunity to take advantage  
27 of later statutory increases in the homestead exemption amounts.<sup>28</sup> A person who  
28 records a homestead declaration before a creditor's lien attaches can preserve that  
29 priority and receive the benefit of increased exemptions in proceeds and later  
30 homes purchased with exempt proceeds.<sup>29</sup>

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27. For the general rules applicable to proceeds exemptions, see, e.g., Sections 703.030 (manner of claiming exemptions; effect of failure to claim), 703.080 (tracing exempt funds).

28. See Section 704.965.

29. The exact outcome depends on the interpretation given Section 704.965. If the creditor's judgment lien attaches as of the time it is recorded, notwithstanding the language of Section 704.950(c) concerning what amount the lien attaches to (surplus over senior liens and homestead exemption amount under Section 704.730), then the problem is a simple one of comparing dates of recording. But if the creditor "obtains" a lien only at the instant that the value of the homestead actually exceeds the value of liens senior to the judgment lien at the time it was recorded plus the value of the homestead exemption — then the increased exemption, by relation back, would have the effect of forestalling the time when the judgment lien could attach to any surplus value. It is also assumed that Section 704.965 serves as an exception to the general rule in Section 703.050 that the amount of exemptions is fixed as of the time the creditor's lien is created on the property.

1 The general rule is that the amount of an exemption is determined under the law  
2 in effect when the creditor's lien attached to the property.<sup>30</sup> The general rule  
3 should be applied to homesteads, independent of the fortuity of whether a  
4 homestead declaration may have been filed.

5 4. *Continuation of homestead after death.* Section 704.995 provides that the  
6 protection of the declared homestead from a creditor having an attachment lien,  
7 execution lien, or judgment lien continues after the death of the declared  
8 homestead owner if the dwelling was the principal dwelling of the surviving  
9 spouse or a member of the decedent's family to whom an interest in the dwelling  
10 passes. But subdivision (c) provides that the amount of the exemption is  
11 determined under Section 704.730 in the general procedure depending on the  
12 circumstances of the case at the time the amount is required to be determined.<sup>31</sup>  
13 Where special protection of the family home is appropriate, the probate homestead  
14 is the better procedure.<sup>32</sup> The existing homestead declaration procedure provides  
15 no meaningful, additional protection in the case of enforcement proceedings.  
16 Section 704.995 harks back to a time when the declared homestead created  
17 important rights in homestead property that could descend to the survivors even  
18 contrary to a testamentary disposition.

19 5. *Prima facie evidence.* Section 704.940 provides that the homestead  
20 declaration is prima facie evidence of the matters stated, which would include the  
21 statement that the property is the dwelling of the persons listed. Arguably, this  
22 provision may put some burden on the judgment creditor in proceedings to sell a  
23 dwelling. However, the relevant procedural provisions do not shift the burden to  
24 the creditor as in the case of a current homeowner's tax exemption or disabled  
25 veteran's tax exemption.<sup>33</sup> While the creditor is required to determine and report  
26 whether there is homestead declaration<sup>34</sup> as part of the procedure for obtaining an  
27 order for sale of a dwelling, nothing explicit results from the report.

## 28 **Problems Created by Separate Homestead Declaration Procedure**

29 The declared homestead provisions present a number of problems which should  
30 be weighed against any claimed advantages of the procedure:

31 1. *Uncertainty.* The one feature a declared homestead procedure based on filing  
32 with the county recorder should have is certainty — yet no one can rely on the  
33 validity of a homestead declaration. The filing sits in the records, but has little  
34 meaning unless it is tested in execution proceedings. The debtor may have moved

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30. Section 703.050.

31. This is in apparent conflict with the rule in Section 704.965.

32. See Prob. Code §§ 60, 6520-6528; *Recommendation Relating to Probate Homestead*, 15 Cal. L. Revision Comm'n Reports 401 (1980).

33. See Section 704.780.

34. Section 704.760(b).

1 to another residence or the debtor's marriage may be dissolved. A later declaration  
2 as to different property acts as an abandonment *pro tanto* of the interest of the  
3 declarant.<sup>35</sup> Thus, if spouses choose to live apart, and a second (or second and  
4 third) declaration is recorded, the first declaration becomes meaningless.

5 2. *Illusory protection.* The homestead declaration provides little real protection  
6 for the family home. The most important protections (other than the voluntary sale  
7 proceeds exemption) are embodied in the automatic homestead. The homestead  
8 declaration can only give a false sense of security. In any event, most homeowners  
9 have no need for the protection, because most homeowners never become  
10 judgment debtors. If they do become debtors, the statute should provide essential  
11 protections without regard to whether a paper may have been filed at some time in  
12 the past.

13 3. *Opportunity for misleading homestead declaration mills.* Anyone who has  
14 purchased a house in recent years has probably received one or more solicitations  
15 from the homestead declaration mills.<sup>36</sup> Experience with these dubious operations,  
16 whose broadsides typically misrepresent the law, impelled the Legislature to enact  
17 a consumer protection statute governing homestead filing services.<sup>37</sup> One operator  
18 who ran afoul of the statute mailed approximately four million solicitations in a  
19 four-year period *after* enactment of the regulatory statute.<sup>38</sup> Repeal of the declared  
20 homestead would put an end to the opportunity to profit from causing undue alarm  
21 and confusing homeowners throughout the state.

## 22 **Satisfaction of Other Liens and Encumbrances**

23 The minimum bid in the sale of a homestead must include an amount sufficient  
24 to satisfy "all liens and encumbrances on the property."<sup>39</sup> This language is an  
25 artifact surviving from the time when a judgment lien could not attach if there  
26 were a prior homestead declaration on record.<sup>40</sup> Notwithstanding the prior  
27 homestead declaration, however, the creditor could seek enforcement of the money  
28 judgment by writ of execution. If the property was sold on execution without a  
29 pre-existing judgment lien in favor of the creditor, there would be no junior liens  
30 practically speaking, and *all* the other liens on the property, whether mortgage  
31 liens, tax liens, other judgment liens, would be superior to the creditor's execution

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35. Section 704.990(b).

36. See Arthur M. Louis, *Homesteading Scam Targets Unwary Homeowners*, San Francisco Chronicle, Sept. 19, 1994, at B1, B3. For a sample solicitation from Morse & Associates, see Memorandum 95-22, Exhibit pp. 22-24, on file with California Law Revision Commission.

