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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF CALIFORNIA

IN RE

LAURA MENDEZ,
Debtor.

CHRISTOPHER R. BARCLAY,
Plaintiff,

vs.

MARIA MENDEZ, et al.,
Defendant.

Bankruptcy Case No. 22-02160-JBM7

Chapter 7

Adversary Proceeding No. 25-90035-JBM

**MEMORANDUM OF DECISION
INCLUDING POST-TRIAL FINDINGS OF
FACT AND CONCLUSIONS OF LAW**

Judge: Hon. J. Barrett Marum
Dept.: Dept. 2, Rm. 118

Complaint Filed: March 26, 2025
Trial Date: January 29, 2026

1 The Court held a bench trial in connection with the adversary proceeding between Plaintiff
2 Christopher R. Barclay (the “Trustee” of “Plaintiff”) and Debtor Laura Mendez (the “Debtor” or
3 “Laura”) and Defendant Maria Mendez (the “Defendant” or “Maria”) on January 29, 2026.
4 Throughout the proceedings, the Court appreciated the unfortunate circumstances that led to the
5 trial, spanning from the difficult events leading to the Debtor’s initial bankruptcy to this ultimate,
6 challenging decision. After considering: (1) the testimonial evidence presented at trial; (2) the
7 documentary evidence introduced during the trial; (3) the Joint Stipulated Facts (ECF No. 26 at 4-
8 7); (4) the parties’ arguments made in briefing, during trial, and in their closing arguments (ECF
9 Nos. 29, 30, and 32); and (5) the parties’ post-trial briefing (ECF Nos. 43 and 55), the Court
10 conditionally rules in the Plaintiff’s favor on the first, second, and third causes of action. The Court
11 rules in the Plaintiff’s favor with respect to the fourth cause of action but only to the extent the
12 Plaintiff seeks to enjoin the Defendant and the Debtor from disrupting marketing efforts at the
13 Property; the Court will not issue an injunction immediately removing them from the Property as
14 the Plaintiff has requested.

15 I. INTRODUCTION

16 The dispute between the parties surrounds the condominium located at 440 W. Citracado
17 Pkwy., Unit 25, Escondido, CA 92025, APN 238-130-32-25 (the “Property”). ECF No. 32 at 6.
18 The Debtor and the Defendant purchased the Property and took title by way of a grant deed to “Maria
19 Mendez, an unmarried woman and Laura Mendez, a single woman as joint tenants” in March 2018.
20 *Id.*; Case No. 23-90024-JBM, at ECF No. 54-3 at 8. They have primarily lived together in the condo
21 ever since. *Id.* The Debtor suffers certain medical issues that have in part led to her longstanding
22 cohabitation with her mother, the Defendant. On January 12, 2021, the Debtor transferred her
23 interest in the Property to the Defendant as a gift through a quitclaim deed. Case No. 23-90024-
24 JBM, ECF No. 64 at 9. In August 2022, the Debtor filed a Voluntary Petition under Chapter 7 for
25 bankruptcy (the “Petition”) due to apparently unfortunate circumstances involving a romantic
26 entanglement that went awry. Her ownership interest in the Property became the subject of much
27 dispute as a result.

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1 This Memorandum Decision sets forth the Court’s rulings, findings of fact, and conclusions
2 of law. In particular, the Court details the reasons for its conclusion that the Plaintiff has satisfied
3 his burden in demonstrating a sale under 11 U.S.C. § (“Section”) 363(h) is proper, but conditions
4 the closing of the sale on the Trustee realizing net proceeds sufficient to create at least a twenty-five
5 percent dividend for general unsecured creditors. The Court further details the proper means for
6 distributing the proceeds of the sale if the Trustee can achieve such a price.

7 **II. PROCEDURAL BACKGROUND**

8 **A. The Debtor’s Chapter 7 Bankruptcy Proceedings**

9 On August 18, 2022, Laura commenced this Bankruptcy Case by filing the Petition. Case
10 No. 22-02160-JBM7 (the “BK Case”), ECF No. 1. During the BK Case, the Debtor made two
11 Substitutions of Attorney. First, on October 28, 2022, Richard L. Barrett substituted in as the
12 Debtor’s attorney after Suzette Douglas substituted out. ECF No. 22. Then, on May 22, 2024,
13 Cheryl Stengel substituted in after Mr. Barrett’s passing. ECF No. 44. The Court notes the
14 Substitutions as they could contribute to some of the complexities in this case. On May 3, 2023, the
15 Court entered the Debtor’s Discharge. BK Case, ECF No. 34. However, the case continued as the
16 parties disputed how to treat the Property for purposes of closing the BK Case.

17 When the Debtor first filed the Petition, she included the Property as an asset in her Schedule
18 A/B, stating “Loan is solely in the name of Maria Mendez, Debtor’s mother. Debtor was originally
19 on the loan to help her mother qualify to purchase. Debtor remains on title.” BK Case, ECF No. 1
20 at 10. The Debtor listed the Property’s value as \$470,500. *Id.*

21 The Claims Register in the BK Case reflects total unsecured claims in the amount of
22 \$73,559.13, which will become especially relevant for purposes of determining whether the sale of
23 the Property benefits the Estate sufficiently to authorize the sale.

24 **B. The First Adversary Proceeding**

25 In 2023, the Trustee filed an adversary proceeding against the Defendant to avoid the
26 Debtor’s transfer of the Property to the Defendant referenced above. After multiple mediations
27 failed, the Court partially granted the Trustee’s motion for summary judgment and, among other
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1 things, avoided the transfer. The Trustee thereafter dismissed the remaining claims. When
2 settlement negotiations again failed, the Trustee filed the present adversary proceeding.

3 **C. The Second Adversary Proceeding**

4 On March 26, 2025, the Plaintiff filed this Adversary Complaint (the “Complaint”) against
5 the Defendant, initiating the present case. **ECF No. 1**. The Plaintiff sought turnover of property of
6 the Estate, to quiet title, authority to sell all ownership interests in the Property, and injunctive relief.
7 The Defendant filed an Answer and later, in October 2025, submitted a Status Report indicating she
8 intended to file a Motion for Summary Judgment, but ultimately never filed one. ECF Nos. 8 and
9 20. In the Plaintiff’s Status Report, he indicated “No written or oral discovery was conducted in
10 this matter by the Plaintiff, as he believes the necessary facts have been determined in testimony
11 from the Defendants provided both in the underlying bankruptcy case as well as in the prior
12 adversary proceeding against Defendant MARIA MENDEZ, AP Case No. 23-90024-JBM.” **ECF**
13 **No. 18 at 1**.

14 **1. The Parties’ Pre-Trial Filings**

15 The parties thereafter submitted a Pre-Trial Order, which the Court modified and entered,
16 and their respective Trial Briefs. ECF Nos. 26, 29, 30, and 32. In the Pre-Trial Order, the parties
17 agreed the only issues of fact remaining to be litigated were:

- 18 1) The extent of the Debtor’s joint tenancy interest in the Property;
- 19 2) Whether the sale of the Property is necessary to maximize the value of the Estate and to
20 facilitate distributions to unsecured creditors;
- 21 3) The market value of the Property, the value of liens, and the amount of equity in the
22 Property;
- 23 4) Whether the Property maintains substantial equity, which can only be realized from a
24 sale;
- 25 5) The benefit to the Estate of a sale of the Property free of the interests of Defendant
26 outweighs the detriment, if any, to the Defendant;
- 27 6) The detriment, if any, to the Defendant of the sale of the Property;
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- 1 7) Whether any conduct of the Defendant and the Debtor will cause great and irreparable
- 2 injury to the Estate’s interest in the Property;
- 3 8) Whether the Plaintiff has any remedy against any destruction or dissipation of the
- 4 Property while under the control and possession of the Defendant and the Debtor;
- 5 9) Whether the Court should issue an injunction restraining and enjoining the Defendant
- 6 and the Debtor from disrupting the marketing of the Property;
- 7 10) Whether the Plaintiff has adequate remedy at law for any injuries that might result from
- 8 the continued refusal of the Defendant to turn over the Property;
- 9 11) Whether, and to what extent, the Defendant is entitled to any allowance, accounting,
- 10 contribution, or other compensatory adjustment prior to division of any proceeds of sale
- 11 of the Property.

