

California Tightens the Post-Auction “Eligible Bidder” Process

AB 1957 (Pacheco) amends Civil Code § 2924m and related trustee’s-sale provisions.

SIGNED

Sept. 18, 2026 · Ch. 279

EFFECTIVE

January 1, 2027

SUNSET

January 1, 2031

Background

Since 2021, § 2924m (enacted by SB 1079) has delayed finality of many trustee’s sales by allowing certain “eligible bidders” to outbid the live auction’s high bidder during the weeks that follow. AB 1957 keeps that framework but narrows who may use it and which sales it reaches.

Key changes

	BEFORE	AFTER AB 1957
Who may bid	Prospective owner-occupants, eligible tenant buyers, and eligible community bidders.	Prospective owner-occupants are removed. Only eligible tenant bidders (renamed from “tenant buyers”) and eligible community bidders remain.
Which sales	Trustee’s sales of one-to-four-unit residential property, without reference to lien priority.	Four or fewer units sold under a first-lien deed of trust or mortgage. § 2924m post-sale bidding no longer applies to junior-lien foreclosures.
Tenant bidders	Occupant under a pre-default, arm’s-length tenancy, as primary residence.	Same, plus: a certificate of occupancy valid on the sale date and no red tag or substandard building code violation preventing occupancy; fair market value at or below the local FHA loan limit; and a one-year occupancy requirement imposed by deed restriction in the trustee’s deed.
Community bidders	Qualifying California affordable-housing nonprofits, community land trusts, limited-equity cooperatives and public entities.	Same categories. Nonprofits must also meet the requirements that apply to HCD “qualified entities” purchasing assisted housing (Gov. Code § 65863.11(e)(1)–(2)).
Trustee protection	Trustee may reasonably rely on bidder affidavits and declarations.	Same, plus the trustee has no duty to investigate or verify bidder information or eligibility and is not liable on claims arising from that reliance.
Enforcement	AG, county counsel, city attorney or DA may seek specific performance or other remedies.	Adds a civil penalty of one-third of the property’s fair market value where a bid was submitted by a person or entity not entitled to bid under § 2924m.

Unchanged: the 15- and 45-day periods; the tenant match right; AG reporting of eligible-bidder sales; and the existing bar on selling first-lien one-to-four-unit property at the first sale for less than 67% of fair market value (§ 2924f(f)). Conforming amendments also touch §§ 2924d, 2924f and 2924h.

When and how it takes effect

AB 1957 takes effect **January 1, 2027** (Cal. Const., art. IV, § 8(c) (1)), with no urgency clause or delayed operative date. Trustees should update tenant notices, bidder affidavits and sale procedures before then.

Does it apply retroactively?

California generally presumes statutes apply prospectively (Civ. Code § 3). AB 1957 has no express transition rule. Timing issues will require careful analysis.