37. See Bus. & Prof. Code § 17537.6.

38. See *People v Morse*, 21 Cal. App. 4th 259, 25 Cal. Rptr. 2d 816 (1993).

39. Section 704.800.

40. See discussions of prior law in *Tentative Recommendation Proposing the Enforcement of Judgments Law*, 15 Cal. L. Revision Comm'n Reports 2001, 2094 (1980); Adams, *Homestead Legislation in California*, 9 Pac. L.J. 723 (1978); Taylor v. Madigan, 53 Cal. App. 3d 943, 126 Cal. Rptr. 376 (1975).

1 lien. If the creditor had won the race to the recorder's office and the judgment lien  
2 had attached first, then there would be no application of the "all liens and  
3 encumbrances" language since the homestead exemption would not apply. Instead,  
4 the various lienors would have had an opportunity to engage in several rounds of  
5 redemptions, with junior lienholders redeeming from their seniors and the debtor  
6 redeeming where possible.

7 Under existing law, the "all liens and encumbrances" language can act in an  
8 arbitrary manner and benefit the profligate or severely unlucky debtor. If a debtor  
9 has enough liens on the property, no creditor can reach it because any creditor  
10 would have to pay off all other liens, junior and senior, under the terms of the  
11 statute. On the other side of the coin, the home of a more responsible debtor would  
12 not be as hard to reach.

### 13 **Commission Recommendations**

14 In summary, the Commission proposes repealing the declared homestead  
15 exemption and amending the automatic homestead exemption to protect proceeds  
16 of a voluntary sale on the same basis as other proceeds are protected. Dwelling  
17 proceeds would be exempt to the extent traceable in deposit accounts and cash or  
18 its equivalent, with the burden on the exemption claimant to prove the exemption.  
19 See Section 703.080. The statute should be revised to require satisfaction of *senior*  
20 liens and encumbrances, rather than *all* liens and encumbrances on the property,  
21 and junior liens would be extinguished, consistent with the general rule.

PROPOSED LEGISLATION

1 **Bus. & Prof. Code § 17537.6 (amended). Untrue or misleading statements by homestead**  
2 **filing service**

3 SECTION. 1. Section 17537.6 of the Business and Professions Code is amended  
4 to read:

5 17537.6. (a) It is unlawful for any person to make any untrue or misleading  
6 statements in any manner in connection with the offering or performance of a  
7 homestead filing service. For the purpose of this section, an “untrue or misleading  
8 statement” means and includes any representation that any of the following is true:

9 (1) The preparation or recordation of a homestead declaration will in any manner  
10 prevent the forced sale of a judgment debtor’s dwelling.

11 (2) The preparation or recordation of a homestead declaration will prevent the  
12 foreclosure of a mortgage, deed of trust, or mechanic’s lien.

13 (3) Any of the provisions relating to the homestead exemption set forth in  
14 Article 4 (commencing with Section 704.710) of Chapter 4 of Division 2 of Title 9  
15 of Part 2 of the Code of Civil Procedure are available only to persons who prepare  
16 or record a homestead declaration.

17 (4) A homestead declaration is in any way related to the obtaining of any  
18 applicable homeowner’s exemption to real property taxes.

19 (5) The preparation or recordation of a homestead declaration is required by law  
20 in any manner.

21 (6) The offeror of the homestead filing service has a file or record covering a  
22 person to whom a solicitation is made.

23 (7) The offeror of the homestead filing service is, or is affiliated with, any  
24 charitable or public service entity unless the offeror is, or is affiliated with, a  
25 charitable organization which has qualified for a tax exemption under Section  
26 501(c)(3) of the Internal Revenue Code.

27 (8) The offeror of the homestead filing service is, or is affiliated with, any  
28 governmental entity. A violation of this paragraph includes, but is not limited to,  
29 the following:

30 (A) The misleading use of any governmental seal, emblem, or other similar  
31 symbol.

32 (B) The use of a business name including the word “homestead” and the word  
33 “agency,” “bureau,” “department,” “division,” “federal,” “state,” “county,” “city,”  
34 “municipal,” “California,” or “United States,” or the name of any city, county, city  
35 and county, or any governmental entity.

36 (C) The use of an envelope that simulates an envelope containing a government  
37 check, tax bill, or government notice or an envelope which otherwise has the  
38 capacity to be confused with, or mistaken for, an envelope sent by a governmental  
39 entity.

1 (b)(1) It is unlawful to offer to perform a homestead filing service without  
2 making the following disclosure:

3 THIS HOMESTEAD FILING SERVICE IS NOT ASSOCIATED WITH ANY  
4 GOVERNMENT AGENCY.

5 YOU DO NOT HAVE TO RECORD A HOMESTEAD DECLARATION.

6 RECORDING A HOMESTEAD DECLARATION DOES NOT PROTECT  
7 YOUR HOME AGAINST FORCED SALE BY A CREDITOR. YOU MAY  
8 WISH TO CONSULT A LAWYER ABOUT THE BENEFITS OF RECORDING  
9 A HOMESTEAD DECLARATION.

10 IF YOU WANT TO RECORD A HOMESTEAD, YOU CAN FILL OUT A  
11 HOMESTEAD DECLARATION FORM BY YOURSELF, HAVE YOUR  
12 SIGNATURE NOTARIZED, AND HAVE THE FORM RECORDED BY THE  
13 COUNTY RECORDER.

14 (2) The disclosure specified in paragraph (1) shall be placed at the top of each  
15 page of every advertisement or promotional material disseminated by an offeror of  
16 a homestead filing service and shall be printed in 12-point boldface type enclosed  
17 in a box formed by a heavy line.

18 (3) The disclosure specified in paragraph (1) shall be recited at the beginning of  
19 every oral solicitation and every broadcast advertisement and shall be delivered in  
20 printed form as prescribed by paragraph (2) before the time each person who  
21 responds to the oral solicitation or broadcast advertisement is obligated to pay for  
22 any service.

23 (c) In addition to any other service, every offeror of a homestead filing service  
24 shall deliver each notarized homestead declaration to the appropriate county  
25 recorder for recordation as soon as needed or required by a homestead declarant,  
26 but no later than 10 days after the homestead declaration is notarized. The offeror  
27 of the homestead filing service shall pay all fees charged in connection with the  
28 notarization and recordation of the homestead declaration.