12 **ECF No. 26 at 7-8.**¹ The Defendant also proposed submitting her bank statements from
13 February 1, 2018, through July 31, 2025, as well as a summary of voluminous records as exhibits.
14 *Id.* at 11. The Plaintiff objected to that proposal to the extent the underlying documents had not
15 been authenticated and claimed the summary itself did not appear to be accurate. Accordingly, prior
16 to the trial the Defendant provided paper copies of the bank records to the Court and prepared to
17 authenticate many of the records during the trial.

18 On January 29, 2026, the trial commenced. The parties spent considerable time addressing
19 the Debtor’s medical and mental health concerns and appeared to raise certain issues as to her legal
20 capacity. **ECF No. 52 at 182:**17-183:1. The parties also elicited significant testimony regarding the
21 value of the Property, its rental value, and Laura’s and Maria’s various contributions to both the
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23 ¹ The Court Modified Pre-Trial Order indicated the following facts were “admitted and require no proof: ... 19)
24 Partition of the Property between Defendant and the Estate, as co-owners, is impractical. 35) The Property, as a
25 single-family residence, is not used in the production, transmission, or distribution for sale of electricity or gas for
26 heat, light, or power.” ECF No. 26 at 6-7. Accordingly, the parties do not dispute the first and fourth elements of
27 Section 363(h). Although the Pre-Trial Order did not explicitly address the second element (sale of the estate’s
28 undivided interest in such property would realize significantly less for the estate than sale of such property free of the
interests of such co-owners), the Court agrees with the Plaintiff that “the sale of the estate’s interest, fifty-percent
interest in the property, will realize significantly less for the estate than if the sale were the entire property” and that it
is not clear “how [the parties] could divide a condo and sell half of it.” ECF No. 52 at 8:16-19.

1 Property and general household expenses. No party submitted any evidence regarding the Trustee's
2 administrative expenses.

3 2. The Parties' Post-Trial Filings

4 At the conclusion of the trial, the Court ordered the parties to each file a post-trial brief to
5 address certain outstanding issues. The Court specifically directed the parties to brief two issues:
6 "the first issue is that neither party in their trial briefs did any of the math for their particular position
7 regarding the credits." ECF No. 52 at 181:11-13. The Court went on and instructed the parties,
8 "We've got the evidence now. I want you to give me the numbers, as you see them from your
9 client's perspective, for calculating that accounting," referring to credits to the Defendant for
10 mortgage and HOA payments and any of the Plaintiff's purported offsets for rental value. *Id.* at
11 182:4-6. Second, the Court requested additional briefing regarding the Debtor's capacity issues
12 given the amount of testimony devoted to those issues. *Id.* at 182-183. On February 26, 2026,
13 Maria filed her Post-Trial Brief (ECF No. 43), and the Plaintiff filed his Post-Trial Brief on March
14 24, 2026 (ECF No. 55). Laura did not file a Post-Trial Brief.

15 In Maria's Post-Trial Brief, she argued that she must receive credits for her disparate
16 contributions to the Property, that the Court should deny any rental offset to the Plaintiff, and that
17 Laura's medical and mental health issues did not compromise her legal capacity. ECF No. 43 at 2-
18 4. With respect to the Plaintiff's overarching burden to show that the benefit to the Estate outweighs
19 the detriment to her, Maria argued the Plaintiff did not adequately establish a benefit to the Estate
20 and that her potential detriment dramatically outweighs any such benefit. *Id.* at 5-7. Maria estimated
21 \$23,000 in sales proceeds would be available to the Estate after allowing her credits for
22 disproportionate contributions to the Property since its 2018 purchase. *Id.* at 6.

23 The Plaintiff addressed similar issues in his Post-Trial Brief, first claiming Maria is not
24 entitled to any offsets or reimbursements. ECF No. 55 at 2-7. Next, he argued that if Maria is
25 entitled to offsets for her contributions to the Property, then the Estate can rightfully claim an offset
26 for the rental value of the property. *Id.* at 9-10. Turning to the Section 363(h) analysis, the Plaintiff
27 then asserted Maria could obtain a comparable property (and thus will not suffer a large detriment)

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1 and that the benefit to the Estate outweighs the detriment to Maria, even considering non-economic
2 factors. The Plaintiff estimated \$76,865.51 of the sale proceeds would rightfully belong to the
3 Estate, some of which would be paid toward administrative expenses.² *Id.* at 9. During the trial,
4 the Plaintiff claimed, “there would be about \$90,000 available to the bankruptcy estate to pay
5 administrative expenses and claims of this estate,” and reiterated the outstanding claims in the BK
6 case total \$73,559.13. **ECF No. 52 at 165**:19-21.

7 **III. LEGAL STANDARDS**

8 The legal standards for the claims and issues presented at trial are as follows.

9 **A. 11 U.S.C. § 542(a)**

10 Under Section 542(a), an entity in possession, custody, or control, during the case, of
11 property that the trustee may use, sell, or lease under Section 363 shall deliver to the trustee, and
12 account for, such property or the value of such property, unless such property is of inconsequential
13 value or benefit to the estate. This Section requires turnover of property subject to Section 363’s
14 applicability.

15 **B. Quiet Title**

16 As a threshold matter, the Plaintiff brings this cause of action solely as a vehicle to fix the
17 parties’ respective ownership interests in the Property for purposes of the 363(h) claim and
18 determining how to distribute sale proceeds. *See e.g.*, **ECF No. 32 at 6** (“The Estate is entitled to
19 quiet title of the property and is authorized to sell it pursuant to **11 U.S.C. § 363(h)**.”); **ECF No. 1**
20 **at 9** (“the quitclaim to Defendant of Debtor’s interest in the Property is without any right whatever
21 and such quitclaim transfer has no right, estate, lien, or interest whatever in the Property or any part
22 thereof. Legal title to the Property is properly vested in the joint names of Debtor and Defendant as
23 joint tenants.”)

24 Under Section 363(j), proceeds from a property sale under this Section must be distributed
25 according “to the property’s co-owners, after the payment of costs and expenses, according to the

26 _____
27 ² The Plaintiff indicated the Estate would pay the costs of sale but as discussed above presented no evidence of
28 administrative expenses, making it difficult for the Court to assess what funds would be available to pay to unsecured
creditors.

1 interests of all the co-owners.” *Marino v. Xuereb (In re Marino)*, 794 F.2d 1367, 1369 (9th Cir.
2 1986) (citation omitted). Courts must look to state law to determine the parties’ ownership interests,
3 and thus to make a determination quieting title as the Plaintiff requests. *In re Spickelmire*, 433 B.R.
4 792, 800 (Bankr. D. Idaho 2010). California Civil Code section 683(a) governing joint tenancies
5 states:

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7 A joint interest is one owned by two or more persons in equal shares, by a title created
8 by a single will or transfer, when expressly declared in the will or transfer to be a
9 joint tenancy, or by transfer from a sole owner to himself or herself and others, or
10 from tenants in common or joint tenants to themselves or some of them, or to
11 themselves or any of them and others, or from spouses, when holding title as
12 community property or otherwise to themselves or to themselves and others or to one
13 of them and to another or others, when expressly declared in the transfer to be a joint
14 tenancy, or when granted or devised to executors or trustees as joint tenants. A joint
15 tenancy in personal property may be created by a written transfer, instrument, or
16 agreement.

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18 However, the presumption of a creation of a true joint tenancy based on a deed alone may be
19 rebutted. “Although a joint tenancy deed is not conclusive as to the character of real property, it
20 creates a rebuttable presumption that it is held in joint tenancy.” *Machado v. Machado*, 58 Cal.2d
21 501, 506 (1962). Specifically, the presumption may be rebutted where there is evidence of an
22 understood agreement regarding the character of the property. *Id.* (Parties may rebut the
23 presumption “by evidence tending to prove a common understanding or an agreement that the
24 character of the property was to be other than joint tenancy,” though testimony of the “hidden
25 intentions of one of the parties” does not suffice.) A party challenging the presumption that property
26 held in joint tenancy is equally owned has the burden of proof. 20 Am. Jur. 2d Cotenancy and Joint
27 Ownership § 116 (citing *In re Crouch C Stores, Inc.*, 120 B.R. 178 (Bankr. D. Kan. 1990)).

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29 Courts weigh circumstantial evidence to support this rebuttal, including evidence of an
30 agreement contrary to the deed and the parties’ conduct in the course of ownership. The California
31 Supreme Court in *Gudelj v. Gudelj*, 41 Cal. 2d 202, 213 (1953) held that “unless there is an oral or
32 written agreement as to the ownership of property, or such an understanding may be inferred from

1 *the conduct or declarations of the spouses, ‘a true joint tenancy is created by a conveyance to*
2 *husband and wife in that form,’*” regardless of the character of the funds used. (emphasis added.)
3 The same principles apply in these unique mother-daughter circumstances. *See also Socol v. King,*
4 **36 Cal. 2d 342, 346** (1950) (citations omitted) (“When...an understanding may be inferred from the
5 conduct and declarations of the” parties respecting ownership interests, “it is true that the terms of
6 the deed are not controlling.”)

7 **C. 11 U.S.C. § 363(h)**

8 Under Section 363(h), the trustee may sell both the estate’s interest and the interest of any
9 co-owner in property in which the debtor had, at the time of the commencement of the case, an
10 undivided interest as a tenant in common, joint tenant, or tenant by the entirety, only if (1) partition
11 in kind of such property among the estate and such co-owners is impracticable; (2) sale of the
12 estate’s undivided interest in such property would realize significantly less for the estate than sale
13 of such property free of the interests of such co-owners; (3) the benefit to the estate of a sale of such
14 property free of the interests of co-owners outweighs the detriment, if any, to such co-owners; and
15 (4) such property is not used in the production, transmission, or distribution, for sale, of electric
16 energy or of natural or synthetic gas for heat, light, or power. The plaintiff in an action to sell a
17 property pursuant to this Section bears the initial burden of proof to show these elements.
18 *In re Phillips*, **379 B.R. 765, 795** (N.D. Ill. 2007). However, once the plaintiff has demonstrated a
19 benefit to the estate, the burden shifts to the defendant to show their detriment. *Id.* (recognizing
20 shifting burden). If the defendant establishes a detriment, the burden then shifts back to the plaintiff
21 to show the benefit to the estate outweighs the detriment to the defendant.

22 Importantly, under Section 363(j), “[a]fter a sale of property to which subsection (g) or (h)
23 of this section applies, the trustee shall distribute to the debtor’s spouse or the co-owners of such
24 property, as the case may be, and to the estate, the proceeds of such sale, less the costs and expenses,
25 not including any compensation of the trustee, of such sale, *according to the interests of such spouse*
26 *or co-owners*, and of the estate.” (emphasis added.) State law thus impacts this determination,
27 where Section 363(j) “gives the court substantial discretion to order the distribution, subject to the
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1 rights of the parties under applicable nonbankruptcy law, which determine their respective
2 interests.” Henry J. Somer, 3 Collier on Bankruptcy ¶ 363.08[6][a] (LexisNexis 16th Ed. Supp.
3 2023).

4 Finally, the Court’s ultimate decision “to allow [or disallow] a Section 363(h) sale is an
5 equitable judgment that is discretionary and fact driven.” *In re Francis*, 597 B.R. 195, 200 (Bankr.
6 D. Mass. 2019).

7 **D. Fed. R. Bankr. P. 7065**

8 Under Fed. R. Bankr. P. Rule (“Rule”) 7065, Fed. R. Civ. Proc. Rule 65 applies in adversary
9 proceedings. “According to well-established principles of equity, a plaintiff seeking
10 a permanent injunction must satisfy a four-factor test before a court may grant such relief.” *eBay*
11 *Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). The test requires a plaintiff to demonstrate:
12 “(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary
13 damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships
14 between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest
15 would not be disserved by a permanent injunction.” *Id.*

16 **IV. FINDINGS OF FACT, CONCLUSIONS OF LAW, AND APPLICATION OF LAW**
17 **TO FACTS**

18 **A. Jurisdiction**

19 This adversary proceeding arises in and relates to the BK Case before this Court. In the
20 Pretrial Order, the parties agreed that this Court possesses jurisdiction to consider this adversary
21 proceeding pursuant to 28 U.S.C. §§ 157(b) and 1334. ECF No. 26 at 4. Specifically, the adversary
22 proceeding represents a “core” proceeding under 28 U.S.C. § 157(b)(2)(A), (E), (H), and (O). *Id.*
23 Venue in this judicial district is proper pursuant to 28 U.S.C. § 1409 because this adversary
24 proceeding arises in and relates to a bankruptcy case brought under the Bankruptcy Code in the
25 Southern District. *Id.* Finally, the parties acknowledged this Court has authority to enter final orders
26 in this adversary proceeding. *Id.*

B. Burden of Proof

1 The Plaintiff brings four causes of action that all hinge on his success with respect to the
2 third cause of action under Section 363(h). As detailed above, the Plaintiff bears the initial burden
3 of proof on all four elements. The parties do not dispute that the Plaintiff can establish the first and
4 fourth elements of Section 363(h), as evidenced by their absence from the disputed issues in the Pre-
5 Trial Order detailed above, and during the trial the Defendant did not dispute the Plaintiff's claim
6 as to the second element. ECF No. 26 at 7-8. Accordingly, the Plaintiff bore the initial burden to
7 show the Property's sale benefits the estate, after which Maria must have shown she suffers some
8 detriment. Once Maria established her detriment, the Plaintiff must have demonstrated that the
9 benefit to the Estate outweighs that detriment to prevail. The Plaintiff must make this showing by
10 a preponderance of the evidence. *In re Al-Idrisi*, 634 B.R. 174, 183 (Bankr. D. Mass. 2021). As to
11 the fourth cause of action, the Plaintiff also bears the burden of meeting the elements in support of
12 the requested permanent injunction.

C. Evidentiary Record

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14 Prior to the trial, the Plaintiff objected to the Defendant's Exhibit B, which the Defendant
15 presented as a summary of voluminous bank statements pursuant to Fed. R. Evid. Rule 1006 (the
16 "Summary") on the grounds that the Defendant had not authenticated the underlying documents and
17 that the Summary was not accurate. ECF No. 26 at 11. Accordingly, the Defendant provided copies
18 of all the underlying documents to the Court prior to the trial.

19 During the trial, the Defendant moved to enter the bank records into evidence, and the
20 Plaintiff did not object. ECF No 52 at 34:17-25. Counsel for the Defendant laid a foundation with
21 respect to the records by eliciting testimony that the Defendant highlighted certain transactions in
22 the bank records of which she had personal knowledge, including mortgage payments and payments
23 toward her homeowner's association fees. *Id.* at 36-37. Specifically, the Defendant stated "I did
24 highlight my mortgage statements, the payments that I did, and I highlight the homeowners
25 association fees. And I believe some of the ones that I highlighted did as my main expenses, like
26 my San Diego Gas & Electric because I'm making the payments. Those are my main bills." *Id.* at
27 37:20-23. The Court and the Defendant thereafter clarified that some months included additional
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1 highlights for mortgage refinance payments. *Id.* at 39.