29 (d) No offeror of a homestead filing service shall charge, demand, or collect any  
30 money until after the homestead declaration is recorded. The total amount charged,  
31 demanded, or collected by an offeror of a homestead filing service, including all  
32 fees for notarization and recordation, shall not exceed twenty-five dollars (\$25).

33 (e) For the purposes of this section, the following definitions apply:

34 (1) “Homestead filing service” means any service performed or offered to be  
35 performed for compensation in connection with the preparation or completion of a  
36 homestead declaration or in connection with the assistance in any manner of  
37 another person to prepare or complete a homestead declaration. “Homestead filing  
38 service” does not include any service performed by an attorney at law authorized  
39 to practice in this state for a client who has retained that attorney or an employee  
40 of that attorney acting under the attorney’s direction and supervision.

41 (2) A “homestead declaration” has the meaning described provided in former  
42 Article 5 (commencing with Section 704.910) of Chapter 4 of Division 2 of Title 9  
43 of Part 2 of the Code of Civil Procedure.

1 (f) On and after January 1, 1997, it is unlawful to offer a homestead filing  
2 service.

3 **Comment.** Subdivision (f) is added to Section 6528 in view of the repeal of the homestead  
4 declaration procedure. See also Code Civ. Proc. § 694.090 (effect of homestead declaration under  
5 former law).

6 **Staff Note.** An alternative to this amendment would be to repeal the section. However, it might  
7 be beneficial to retain it in the law for a while as a transitional provision. A deferred repealer  
8 could be added to the section so that it would be repealed in 1999 or 2000, after the message has  
9 been received.

10 **Code Civ. Proc. § 487.025 (repealed). Right to attach declared homestead**

11 SEC. 2. Section 487.025 of the Code of Civil Procedure is repealed:

12 ~~487.025. (a) The recording of a homestead declaration (as defined in Section~~  
13 ~~704.910) does not limit or affect the right of a plaintiff to attach the declared~~  
14 ~~homestead described in the homestead declaration, whether the homestead~~  
15 ~~declaration is recorded before or after the declared homestead is attached.~~

16 ~~(b) An attachment lien attaches to a homestead (as defined in Section 704.710)~~  
17 ~~in the amount of any surplus over the total of the following:~~

18 ~~(1) All liens and encumbrances on the homestead at the time the attachment lien~~  
19 ~~is created.~~

20 ~~(2) The homestead exemption set forth in Section 704.730.~~

21 ~~(c) Nothing in subdivision (a) or (b) limits the right of the defendant to an~~  
22 ~~exemption under subdivision (b) of Section 487.020.~~

23 ~~(d) Notwithstanding subdivision (b), a homestead (as defined in Section~~  
24 ~~704.710) is exempt from sale to the extent provided in Section 704.800 when it is~~  
25 ~~sought to be sold to enforce the judgment obtained in the action in which the~~  
26 ~~attachment was obtained.~~

27 **Comment.** Section 6528 is repealed because it is not necessary in view of the repeal of the  
28 homestead declaration procedure. See also Code Civ. Proc. § 694.090 (effect of homestead  
29 declaration under former law).

30 **Code Civ. Proc. § 694.090 (amended). Effect of homestead declaration**

31 SEC. 3. Section 694.090 of the Code of Civil Procedure is amended to read:

32 694.090. On and after the operative date January 1, 1997, a declaration of  
33 homestead made under prior law pursuant to Title 5 (commencing with Section  
34 1237) of Part 4 of Division 2 of the Civil Code is effective only to the extent  
35 provided in or Article 5 (commencing with Section 704.910) of Chapter 4 of  
36 Division 2 of this code is ineffective.

37 **Comment.** Section 694.090 is amended to reflect the repeal of the homestead declaration  
38 procedure in Sections 704.910-704.995. The homestead exemption is governed by Sections  
39 704.710-704.860.

40 **Staff Note.** Other alternatives could be considered. For example, declarations recorded before  
41 the repeal of the statute could be given the effect they would have under the repealed law. This is  
42 not a very clean break, however, and would continue the confusion for decades into the future.

43 The statute could also go farther and direct county recorders to expunge homestead declarations  
44 since they are ineffective, but this would entail expenses all out of proportion to the benefit.

1 **Code Civ. Proc. § 704.720 (amended). Homestead exemption**

2 SEC. 4. Section 704.720 of the Code of Civil Procedure is amended to read:

3 704.720. (a) A homestead is exempt from enforcement of a money judgment as  
4 provided in this article and is exempt from sale under this division to the extent  
5 provided in Section 704.800.

6 (b) The proceeds from a disposition of a homestead are exempt under the  
7 following conditions:

8 (1) If a homestead is sold under this division or is damaged or destroyed or is  
9 acquired for public use, the proceeds of sale or of insurance or other  
10 indemnification for damage or destruction of the homestead or the proceeds  
11 received as compensation for a homestead acquired for public use are exempt in  
12 the amount of the homestead exemption provided in Section 704.730. ~~The~~  
13 ~~proceeds are exempt~~ for a period of six months after the time date the proceeds are  
14 actually received by the judgment debtor, ~~except that, if a homestead exemption is~~  
15 ~~applied to other property of the judgment debtor or the judgment debtor's spouse~~  
16 ~~during that period, the proceeds thereafter are not exempt.~~

17 (2) If a homestead is voluntarily sold, or otherwise sold in a manner not  
18 described in paragraph (1), the proceeds of sale are exempt in the amount of the  
19 homestead exemption provided in Section 704.730 for a period of six months after  
20 the date of the sale.

21 (3) If a homestead exemption is applied to other property of the judgment debtor  
22 or the judgment debtor's spouse during the six-month period provided in  
23 paragraph (1) or (2), the proceeds exemption terminates.

24 (c) If the judgment debtor and spouse of the judgment debtor reside in separate  
25 homesteads, only the homestead of one of the spouses is exempt and only the  
26 proceeds of the exempt homestead are exempt.

27 **Comment.** Subdivision (a) of Section 704.720 is revised for clarity and for consistency with  
28 other exemption provisions. See, e.g., Sections 703.010, 704.010, 704.020.