2 The Defendant moved the Summary into evidence, and the Plaintiff objected on the basis
3 that the Defendant did not lay a proper foundation for the Summary and as to its accuracy. *Id.* at
4 44:25-45:8. The Court overruled the objection and admitted the Summary into evidence because
5 “the probative value of the document outweighs any prejudice that [the Court] might experience in
6 reviewing the evidence before [it] because [it has] the underlying bank statements.” *Id.* at 46:5-8.

7 During the Plaintiff’s case, the Court admitted Exhibits 1, 2, 3, 4, 5, 6, 7, 9, 16, 17, 18, and
8 19 into evidence with no objections. The Court notes Exhibit 16 constituted a report from
9 Apartments.com demonstrating rental listings for condos in the Defendant’s complex (though not
10 her own). *Id.* at 74:22-77:8. Exhibit 17 showed a Zillow listing that included both a rental value
11 and purchase value (at \$530,000) for a different condo in the Defendant’s complex. *Id.* at 86:1-17.

12 **D. Factual Background**

13 On March 22, 2018, the Debtor and the Defendant purchased the Property, taking title as
14 joint tenants. BK Case, **ECF No. 64 at 8**; Case No. 23-90024 at **ECF No. 54-3 at 8**. During the trial,
15 Maria testified that she did not discuss being a co-owner with Laura and instead had simply listened
16 to a professional at her mortgage company who assisted her with qualifying for her mortgage loan.
17 **ECF No. 52 at 82**:10-23. In part, including Laura on the title and as a co-borrower on the loan
18 increased the owners’ income and thus their ability to qualify for a loan. *Id.* at 82:24-83:2. More
19 impactful, Laura testified that at the time of purchasing the Property, she alone qualified for a first-
20 time homeowner’s assistance loan that made the purchase possible. *Id.* at 116:19-117:7. Maria
21 testified that she intended “to purchase it by myself” and that she did not know what “joint title”
22 means. *Id.* at 83:15-84:12. Along with making these statements, Maria acknowledged she could
23 not complete the purchase without Laura’s help. *Id.* at 83:16-17; 83:20-22 (“since I didn’t qualify,
24 I needed her to help me with a little bit of income,” “she came and -- and qualified for the loan to
25 help -- to help me to purchase the house.”).

26 According to both Maria and Laura, no agreement, written or oral, ever existed regarding
27 Laura paying rent or toward the mortgage at the Property, nor for a division of expenses more
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1 generally. ECF No. 52 at 83:3-84:6; BK Case, ECF No. 64-2 at 12:19-13:7. Maria and Laura also
2 did not testify as to any hidden intention by either of the parties to alter the character of the Property
3 but instead corroborated a common understanding that Laura only participated in obtaining the
4 initial loan to allow Maria to purchase the Property as her own responsibility and to house her family.

5 In May 2019, Laura moved out of the Property and did not return until August 2019, creating
6 a four-month period in which she was out of possession. BK Case, ECF No. 64-2 at 12:2-13. Laura
7 moved out for another period from June 2022 until November 2022. *Id.* at 35.

8 Earlier, in 2018, Laura began experiencing financial difficulties born of a romantic
9 entanglement with an individual who convinced her to make purchases on a credit card and to incur
10 a debt related to a vehicle. ECF No. 52 at 96:19-97:9. According to her deposition, in the fall of
11 2019, she began consulting with bankruptcy firms to seek advice related to these difficulties. BK
12 Case, ECF No. 64 at 8-9. And on March 2, 2020 Ford Motor Credit Company, LLC, (“Ford”) first
13 began to make demands on the Debtor related to her breach of its contract. *Id.* at ECF No. 64-2 at
14 61:8-15.

15 On January 12, 2021, the Debtor executed the Quitclaim Deed transferring her interest in the
16 Property to the Defendant by way of Doc #2021-002339. Case No. 23-90024, ECF No. 54-3 at 28.
17 On March 11, 2022, Ford filed a complaint against the Debtor for breach of contract in the San
18 Diego Superior Court. *Ford Motor Credit Company, LLC, v. Laura Mendez*, San Diego Superior
19 Court Case No. 37-2022-00009731- CU-BC-NC, Dkt. No. 1. Shortly thereafter, the Debtor began
20 her second period out of possession from the Property, moving out in June 2022 and not returning
21 until November 2022 as mentioned above. BK Case, ECF No. 64-2 at 35. In the interim, on August
22 15, 2022, Ford obtained a default judgment against the Debtor in the amount of \$32,969.25. BK
23 Case, Proof of Claim 2-1 at 4-5. On August 18, 2022, the Debtor filed her Petition. BK Case, ECF
24 No. 1.

25 These occurrences led the Plaintiff to file the Frist Adversary Proceeding detailed above
26 where the Plaintiff prevailed on the Motion for Summary Judgment to avoid the transfer by the
27 Quitclaim Deed.

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Signed by Judge J Barrett Marum May 1, 2026

(a) Joint Tenancy and Credits

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The Plaintiff cites *Milian v. De Leon*, 181 Cal.App.3d 1185 (1986) for the proposition that the Defendant cannot recover credits for her contributions to the Property by way of mortgage and HOA payments because she and the Debtor owned the Property as joint tenants. However, that case and the cases that followed *Milian* are readily distinguishable. *Milian* dealt with the unique circumstances of a “palimony” case, where co-owners of the property were not married but were seriously romantically involved and had an agreement with one another regarding both ownership and contributions to the property. *Milian*, 181 Cal.App.3d at 1191 (“Sanchez also frequently stated at trial that the couple’s extensive financial entanglement was *based upon an agreement that the two would be equal partners in owning the home*, sharing all of their property and resources, and preparing for marriage.”). (emphasis added.) In that context, the circumstances invoked community property principles and California’s longstanding interest in equal division in palimony cases, even with respect to contributions toward a co-owned property outside of marriage. The plaintiff in *Milian* testified that “in anticipation of marriage the couple had agreed to pool their resources or some of them to acquire the property in dispute and had *agreed* to own it equally irrespective of their individual contributions to the purchase price and expenditures for improvements to and maintenance and preservation of the property,” entirely contrary to the testimony before this Court where the parties both explicitly testified they did not intend to own the Property as equal partners nor agree to split home ownership expenses. *Id.* (emphasis added.)

In finally determining the circumstances in *Milian* warranted an equal split, the court conducted a review that “demonstrate[d] a relationship that far exceeds the normal arms length relationship entered into by persons who agree to jointly hold property,” where the evidence “illustrate[d] a relationship that is far more intimate, complex and intertwined than casual dating.” *Id.* at 1192. In so doing, the Court found the parties entered “an implied contract” “to treat their property equally and to divide the same equally.” *Id.* Nothing before the Court demonstrates the Defendant and the Debtor impliedly contracted in this manner. To the contrary, the Plaintiff admits “since the Property’s purchase, as it was Defendant’s understanding, by her own admission, that she

1 was to be solely responsible for the mortgage and HOA expenses since that time,” which indicates
2 the parties intended to treat the Property as the Defendant’s responsibility, not to both equally
3 contribute to one undivided whole property interest. **ECF No. 55 at 8**. The Defendant’s and the
4 Debtor’s conduct reflected this intention, and the very nature of their mother-daughter relationship
5 undermines the Plaintiff’s comparison to *Milian*.

6 The Court looks to the parties’ course of conduct and testimony and infers a clear
7 understanding existed to rebut the joint tenancy presumption as contemplated by *Machado*. None
8 of the evidence points to “a hidden intention not disclosed to the other party at the time of the
9 execution of the document” either with respect to the parties’ form of ownership, as prohibited by
10 *Machado*. *Machado*, **58 Cal.2d at 506**. When the Plaintiff asked the Debtor during her deposition
11 “Besides helping out with food and the SDG&E bill, are there any other expenses of things you pay
12 for living there?” the Debtor responded, “No. I don’t pay anything towards the house.” **ECF No.**
13 **64-2 at 13:8-11**. The Debtor went on to explain how she assisted with paying for groceries, for
14 example running errands for her mother, pointing to a parent-child relationship, rather than a
15 complex and intertwined relationship headed toward lifelong marital partnership.

16 Another key distinguishing factor from *Milian* lies in the parties’ possession of the Property,
17 addressed at length below. In *Milian*, one party “alone had actual use of the property from the time
18 of its purchase to the present time,” whereas the Debtor and the Defendant both had actual use of
19 the Property here for the vast majority of the ownership period. *Milian*, **181 Cal.App.3d at 1199**.
20 Overall, this clear course of conduct supports an inferred understanding that the parties did not
21 intend to be joint tenants.

22 The Court further concludes that even if the parties held title to the Property as true joint
23 tenants, which the Court concludes they do not based on the clear intentions of the parties, in *Milian*
24 the court held “insofar as any disparity in the contributions of the parties to the *initial acquisition* of
25 the property is concerned, the determination there was a true joint tenancy supports the court’s
26 determination that there need be no accounting or contribution.” *Id.* at 1195 (emphasis added). In
27 *Milian*, the court surveyed California cases and could not find one “in which a true joint tenancy
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1 was found and yet an accounting and contribution was ordered because of disproportionate
2 contributions by the parties to the *original purchase price*,” but did not extend this conclusion to
3 contributions toward the Property’s value after purchase. *Id.* In sum, the *Milian* court’s limited
4 analysis addressed, “the absence of an agreement for reimbursement,” where the court was “unaware
5 of any authority which authorizes reimbursement on account of unequal contributions to the down
6 payment.” *Id.* In this case, because the Debtor qualified for the first time homebuyers’ loan, neither
7 the Defendant nor the Debtor contributed any funds as a down payment. ECF No. 52 at 71:4-6. The
8 Court concludes it appropriately credits all the after-acquisition contributions by the Defendant.

9 Moreover, the *Milian* court also acknowledged that “the disparate treatment of joint tenants
10 and tenants in common is more theoretical than real because in a suit for partition all parties’
11 interests in the property may be put in issue regardless of the record title.” *Id.* at 1195-1196 citing
12 Code Civ. Proc., § 872.610; *Kershman v. Kershman*, 192 Cal.App.2d 23, 26 (1961); *Demetris v.*
13 *Demetris*, 125 Cal.App.2d 440, 444–445 (1954); *Cosler v. Norwood*, 97 Cal.App.2d 665, 666
14 (1950). Importantly, “the court may consider the fact the parties have contributed different amounts
15 to the purchase price in determining whether a true joint tenancy was intended.” *Milian*, 181
16 Cal.App.3d at 1196.

17 The Court further concludes the Defendant presented sufficient evidence to rebut the
18 presumption under the record title that the parties held title to the Property as true joint tenants.
19 Specifically, the Defendant presented significant evidence illustrating unequal contributions to the
20 payments toward the mortgage and Homeowners’ Association for the Property by way of the bank
21 statements now before the Court, conduct that shows the parties had an understanding as to their
22 ownership interests contrary to a joint tenancy. The bank statements make abundantly obvious that
23 the Defendant contributed all if not nearly all the funds toward the expenses of maintaining the
24 Property. Since the parties did not enter a true joint tenancy, the Court concludes they held title to
25 the Property as tenants in common and, because the deed did not indicate their percentage ownership
26 interests in the Property, further concludes the Defendant and the Estate each possess a 50% interest
27 in the Property. Case No. 23-90034-JBM, ECF No. 54-3 at 8; *Caito v. United California Bank*, 20
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1 Cal. 3d 694, 705 (1978) (citations omitted) (“When two or more persons take as tenants in common
2 under an instrument silent as to their respective shares[, a] presumption arises their shares are
3 equal.”)

4 Thus the Court must account for the Defendant’s contributions by treating the parties as co-
5 tenants rather than joint tenants because, as detailed above “a joint tenancy deed is not conclusive
6 as to the character of real property.” *Machado*, 58 Cal.2d at 506. The parties’ testimony during the
7 trial paired with their consistent and obvious conduct over the eight-year ownership period shows
8 their mutual understanding that they were not true joint tenants.

9 California courts have applied this principle and treated co-owners as tenants in common
10 despite taking deed to the Property as joint tenants when one cotenant sought “to obtain contribution
11 respecting improvements made, or *amounts expended in protection or preservation of the property.*”
12 *Hunter v. Schultz*, 240 Cal. App. 2d 24, 31 (1966). Accordingly, the Court determines that the
13 parties did not take title to the Property as true joint tenants and instead treats the ownership interests
14 as those of tenants in common, and in California, “[w]hen a cotenant makes advances from his own
15 pocket to preserve the common estate, his investment in the property increases by the entire amount
16 advanced. Upon sale of the estate he is entitled to be reimbursed *his entire advancement before the*
17 *balance is equally divided.*” *Southern Adjustment Bureau, Inc. v. Nelson*, 230 Cal.App.2d 539, 541
18 (1964) (emphasis added).

19 Because the Court finds *Milian* inapplicable, the Court is not persuaded that the Defendant
20 is not entitled to reimbursement for her disproportionate contributions. The Court further concludes
21 that even if the parties held the Property in a joint tenancy, the Defendant would still possess a right
22 to reimbursement for her contributions toward the Property’s value after acquisition.

23 Consequently, the Court concludes the Defendant is entitled to dollar-for-dollar credits from
24 the sale proceeds for her principal and interest contributions toward the Property. The Ninth Circuit
25 in *Kenney v. United States*, 458 F.3d 1025 (9th Cir. 2006) provides an applicable approach for
26 determining how to allocate credits to the Defendant. In *Kenney*, a couple took title to a property
27 as joint tenants, and the court analyzed the parties’ contributions to the property for purposes of

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1 determining the amount of sale proceeds to which the government was entitled pursuant to liens
2 extending to only one of the parties. The non-debtor spouse had made all the payments toward the
3 property, so the Ninth Circuit affirmed the District Court’s method for calculating the non-debtor
4 spouse’s share of the proceeds. *Id.* at 1031. The court found the non-debtor spouse “should be
5 credited from the total net proceeds for the \$166,826 in *principal and interest payments* that he
6 made” under California law. *Id.* at 1031 (emphasis added). The *Kenney* court cited the California
7 Court of Appeal for the proposition that a co-owner must “first be reimbursed from the net proceeds
8 for the installment sums she had paid, with the remaining proceeds then divided equally between
9 the [co-owners]” in making such a determination. *Id.* citing *Vides v. Vides*, 215 Cal.App.2d 601
10 (1963).