29 Subdivision (b) is amended to adopt as a general rule the exemption for proceeds of voluntary  
30 sales under former Section 704.960 (homestead declaration). Subdivision (b)(3) is generalized  
31 from the last clause of former subdivision (b) of this section. See also Section 703.080 (tracing  
32 exempt funds).

33 **Revised Background Comment (1982).** Subdivision (a) of Section 704.720 supersedes former  
34 Civil Code Section 1240 (providing for a declared homestead) and former Code of Civil  
35 Procedure Sections 690.3 and 690.31(a) (providing for a claimed dwelling exemption). Unlike the  
36 former provisions, Section 704.720 does not specify the interest that is protected and does not  
37 limit the homestead in a leasehold to a long-term lease; any interest sought to be reached by the  
38 judgment creditor in the homestead may be entitled to the exemption. The homestead exemption  
39 does not apply where a lien on the property other than an enforcement lien is being foreclosed.  
40 See Section 703.010.

41 Subdivision (b)(1) provides an exemption for proceeds of an execution sale of a homestead, for  
42 proceeds from insurance or indemnification for the damage or destruction of a homestead, and for  
43 an eminent domain award or proceeds of a sale of the homestead for public use. Subdivision  
44 (b)(1) supersedes portions of former Civil Code Sections 1256 and 1265 and of former Code of  
45 Civil Procedure Sections 690.8 and 690.31(k). The exemption for insurance proceeds was not  
46 found in former law. *But see* Houghton v. Lee, 50 Cal. 101, 103 (insurance proceeds for  
47 destruction of declared homestead exempt).

1 Subdivision (c) is new. The spouses may select which of the homesteads is exempt. If the  
2 spouses are unable to agree, the court determines which homestead is exempt. See Section  
3 703.110 (application of exemptions to marital property). Note that a married person may, after a  
4 decree of legal separation or an interlocutory judgment of dissolution of marriage, be entitled to a  
5 homestead in his or her own right, and this right is not affected by subdivision (c). See Section  
6 704.710(d) (“spouse” defined) & Comment.

7 **Code Civ. Proc. § 704.760 (amended). Contents of application for sale of dwelling**

8 SEC. 5. Section 704.760 of the Code of Civil Procedure is amended to read:

9 704.760. The judgment creditor’s application shall be made under oath, shall  
10 describe the dwelling, and shall contain all of the following:

11 (a) A statement whether or not the records of the county tax assessor indicate  
12 that there is a current homeowner’s exemption or disabled veteran’s exemption for  
13 the dwelling and the person or persons who claimed ~~any such~~ the exemption.

14 (b) A statement, which may be based on information and belief, whether the  
15 dwelling is a homestead and the amount of the homestead exemption, if any, ~~and a~~  
16 ~~statement whether or not the records of the county recorder indicate that a~~  
17 ~~homestead declaration under Article 5 (commencing with Section 704.910) that~~  
18 ~~describes the dwelling has been recorded by the judgment debtor or the spouse of~~  
19 ~~the judgment debtor.~~

20 (c) A statement of the amount of any liens or encumbrances on the dwelling, the  
21 name of each person having a lien or encumbrance on the dwelling, and the  
22 ~~person’s~~ person’s address ~~of such person~~ used by the county recorder for the return of the  
23 instrument creating ~~such the~~ the person’s lien or encumbrance after recording.

24 **Comment.** Subdivision (b) of Section 704.760 is amended to delete the obsolete reference to  
25 the repealed homestead declaration procedure. See also Section 694.090 (effect of homestead  
26 declarations under prior law). The other changes are technical, nonsubstantive revisions.

27 **Code Civ. Proc. § 704.780 (amended). Hearing**

28 SEC. 6. Section 704.780 of the Code of Civil Procedure [as amended by 1995  
29 Cal. Stat. ch. 196, § 8, effective July 31, 1995] is amended to read:

30 704.780. (a) The burden of proof at the hearing is determined in the following  
31 manner:

32 (1) If the records of the county tax assessor indicate that there is a current  
33 homeowner’s exemption or disabled veteran’s exemption for the dwelling claimed  
34 by the judgment debtor or the judgment debtor’s spouse, the judgment creditor has  
35 the burden of proof that the dwelling is not a homestead. If the records of the  
36 county tax assessor indicate that there is not a current homeowner’s exemption or  
37 disabled veteran’s exemption for the dwelling claimed by the judgment debtor or  
38 the judgment debtor’s spouse, the burden of proof that the dwelling is a homestead  
39 is on the person who claims that the dwelling is a homestead.

40 (2) If the application states the amount of the homestead exemption, the person  
41 claiming the homestead exemption has the burden of proof that the amount of the  
42 exemption is other than the amount stated in the application.

1 (b) The court shall determine whether the dwelling is exempt. If the court  
2 determines that the dwelling is exempt, the court shall determine the amount of the  
3 homestead exemption and the fair market value of the dwelling. The court shall  
4 make an order for sale of the dwelling subject to the homestead exemption, unless  
5 the court determines that the sale of the dwelling would not be likely to produce a  
6 bid sufficient to satisfy any part of the amount due on the judgment pursuant to  
7 Section 704.800. The order for sale of the dwelling subject to the homestead  
8 exemption shall specify the amount of the proceeds of the sale that is to be  
9 distributed pursuant to Section 704.850 to each person having a lien or  
10 encumbrance on the dwelling that is superior to the judgment creditor's lien, and  
11 shall include the name and address of each such person. Subject to the provisions  
12 of this article, the sale is governed by Article 6 (commencing with Section  
13 701.510) of Chapter 3. If the court determines that the dwelling is not exempt, the  
14 court shall make an order for sale of the property in the manner provided in Article  
15 6 (commencing with Section 701.510) of Chapter 3.

16 (c) The court clerk shall transmit a certified copy of the court order (1) to the  
17 levying officer and (2) if the court making the order is not the court in which the  
18 judgment was entered, to the clerk of the court in which the judgment was entered.

19 (d) The court may appoint a qualified appraiser to assist the court in determining  
20 the fair market value of the dwelling. If the court appoints an appraiser, the court  
21 shall fix the compensation of the appraiser in an amount determined by the court to  
22 be reasonable, not to exceed similar fees for similar services in the community  
23 where the dwelling is located.