11 Accordingly, the Court must first credit the Defendant for all her principal and interest
12 payments on the mortgage, as well as HOA fees, before dividing the potential proceeds of the
13 proposed sale for purposes of determining the benefit to the Estate. The Court further concludes
14 that any outcome other than crediting the Defendant would be fundamentally unfair and, as detailed
15 above, this judgment is an equitable and discretionary one. *In re Francis*, 597 B.R. at 200. The
16 Court has reviewed the bank statements the Defendant submitted and concludes the total amount to
17 be credited, or the expenditures in excess of her fractional share of the Property’s ownership, is
18 \$96,120.81. The Court acknowledges that as the Defendant has continued to pay the mortgage and
19 HOA fees since the trial these expenditures have continued to increase. That amount must be
20 accounted for pursuant to any attempt to obtain a further order approving the sale. During the trial,
21 Counsel for the Defendant stated that certain highlights in the Defendant’s records for San Diego
22 Gas & Electric bills should be “disregarded,” so the Court notes here that it examined and excluded
23 those portions from the above calculated credits. ECF No. 52 at 40:25. Accordingly, the Court
24 calculated the Estate’s potential share as follows:

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Signed by Judge J Barrett Marum May 1, 2026

1	Property value as admitted in the Debtor's Schedules. BK Case, ECF No. 1 at 10.	\$470,500
2	Defendant's expenditures in excess of her share (her credits).	- \$96,120.81
3	Approximate amount to be paid to mortgage. ECF No. 43 at 6.	- \$270,000
4	Remainder to be split between Defendant and Estate.	\$104,379.19
5	Divided by two.	\$52,189.60
6	Costs of sale (subtracted from Estate's share).	-\$23,535
7	Estate's share (to be distributed to creditors and paid toward administrative expenses).	\$28,664.60
8		

9

10 The Court notes that it did not split the costs of the sale itself between the Defendant and the

11 Estate as contemplated in Section 363(j). **11 U.S.C. § 363(j)** (“the trustee shall distribute to the

12 debtor’s spouse or the co-owners of such property, as the case may be, and to the estate, the proceeds

13 of such sale, *less the costs and expenses, not including any compensation of the trustee, of such sale,*

14 *according to the interests of such spouse or co-owners, and of the estate.*”) (emphasis added).

15 Instead, the Court concludes exceptional circumstances exist to justify the Plaintiff’s paying all the

16 costs of sale (as he proposed in his Post-Trial Brief) where the Defendant maintained absolute

17 responsibility for the expenses of maintaining the Property while the Debtor resided at the Property

18 rent-free for nearly the entire ownership period. **ECF No. 55 at 9; *In re Marino*, 794 F.2d 1367,**

19 **1369** (9th Cir. 1986) (“We interpret this subsection to provide that, at least absent exceptional

20 circumstances, the costs of sales transacted pursuant to subsections (g) or (h) are to be allocated pro

21 rata among the co-owners of the property sold.”).

22 **(b) Rental Value Offsets**

23 The Plaintiff also claims that, should the Defendant be entitled to credits, “Plaintiff is entitled

24 to the reasonable rental value of the Property during Defendant’s occupancy and use, since Plaintiff

25 has never had occupancy or possession of the Property, while Defendant has occupied and had use

26 of it since its purchase.” **ECF No. 55 at 8.** The Plaintiff so submits based on principles of equity

27 and in reliance on the case *Hunter v. Schultz*. There, the California appellate court found it “proper

1 for the court to offset the reasonable value of the use of plaintiff's interest in the property against
2 the payments for interest, taxes and insurance made by defendants in preservation of the property,"
3 but in that case the plaintiff only occupied the premises for approximately one year, and the
4 defendants maintained possession for nearly eleven years thereafter. *Hunter v. Schultz*, 240
5 Cal.App.2d 24, 32 (1966).

6 Here, the Debtor began occupying the Property in 2018 and still lives there, having only
7 maintained two brief periods out of possession during that entire time. BK Case, ECF No. 64-2 at
8 11-12. The Trustee seems to suggest that the Estate's inability to occupy the Property triggers rental
9 value offsets, including the pre-petition period following the Property purchase. ("Such rental values
10 should be calculated for the entirety of Defendant's tenancy since the Property's purchase, as it was
11 Defendant's understanding, by her own admission, that she was to be solely responsible for the
12 mortgage and HOA expenses since that time." ECF No. 55 at 8.) Such a proposition is not
13 reasonable. The Debtor did not file the Petition until August 18, 2022. BK Case, ECF No. 1.
14 Accordingly, the Estate did not even exist, and thus could not have "had occupancy or possession
15 of the Property," until at least its inception in 2022, if the Estate's possession or occupancy of the
16 Property could even be possible. The Court doubts this possibility taking shape in any form other
17 than the Debtor's occupancy herself. The Estate would then step into her shoes for purposes of this
18 analysis. The Debtor has continuously lived in the Property since shortly after she filed her
19 bankruptcy petition in November 2022.

20 Moreover, the Trustee did not present any relevant evidence during the trial regarding the
21 reasonable rental value during the two periods when the Debtor left the Property. Instead, he claims
22 "the rental value of the Property is approximately (and historically has been) close to the same
23 monthly amount Defendant pays for her mortgage and HOA fees (Tr. 74:9-12; 76:9-12; 78:12-22),
24 as set forth more thoroughly in Section 'D,' below." ECF No. 55 at 8. The Court having reviewed
25 the sections of the Trial Transcript to which the Trustee refers does not find this persuasive. Isolated
26 statements regarding the Defendant's current mortgage payments compared with 2026 rental values
27 for different, nearby properties cannot adequately serve as evidence for the 2019 and 2022
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1 reasonable rental values for the Property. As the Plaintiff has not submitted credible evidence
2 supporting the reasonable rental value for which he seeks offsets, the Court concludes the Plaintiff
3 is not entitled to any offsets for rental value.

4 **(c) The Property's Value**

5 During the trial, the parties did not present persuasive evidence as to the Property's value.
6 Neither party presented an appraisal for the Property. Instead, the Plaintiff entered into evidence a
7 price estimate from Zillow for a nearby property, rather than the Property, referenced above. Trial
8 Exhibit No. 17. Although such online sources can aid the Court in determining a ballpark valuation
9 for properties, they cannot reliably establish a property's value for legal purposes.

10 The Plaintiff also argued in his Post-Trial Brief that the Defendant could testify to the value
11 of her own property. That principle is correct, but the Defendant did not do that. Instead, as the
12 Plaintiff concedes, she "stated at trial that she was aware that *other* condos in her complex were
13 recently *listed* for as much as \$530,000.00." ECF No. 55 at 9 citing ECF No. 52 at 70:17-20
14 (emphasis added). The Defendant's testimony as to the potential value of other properties (because
15 that is all a listing price is) cannot establish the value of the Property, especially given the unique
16 character of every piece of real estate. This is the case even if all of the condos in the complex have
17 the same floor plan because they might vary widely in terms of condition, quality of upgrades,
18 location within the complex, etc.

19 The Court concludes the best evidence before it, albeit outdated, is the Debtor's own
20 admission as to the Property value in her August 2022 Petition. BK Case, ECF No. 1 at 10. There,
21 the Debtor valued the Property at \$470,500. *Id.* The Court is familiar with the San Diego real estate
22 market and it is common knowledge that prices throughout San Diego County have increased in the
23 nearly four years following the Debtor's bankruptcy filing. Absent any better evidence, the Court
24 thus employs this value for purposes of calculating the benefit to the Estate, though the Court expects
25 the August 2022 value to be lower than the true value of the Property.

(d) A Meaningful Distribution to Unsecured Creditors

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2 The other challenge before the Court is determining whether a surplus exists to pay general
3 unsecured creditors from the proceeds of a sale, as evidence of administrative expenses in this case
4 is absent. Neither the Defendant's nor the Plaintiff's financial analyses include the currently
5 outstanding administrative expenses. ECF No. 43 at 6; ECF No. 55 at 9. In light of Ninth Circuit
6 caselaw regarding the benefit to the estate, the Court addresses whether payment toward
7 administrative expenses constitutes a benefit to the estate in the first instance. The Court will further
8 address how much must be distributed to unsecured creditors to support a sufficient benefit to the
9 estate if payment of administrative expenses alone does not suffice.

10 Courts do not uniformly characterize payment toward administrative expenses as a benefit
11 to the estate. For example, a Bankruptcy Court in Tennessee held "the payment of administrative
12 expenses and secured and priority liens, which would result from the proposed sale, constitutes
13 benefit to the estate." *In re Bell*, 80 B.R. 104, 106 (M.D. Tenn. 1987). Twelve years later, a New
14 York Bankruptcy Court held that "[i]t is a benefit to the estate to pay secured creditors,
15 administrative and priority unsecured claims from the proceeds of a sale of property pursuant to §
16 363(h) of the Code." *In re Roswick*, 231 B.R. 843, 860 (Bankr. S.D.N.Y. 1999).

17 However, a more recent Massachusetts Bankruptcy Court did *not* consider administrative
18 expenses "to be a benefit to the estate in this case" because "a substantial amount of the
19 administrative expense claims in this case are likely to relate to the Trustee's effort
20 to sell the Property." *In re Al-Idrisi*, 634 B.R. 174, 184 (Bankr. D. Mass. 2021). The Eighth Circuit
21 concluded a lower bankruptcy court did not abuse its discretion in denying a trustee's sale motion
22 under Section 363 when "the administrative and commission costs of a sale would have reduced the
23 benefit to the bankruptcy estate's unsecured creditors" and "the trustee thus failed to show that the
24 bankruptcy estate would reap substantial benefits from the sale of the home." *In re Volk*, 686 F.3d
25 938, 940 (8th Cir. 2012).

26 In the Ninth Circuit, determining whether a benefit to the estate exists hinges on the amount
27 to be distributed to unsecured creditors; specifically, the distribution must be "meaningful." *In re*

1 *KVN Corp.*, 514 B.R. 1 (9th Cir. BAP 2014). After surveying the U.S. DOJ Exec. Office for U.S.
2 Trs., Handbook for Chapter 7 Trustees at 4–16 (2012), the court in *KVN Corp.* ruled that when a
3 “sale would yield no benefit to unsecured creditors,” “the trustee’s proper function is to abandon the
4 property, not administer it.” *Id.* at 6. Although the *KVN* court did not deal with a Section 363(h)
5 sale of co-owned property, the principles it set forth for assessing the benefit to the estate apply. In
6 the context of analyzing the presumption of a trustee’s impropriety in the context of asset sales
7 versus abandonment, the court asked, “Is there a benefit to the estate; i.e., prospects for a meaningful
8 distribution to unsecured creditors?” *Id.* at 8.

9 Another court further defined this term in *In re Scoggins*, 517 B.R. 206, 208 (Bankr. E.D.
10 Cal. 2014), holding “a distribution to unsecured priority and general claims that is *less than the*
11 *trustee’s fee* is not ‘meaningful’ and is disproportionate and presents an ‘extraordinary’
12 circumstance” such that the administrative expense should be reduced. (emphasis added.)

13 The court in *In re Haley*, 100 B.R. 13 (Bankr. N.D. Cal. 1989) applied these principles to
14 a 363(h) sale motion for co-owned property. The court held that the trustee failed to establish a
15 benefit to the estate when “the net proceeds from the proposed sale will be insufficient to satisfy the
16 Bank’s claim in full, *let alone to pay any of the administrative or general, unsecured claims of the*
17 *estate.*” *In re Haley*, 100 B.R. at 16 (emphasis added). In *Haley*, the trustee agreed to waive any
18 right to a fee resulting from the sale, which indicates the determining factor for finding a benefit to
19 the estate lies in the distribution to unsecured creditors.

20 Taken together, these cases demonstrate that the Plaintiff has satisfied this element of
21 Section 363(h) because payment of administrative expenses amounts to at least some benefit to the
22 Estate. The Court, though, determines that the benefit to the Estate only outweighs the detriment to
23 the Defendant (and thus only conditionally authorizes the sale) if the Plaintiff will make a
24 meaningful distribution to unsecured creditors. The ultimate purchase price for the Property must
25 generate funds sufficient to make at least a twenty-five percent distribution to general unsecured
26 creditors, that is, at least \$18,389.78 must be distributed based on the current claim pool (this number
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1 may change if the Trustee pursues and prevails on any claim objections).³

2 **b. The Detriment to the Defendant**

3 The Defendant satisfied her burden to show she will suffer detriment if the sale goes forward,
4 but the Court concludes such detriment does not outweigh the benefit to the Estate. The Court does
5 not discount the difference in value, particularly in a real estate market like San Diego, in owning
6 compared with renting real property. Since the Defendant purchased the Property in 2018, the San
7 Diego real estate market has shifted significantly. The Court further details its specific conclusions
8 as to the Defendant's detriment below.

9 **(1) The Defendant's Ability to Purchase Another Property**

10 First, the Plaintiff claims the Defendant will not suffer detriment in part because she "could
11 obtain comparable property." **ECF No. 55 at 11**. However, disputes as to real property frequently
12 call for specific performance in light of the unique character of each parcel of real estate. *See e.g.*,
13 *In re Aslan*, **65 B.R. 826, 831** (Bankr. C.D. Cal. 1986); *Nationstar Mortg. LLC v. Saticoy Bay LLC*,
14 *Series 9229 Millikan Ave.*, **996 F.3d 950, 959** (9th Cir. 2021). The possibility of purchasing a
15 comparable property cannot entirely cure this harm because of this longstanding principle.
16 Moreover, the Court doubts the Defendant realistically could do so.

17 To the Plaintiff's credit, the detriment to the defendant in a Section 363 action can be offset
18 where the sale also reduces that defendant's debt:

19 to the extent that the Defendant's arguments do demonstrate a detriment, it would
20 still be outweighed by the benefit to the estate. A sale of the Property would result in
21 a satisfaction of the indebtedness under the Refinanced First Mortgage, for which the
22 Defendant is also liable. *See* LBR 7056-1 Stat. ¶ 34, **ECF No. 51-20**. This benefit
would therefore accrue to both parties, and would ameliorate any detriment to the
Defendant.

23 *In re Schulter*, **585 B.R. 670, 681** (Bankr. E.D.N.Y. 2018). Accordingly, whether the benefit to the
24 estate outweighs the detriment to the defendant must account for the elimination of a defendant's

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26
27 ³ If the sale goes forward and insufficient funds remain to distribute this amount to creditors due to administrative
28 expenses, the Court will reduce such administrative expenses in accord with **11 U.S.C. § 330(a)(2)**.

1 indebtedness, too. Here, all parties agree the Defendant's current mortgage would be paid off with
2 the sale proceeds.

3 However, this factor does not necessarily weigh in the Plaintiff's favor given the dramatic
4 changes in mortgage lending rates since the Defendant refinanced her loan in 2021. The
5 Defendant's current loan accrues interest at a fixed rate of 2.8%. **ECF No. 52 at 178**:1. As of the
6 date of this ruling, fixed rate mortgages sit around 6-7%.⁴ The Defendant's current mortgage loan
7 totals \$270,000 and it is likely that to purchase a comparable property she would take on a larger
8 loan at a much less favorable interest rate. **ECF No. 43 at 6**. Moreover, even with the sale proceeds
9 from the Property, she will not be able to qualify for a loan to purchase a property of comparable
10 value.⁵ Indeed, the Defendant herself testified "I won't be able to replace my home or purchase
11 another one with -- with that amount of money" in reference to sale proceeds. **ECF No. 52 at 30**:22-
12 23. The Plaintiff does not address these realities, and indeed elicited testimony to the same effect.
13 *Id.* at 71:7-12 ("Q. And if the property were sold and you got 100,000 dollars, you would have
14 100,000 dollars to purchase something else. Is that a fair statement? A. Yes, but that would not be
15 enough because of the prices of the homes right now. And I won't be able to qualify for a first-
16 home-time (sic) buyer."). As detailed above, the Defendant seems likely to receive nearly \$150,000
17 from the sale of the Property if it sells at the value the Debtor ascribed to it in August of 2022. This
18 may still present her with limited purchase options in San Diego County, however, given her
19 testimony regarding her monthly income. Thus, the Court concludes the Defendant has
20 demonstrated she will suffer a significant detriment, though that detriment is certainly ameliorated
21 by the very large sum she will receive if the Property sells.