24 **Comment.** Subdivision (b) of Section 704.780 is amended to make clear that only liens with  
25 priority over the judgment creditor's lien, upon which the property is to be sold, are entitled to  
26 satisfaction from the proceeds of sale. See also Sections 704.800 (minimum bid), 704.850  
27 (distribution of proceeds).

28 **Code Civ. Proc. § 704.800 (amended). Minimum bid at sale of homestead**

29 SEC. 7. Section 704.800 of the Code of Civil Procedure is amended to read:

30 704.800. (a) If no bid is received at a sale of a homestead pursuant to a court  
31 order for sale that exceeds the amount of the homestead exemption plus any  
32 additional amount necessary to satisfy all liens and encumbrances on the property,  
33 including but not limited to any attachment or judgment lien, that are superior to  
34 the judgment creditor's lien, the homestead shall not be sold and shall be released  
35 and is not thereafter subject to a court order for sale upon subsequent application  
36 by the same judgment creditor for a period of one year after the date of sale.

37 (b) If no bid is received at the sale of a homestead pursuant to a court order for  
38 sale that is 90 percent or more of the fair market value determined pursuant to  
39 Section 704.780, the homestead shall not be sold unless the court, upon motion of  
40 the judgment creditor, does one of the following:

41 (1) Grants permission to accept the highest bid that exceeds the amount of the  
42 minimum bid required by subdivision (a).

43 (2) Makes a new order for sale of the homestead.

1       **Comment.** Subdivision (a) of Section 704.800 is amended to provide that only liens senior to  
2 the judgment creditor’s lien, taking into account any relation back, are entitled to satisfaction out  
3 of the proceeds from the sale of a dwelling under this article. See also Sections 704.780 (hearing),  
4 704.850 (distribution of proceeds).

5       **Code Civ. Proc. § 704.840 (amended). Costs incurred in sale proceedings**

6       SEC. 8. Section 704.840 of the Code of Civil Procedure is amended to read:

7       704.840. (a) Except as provided in subdivision (b), the judgment creditor is  
8 entitled to recover reasonable costs incurred in a proceeding under this article.

9       (b) If no bid is received at a sale of a homestead pursuant to a court order for sale  
10 that exceeds the amount of the homestead exemption plus any additional amount  
11 necessary to satisfy all liens and encumbrances on the property that are superior to  
12 the judgment creditor’s lien, the judgment creditor is not entitled to recover costs  
13 incurred in a proceeding under this article or costs of sale.

14       **Comment.** Section 704.840 is amended for consistency with Section 704.800.

15       **Code Civ. Proc. § 704.850 (amended). Distribution of proceeds of sale of homestead**

16       SEC. 9. Section 704.850 of the Code of Civil Procedure is amended to read:

17       704.850. (a) The levying officer shall distribute the proceeds of sale of a  
18 homestead in the following order:

19       (1) To the discharge of all liens and encumbrances, ~~if any~~, on the property that  
20 are superior to the judgment creditor’s lien.

21       (2) To the judgment debtor in the amount of any applicable exemption of  
22 proceeds pursuant to Section 704.720.

23       (3) To the levying officer for the reimbursement of the levying officer’s costs for  
24 which an advance has not been made.

25       (4) To the judgment creditor to satisfy the following:

26       (A) First, costs and interest accruing after issuance of the writ pursuant to which  
27 the sale is conducted.

28       (B) Second, the amount due on the judgment with costs and interest, as entered  
29 on the writ.

30       (5) To any other judgment creditors who have delivered writs of execution to the  
31 levying officer, accompanied by instructions to levy on the proceeds of sale, in the  
32 amounts to which the persons are entitled in order of their respective priorities.

33       (6) To the judgment debtor in the amount remaining.

34       (b) Sections 701.820 and 701.830 apply to distribution of proceeds under this  
35 section.

36       **Comment.** Subdivision (a)(1) of Section 704.850 is amended for consistency with Section  
37 704.800. The words “if any” are deleted as surplus. A new subdivision (a)(5) is added to permit  
38 junior creditors whose liens will be extinguished pursuant to Section 704.860 to seek satisfaction  
39 from any excess proceeds at the sale, by delivering a writ of execution and levy instructions to the  
40 levying officer. This procedure is consistent with the general rule in Section 701.810(g)  
41 (distribution of proceeds of sale or collection).

42       **Revised Background Comment (1982).** Subdivision (a) of Section 704.850 continues the  
43 priority of distribution of proceeds provided by subdivision (j) of former Section 690.31 and of

1 former Civil Code Section 1255. This section is an exception to the general rules on distribution  
2 of proceeds provided by Section 701.810. Liens and encumbrances required to be satisfied under  
3 subdivision (a)(1) include not only preferred labor claims to be satisfied pursuant to Section 1206  
4 and the amount of any state tax lien (as defined in Government Code Section 7162) but also any  
5 other liens and encumbrances with priority over the judgment creditor's lien.

6 Subdivision (b) makes clear that the general provisions governing the time for distributing  
7 proceeds (Section 701.820) and the resolution of conflicting claims to proceeds (Section 701.830)  
8 apply to the distribution of proceeds from the sale of a homestead.

9 **Staff Note.** There are alternatives to the procedure in subdivision (a)(5), but this rule has been  
10 adopted since it is consistent with the general rule in Section 701.810(g). For example, other  
11 creditors could be required to join the proceedings for sale of the property. However, since the  
12 main issues can be determined in the proceeding with only the levying creditor, there is really no  
13 need for other junior creditors who would only be trying to pick up any surplus amount. It should  
14 also be recognized that the situation may never occur in practical circumstances.

15 **Code Civ. Proc. § 704.860 (amended). Extinction of liens upon sale**

16 SEC. 10. Section 704.860 is added to the Code of Civil Procedure, to read:

17 704.860. If property is sold pursuant to this article, the lien under which it is sold  
18 and any liens subordinate thereto on the property sold are extinguished.

19 **Comment.** Section 704.860 is new. The rule in this section applicable to homestead sales is  
20 consistent with the general rule under Section 701.630.

21 **Code Civ. Proc. §§ 704.910-704.995 (repealed). Declared homestead**

22 SEC. 11. Article 5 (commencing with Section 704.910) of Chapter 4 of Division  
23 2 of Title 9 of Part 2 of the Code of Civil Procedure is repealed.

24 **Note.** The text of Sections 704.910-704.995 is set out *infra*. See material under "Comments to  
25 Repealed Sections."

26 **Gov't Code § 7170 (technical amendment). Attachment of tax lien**

27 SEC. 12. Section 7170 of the Government Code is amended to read:

28 7170. (a) Except as provided in subdivisions (b) and (c), a state tax lien attaches  
29 to all property and rights to property whether real or personal, tangible or  
30 intangible, including all after-acquired property and rights to property, belonging  
31 to the taxpayer and located in this state. ~~A state tax lien attaches to a dwelling~~  
32 ~~notwithstanding the prior recording of a homestead declaration (as defined in~~  
33 ~~Section 704.910 of the Code of Civil Procedure).~~

34 (b) A state tax lien is not valid as to real property against the right, title, or  
35 interest of any of the following persons where the person's right, title, or interest  
36 was acquired or perfected prior to recording of the notice of state tax lien in the  
37 office of the county recorder of the county in which the real property is located  
38 pursuant to Section 7171:

39 (1) A successor in interest of the taxpayer without knowledge of the lien.

40 (2) A holder of a security interest.

41 (3) A mechanic's lienor.

42 (4) A judgment lien creditor.

43 (c) A state tax lien is not valid as to personal property against:

1 (1) The holder of a security interest in the property whose interest is perfected  
2 pursuant to Section 9303 of the Commercial Code prior to the time the notice of  
3 the state tax lien is filed with the Secretary of State pursuant to Section 7171.

4 (2) Any person (other than the taxpayer) who acquires an interest in the property  
5 under the law of this state without knowledge of the lien or who perfects an  
6 interest in accordance with the law of this state prior to the time that the notice of  
7 state tax lien is filed with the Secretary of State pursuant to Section 7171.

8 (3) A buyer in ordinary course of business who, under Section 9307 of the  
9 Commercial Code, would take free of a security interest created by the seller.

10 (4) Any person (other than the taxpayer) who, notwithstanding the prior filing of  
11 the notice of the state tax lien:

12 (A) Is a holder in due course of a negotiable instrument.

13 (B) Is a holder to whom a negotiable document of title has been duly negotiated.

14 (C) Is a bona fide purchaser of a security.

15 (D) Is a purchaser of chattel paper or an instrument who gives new value and  
16 takes possession of the chattel paper or instrument in the ordinary course of  
17 business.

18 (E) Is a holder of a purchase money security interest.

19 (F) Is a collecting bank holding a security interest in items being collected,  
20 accompanying documents and proceeds, pursuant to Section 4210 of the  
21 Commercial Code.

22 (G) Acquires a security interest in a deposit account or in the beneficial interest  
23 in a trust or estate.

24 (H) Acquires any right or interest in letters of credit, advices of credit, or money.

25 (I) Acquires without actual knowledge of the state tax lien a security interest in  
26 or a claim in or under any policy of insurance including unearned premiums.

27 (J) Acquires any right or interest in property subject to a certificate of title statute  
28 of another jurisdiction under the law of which indication of a security interest on  
29 the certificate of title is required as a condition of perfection of the security  
30 interest.

31 (5) A judgment lien creditor whose lien was created by the filing of a notice of  
32 judgment lien on personal property with the Secretary of State prior to the time the  
33 notice of state tax lien is filed with the Secretary of State pursuant to Section 7171.

34 **Comment.** The second sentence of Section 7170(a) is deleted in view of the repeal of the  
35 homestead declaration procedure. See also Code Civ. Proc. §§ 688.030 (exemptions from  
36 enforcement of tax), 694.090 (effect of homestead declaration under former law), 704.850  
37 (satisfaction of liens upon execution sale of homestead).

38 **Prob. Code § 6528 (repealed). Declared homestead**

39 SEC. 13. Section 6528 of the Probate Code is repealed.

40 ~~6528. Nothing in this chapter terminates or otherwise affects a declaration of~~  
41 ~~homestead by, or for the benefit of, a surviving spouse or minor child of the~~  
42 ~~decedent with respect to the community, quasi-community, or common interest of~~

1 ~~the surviving spouse or minor child in property in the decedent's estate. This~~  
2 ~~section is declaratory of, and does not constitute a change in, existing law.~~

3 **Comment.** Section 6528 is repealed because it has no purpose in view of the repeal of the  
4 homestead declaration procedure. See also Code Civ. Proc. § 694.090 (effect of homestead  
5 declaration under former law).

## 6 COMMENTS TO REPEALED SECTIONS

### 7 **Code Civ. Proc. §§ 704.910-704.995 (repealed). Declared homestead**

8 **Note.** Sections 704.910-704.995 are set out below for reference purposes. A Comment to each  
9 section indicates its proposed disposition in the revised statute or its relation to the general  
10 homestead exemption provisions that supersede the homestead declaration procedure.

## 11 Article 5. Declared Homesteads

### 12 **§ 704.910 (repealed). Definitions**

13 704.910. As used in this article:

14 (a) "Declared homestead" means the dwelling described in a homestead  
15 declaration.

16 (b) "Declared homestead owner" includes both of the following:

17 (1) The owner of an interest in the declared homestead who is named as a  
18 declared homestead owner in a homestead declaration recorded pursuant to this  
19 article.

20 (2) The declarant named in a declaration of homestead recorded prior to July 1,  
21 1983, pursuant to former Title 5 (commencing with Section 1237) of Part 4 of  
22 Division 2 of the Civil Code and the spouse of such declarant.

23 (c) "Dwelling" means any interest in real property (whether present or future,  
24 vested or contingent, legal or equitable) that is a "dwelling" as defined in Section  
25 704.710, but does not include a leasehold estate with an unexpired term of less  
26 than two years or the interest of the beneficiary of a trust.

27 (d) "Homestead declaration" includes both of the following:

28 (1) A homestead declaration recorded pursuant to this article.

29 (2) A declaration of homestead recorded prior to July 1, 1983, pursuant to  
30 former Title 5 (commencing with former Section 1237) of Part 4 of Division 2 of  
31 the Civil Code.

32 (e) "Spouse" means a "spouse" as defined in Section 704.710.

33 **Comment.** Former Section 704.910 is superseded by Section 704.710.

### 34 **§ 704.920 (repealed). Manner of selection of homestead**

35 704.920. A dwelling in which an owner or spouse of an owner resides may be  
36 selected as a declared homestead pursuant to this article by recording a homestead  
37 declaration in the office of the county recorder of the county where the dwelling is

1 located. From and after the time of recording, the dwelling is a declared homestead  
2 for the purposes of this article.

3 **Comment.** Former Section 704.920 is superseded by the homestead exemption procedure in  
4 Sections 704.710-704.860. See also Sections 694.090 (effect of homestead declaration under prior  
5 law), 704.710 (definitions).

6 **§ 704.930 (repealed). Execution and contents of homestead declaration**

7 704.930. (a) A homestead declaration recorded pursuant to this article shall  
8 contain all of the following:

9 (1) The name of the declared homestead owner. A husband and wife both may  
10 be named as declared homestead owners in the same homestead declaration if each  
11 owns an interest in the dwelling selected as the declared homestead.

12 (2) A description of the declared homestead.

13 (3) A statement that the declared homestead is the principal dwelling of the  
14 declared homestead owner or such person's spouse, and that the declared  
15 homestead owner or such person's spouse resides in the declared homestead on the  
16 date the homestead declaration is recorded.

17 (b) The homestead declaration shall be executed and acknowledged in the  
18 manner of an acknowledgment of a conveyance of real property by at least one of  
19 the following persons:

20 (1) The declared homestead owner.

21 (2) The spouse of the declared homestead owner.

22 (3) The guardian or conservator of the person or estate of either of the persons  
23 listed in paragraph (1) or (2). The guardian or conservator may execute,  
24 acknowledge, and record a homestead declaration without the need to obtain court  
25 authorization.

26 (4) A person acting under a power of attorney or otherwise authorized to act on  
27 behalf of a person listed in paragraph (1) or (2).

28 (c) The homestead declaration shall include a statement that the facts stated in  
29 the homestead declaration are known to be true as of the personal knowledge of  
30 the person executing and acknowledging the homestead declaration. If the  
31 homestead declaration is executed and acknowledged by a person listed in  
32 paragraph (3) or (4) of subdivision (b), it shall also contain a statement that the  
33 person has authority to so act on behalf of the declared homestead owner or the  
34 spouse of the declared homestead owner and the source of the person's authority.

35 **Comment.** Former Section 704.930 is superseded by the homestead exemption procedure in  
36 Sections 704.710-704.860.

37 **§ 704.940 (repealed). Right to convey or encumber not limited; Evidentiary effect of**  
38 **homestead**

39 704.940. A homestead declaration does not restrict or limit any right to convey  
40 or encumber the declared homestead. A homestead declaration, when properly  
41 recorded, is prima facie evidence of the facts therein stated, and conclusive

1 evidence thereof in favor of a purchaser or encumbrancer in good faith and for a  
2 valuable consideration.

3 **Comment.** Former Section 704.940 is superseded by the homestead exemption procedure in  
4 Sections 704.710-704.860. See also Section 704.780 (burden of proof in hearing on homestead  
5 exemption).

6 **§ 704.950 (repealed). Attachment of judgment lien to homestead**

7 704.950. (a) Except as provided in subdivisions (b) and (c), a judgment lien on  
8 real property created pursuant to Article 2 (commencing with Section 697.310) of  
9 Chapter 2 does not attach to a declared homestead if both of the following  
10 requirements are satisfied:

11 (1) A homestead declaration describing the declared homestead was recorded  
12 prior to the time the abstract or certified copy of the judgment was recorded to  
13 create the judgment lien.

14 (2) The homestead declaration names the judgment debtor or the spouse of the  
15 judgment debtor as a declared homestead owner.

16 (b) This section does not apply to a judgment lien created under Section 697.320  
17 by recording a certified copy of a judgment for child , family, or spousal support.

18 (c) A judgment lien attaches to a declared homestead in the amount of any  
19 surplus over the total of the following:

20 (1) All liens and encumbrances on the declared homestead at the time the  
21 abstract of judgment or certified copy of the judgment is recorded to create the  
22 judgment lien.

23 (2) The homestead exemption set forth in Section 704.730.

24 **Comment.** Former Section 704.950 is superseded by the homestead exemption procedure in  
25 Sections 704.710-704.860.

26 **§ 704.960 (repealed). Proceeds exemption after voluntary sale; Reinvestment of proceeds of**  
27 **voluntary or involuntary sale and effect of new declaration**

28 704.960. (a) If a declared homestead is voluntarily sold, the proceeds of sale are  
29 exempt in the amount provided by Section 704.730 for a period of six months after  
30 the date of sale.

31 (b) If the proceeds of a declared homestead are invested in a new dwelling  
32 within six months after the date of a voluntary sale or within six months after  
33 proceeds of an execution sale or of insurance or other indemnification for damage  
34 or destruction are received, the new dwelling may be selected as a declared  
35 homestead by recording a homestead declaration within the applicable six-month  
36 period. In such case, the homestead declaration has the same effect as if it had  
37 been recorded at the time the prior homestead declaration was recorded.

38 **Comment.** Former Section 704.960 is superseded by the homestead exemption procedure in  
39 Sections 704.710-704.860. The proceeds exemption is continued in Section 704.720(b).

1 **§ 704.965 (repealed). Determination of amount of exemption**

2 704.965. If a homestead declaration is recorded prior to the operative date of an  
3 amendment to Section 704.730 which increases the amount of the homestead  
4 exemption, the amount of the exemption for the purposes of subdivision (c) of  
5 Section 704.950 and Section 704.960 is the increased amount, except that, if the  
6 judgment creditor obtained a lien on the declared homestead prior to the operative  
7 date of the amendment to Section 704.730, the exemption for the purposes of  
8 subdivision (c) of Section 704.950 and Section 704.960 shall be determined as if  
9 that amendment to Section 704.730 had not been enacted.

10 **Comment.** Former Section 704.965 is superseded by the homestead exemption procedure in  
11 Sections 704.710-704.860. The principle in former Section 704.965 is applicable under the  
12 general rule in Section 703.050 (exemptions in effect at time of lien govern).

13 **§ 704.970 (repealed). Effect of article on rights after levy of execution**

14 704.970. Whether or not a homestead declaration has been recorded:

15 (a) Nothing in this article affects the right of levy pursuant to a writ of execution.

16 (b) Any levy pursuant to a writ of execution on a dwelling (as defined in Section  
17 704.710) and the sale pursuant thereto shall be made in compliance with Article 4  
18 (commencing with Section 704.710) and the judgment debtor and the judgment  
19 creditor shall have all the rights and benefits provided by that article.

20 **Comment.** Section 704.970 is repealed as unnecessary following repeal of the homestead  
21 declaration procedure. The homestead exemption is now governed exclusively by Article 4  
22 (commencing with Section 704.710) and related rules.

23 **§ 704.980 (repealed). Declaration of abandonment**

24 704.980.(a) A declared homestead may be abandoned by a declaration of  
25 abandonment under this section, whether the homestead declaration was recorded  
26 pursuant to this article or pursuant to former Title 5 (commencing with former  
27 Section 1237) of Part 4 of Division 2 of the Civil Code.

28 (b) A declaration of abandonment shall be executed and acknowledged in the  
29 manner of an acknowledgment of a conveyance of real property. It shall be  
30 executed and acknowledged by a declared homestead owner or by a person  
31 authorized to act on behalf of a declared homestead owner. If it is executed and  
32 acknowledged by a person authorized to act on behalf of a declared homestead  
33 owner, the declaration shall contain a statement that the person has authority to act  
34 on behalf of the declared homestead owner and the source of the person's  
35 authority.

36 (c) The declaration of abandonment does not affect the declared homestead of  
37 any person other than the declared homestead owner named in the declaration of  
38 abandonment.

39 **Comment.** The procedure for abandonment in former Section 704.980 is obsolete in view of  
40 the repeal of the homestead declaration procedure. See also Section 694.090 (effect of homestead  
41 declarations under prior law).

1 **§ 704.990 (repealed). Abandonment of homestead by recording homestead declaration for**  
2 **different property**

3 704.990. (a) A declared homestead is abandoned by operation of law as to a  
4 declared homestead owner if the declared homestead owner or a person authorized  
5 to act on behalf of the declared homestead owner executes, acknowledges, and  
6 records a new homestead declaration for the declared homestead owner on  
7 different property. An abandonment under this subdivision does not affect the  
8 declared homestead of any person other than the declared homestead owner named  
9 in the new homestead declaration.

10 (b) Notwithstanding subdivision (a), if a homestead declaration is recorded  
11 which includes property described in a previously recorded homestead declaration,  
12 to the extent that the prior homestead declaration is still valid, the new homestead  
13 declaration shall not be considered an abandonment of the prior declared  
14 homestead.

15 **Comment.** Former Section 704.990 relating to abandonment is obsolete in view of the repeal  
16 of the homestead declaration procedure. See also Section 694.090 (effect of homestead  
17 declarations under prior law).

18 **§ 704.995 (repealed). Continuation of protection after death of declared homestead owner**

19 704.995. (a) The protection of the declared homestead from any creditor having  
20 an attachment lien, execution lien, or judgment lien on the dwelling continues after  
21 the death of the declared homestead owner if, at the time of the death, the dwelling  
22 was the principal dwelling of one or more of the following persons to whom all or  
23 part of the interest of the deceased declared homestead owner passes:

24 (1) The surviving spouse of the decedent.

25 (2) A member of the family of the decedent.

26 (b) The protection of the declared homestead provided by subdivision (a)  
27 continues regardless of whether the decedent was the sole owner of the declared  
28 homestead or owned the declared homestead with the surviving spouse or a  
29 member of the decedent's family and regardless of whether the surviving spouse  
30 or the member of the decedent's family was a declared homestead owner at the  
31 time of the decedent's death.

32 (c) The amount of the homestead exemption is determined pursuant to Section  
33 704.730 depending on the circumstances of the case at the time the amount is  
34 required to be determined.

35 **Comment.** Former Section 704.995 is superseded by the homestead exemption procedure in  
36 Sections 704.710-704.860. The general homestead exemption applies with full force to the  
37 interest of the survivor, consistent with the rule in subdivision (c). Additional protection is  
38 provided by the probate homestead procedure. See Prob. Code §§ 6520-6527.

## REVISED COMMENTS

1 **Code Civ. Proc. § 704.710 (revised comment). Definitions**

2 **Revised Background Comment (1982).** Subdivision (a) of Section 704.710 supersedes the  
3 provisions of former law pertaining to the property that could be exempt as a homestead or  
4 dwelling. See former Civ. Code § 1237 (declared homestead); former Code Civ. Proc. §§ 690.3  
5 (houstrailer, mobilehome, houseboat, boat, or other waterborne vessel), 690.31(a) (dwelling  
6 house). Subdivision (a) is intended to include all forms of property for which an exemption could  
7 be claimed under former law and any other property in which the judgment debtor or the  
8 judgment debtor's spouse actually resides.

9 Subdivision (b) continues the substance of former Civil Code Section 1261(2) except that the  
10 minor grandchild of a deceased spouse and a child or grandchild of a former spouse are included  
11 in the listing.

12 Subdivision (c) is intended to preclude a judgment debtor from moving into a dwelling after  
13 creation of a judgment lien or after levy in order to create an exemption. Subdivision (c) also  
14 makes clear that, even though an abstract of judgment has been recorded to create a judgment  
15 lien, the existence of the lien does not prevent a homestead exemption on after-acquired property  
16 that is acquired as the principal dwelling using exempt proceeds. Subdivision (c) is an exception  
17 to the rule of Section 703.100 (time for determination of exemption).

18 Subdivision (d) preserves the effect of former Civil Code Sections 1300-1304 (married  
19 person's separate homestead). The effect of subdivision (d) is to permit each spouse to claim a  
20 separate homestead after entry of a judgment decreeing legal separation or of an interlocutory  
21 judgment of dissolution of the marriage, because subdivision (c) of Section 704.720 is not  
22 applicable.

23 **Revised Background Comment (1983).** Section 704.710 is amended to delete "actually"  
24 which appeared before "resides" or "resided" in various provisions. The word "actually" is  
25 deleted to avoid a possible construction that a person temporarily absent (such as a person on  
26 vacation or in the hospital) could not claim a homestead exemption for the principal dwelling  
27 merely because the person is temporarily absent, even though the dwelling is the person's  
28 principal dwelling and residence.