22 Finally, the Plaintiff attempted to show the detriment to the Defendant is weak in his Post-
23 Trial Brief, arguing "should she not continue to work, or have her boyfriend's income, she admits

24 _____
25 ⁴ [Current Mortgage Rates: Compare Today's APRs – Forbes Advisor](https://www.forbes.com/advisor/mortgages/mortgage-rates/), Forbes (April 3, 2026, at 1:28 PT)
<https://www.forbes.com/advisor/mortgages/mortgage-rates/>.

26 ⁵ The Defendant testified she is paid \$24 per hour, or \$3,840 in gross income. ECF No. 52 at 16:5. She also receives
27 \$557 per month in back child support. *Id.* at 17:6. The Debtor also contributes \$300 per month. *Id.* at 18:6. Finally,
28 the Defendant's boyfriend contributes each week between \$200 and \$300. *Id.* at 79:21-25. Even with a substantial
down payment, the Defendant will not be able to qualify for a loan to purchase a property that is of a comparable
value to the one being sold.

1 she would not be able to afford *this* Property.” ECF No. 55 at 12. The Defendant countered that
2 “in 15 to 20 years, when she is unable to continue working, she would likely be able to obtain a
3 reverse mortgage and remain in her home.” ECF No. 43 at 6. Both of these creative arguments
4 would warrant consideration if the parties had presented evidence during the trial regarding the
5 Defendant’s potential retirement or the reverse mortgage, but they did not so the Court gives no
6 weight to them.

7 The Court does not take the detriment inherent in losing one’s home lightly. However, courts
8 have interpreted this Section to require severe detriment to a co-owner to justify denial of a sale
9 pursuant to Section 363(h). *See e.g., In re Labbee*, 550 B.R. 854 (Bankr. D. Idaho 2016) (detriment
10 to co-owner girlfriend who had been sole occupant of property for multiple years and was legally
11 blind (along with suffering other health issues, not working, and possessing no savings or income)
12 did not outweigh benefit to estate in part because she testified her children would house her if
13 necessary); *In re Schuler*, 585 B.R. 670 (the benefit to the estate outweighed the detriment to the
14 husband co-owner when he could use his share of sales proceeds, along with his earnings, to obtain
15 alternate housing). Here, based on the Defendant’s income and the substantial sum she will receive
16 when the Property sells, it is clear she will be able to obtain alternate housing in San Diego. The
17 fact that she will not be able to purchase a comparable property or that she may not be able to
18 purchase any property in San Diego does not mean that she will suffer the kind of severe detriment
19 that is required to outweigh the benefit to the Estate.

20 **The Court thus conditionally authorizes the sale of the Property subject to the**
21 **Trustee’s obtaining a further order of the Court explicitly authorizing the sale once the**
22 **Trustee has received an offer to purchase the Property that satisfies the conditions detailed**
23 **here. As discussed above, the Court’s decision as to whether to authorize the sale is an**
24 **equitable one and so the Court has the discretion to impose the conditions that it does here.**
25 **Thus, the Court finds it appropriate to require that the Trustee must obtain an offer for a**
26 **purchase price that will ensure the twenty-five percent distribution after subtracting**
27 **administrative expenses as required above.**

2. Quiet Title

1
2 In the Complaint's Second Claim for Relief, the Plaintiff alleged that because the "Plaintiff
3 successfully moved this Court for an order avoiding such quitclaim to Defendant and returning
4 Debtor's interest in the Property to the Estate," "[l]egal title to the Property is properly vested in the
5 joint names of Debtor and Defendant as joint tenants." **ECF No. 1 at 9**. The Plaintiff thereafter
6 prayed "[f]or a declaration and determination that the quitclaim deed transferring the Property to
7 Defendant recorded on January 12, 2021 (Exhibit B), is avoided, and that rightful legal title to the
8 Property is properly vested in the names of Debtor Laura Mendez and Defendant Maria Mendez, as
9 joint tenants." *Id.* at 12. In the Plaintiff's Trial Brief, he only referred to this cause of action once:
10 "The Estate is entitled to quiet title of the property and is authorized to sell it pursuant to **11 U.S.C.**
11 **§ 363(h).**" **ECF No. 32 at 6**.

12 This cause of action is therefore inextricably intertwined with the Court's ruling on the
13 Section 363(h) cause of action. To authorize a sale pursuant to Section 363(h), the Court must
14 determine the parties' respective ownership interests in the Property. This cause of action appears
15 to serve the lone purpose of making that determination. As detailed above, the Court holds that the
16 Estate and the Defendant each owns 50% of the Property, and that the Defendant is entitled to credits
17 for her contributions toward expenses beyond her fractional share as requested. The Defendant's
18 receipt of credits does not alter her percentage ownership interest in the Property.

19 3. **11 U.S.C. § 542(a)**

20 The Plaintiff prevailed on his cause of action under Section 363(h), so turnover of the
21 Property under Section 542(a) is appropriate subject to the same conditions for the sale of the
22 Property. The Court thus finds conditionally in the Plaintiff's favor on this cause of action.

23 4. **Fed. R. Bankr. P. 7065**

24 The Plaintiff succeeded on the merits in this case. To obtain a permanent injunction, he must
25 show that the Estate has suffered or will suffer an irreparable injury; that remedies available at law,
26 such as monetary damages, are inadequate to compensate for that injury; that, considering the
27 balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and that
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1 the permanent injunction would not serve the public interest. The Court concludes the Plaintiff did
2 not submit adequate evidence to establish that the Estate will suffer irreparable injury if the Debtor
3 and the Defendant remain in possession of the Property pending its *conditional* sale. However, the
4 Court concludes it is appropriate under the circumstances to enjoin the Defendant and the Debtor
5 from disrupting the marketing of the Property.

6 The evidence set forth at trial does not support an injunction to prevent the destruction or
7 dissipation of the Property while under the control and possession of the Defendant and the Debtor.
8 During the trial, the Plaintiff elicited some testimony from the Defendant regarding water damage
9 at the Property. **ECF No. 52 at 72**:14-73:18. The water damage has not yet been repaired. However,
10 the Defendant also testified to making efforts toward repairing the damage and the damage has
11 existed for quite some time. It is not clear to the Court how an injunction “preventing destruction
12 or dissipation” would be implicated by this evidence. In the Plaintiff’s Trial Brief, the water damage
13 was also the only damage the Plaintiff presented to justify an injunction “removing Defendant and
14 Debtor and tenants from the Property’s possession and control.” **ECF No. 32 at 15**.

15 Moreover, the Court concludes the balance of hardships weighs in favor of the Defendant
16 with respect to this portion of the Plaintiff’s request for injunctive relief. The court in *In re*
17 *Houghton*, **123 B.R. 869, 874** (Bankr. C.D. Cal. 1991) acknowledged the depth of that hardship,
18 concluding “The balance of hardships tips in favor of the Debtors” when they would “be evicted
19 from their home in a matter of days if I rule against them. I accept the proposition that being
20 uprooted from one’s home by a forced eviction process cannot be adequately repaired by the
21 payment of money.” Although in *Houghton* the debtors sought the injunction to prevent a
22 foreclosure sale going forward, the circumstances are somewhat similar. The debtors sought the
23 restraining order while they moved for relief from prior orders granting stay relief to sell the house,
24 creating somewhat analogous conditions to those at hand where the sale of the Property may or may
25 not happen. The Court agrees with the sound reasoning of the *Houghton* court that a forced eviction
26 process tips the balance of the hardships in favor of those in possession, despite the distinction in
27 the procedural posture here. The Plaintiff similarly seeks an immediate injunction to remove the
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1 Defendant and Debtor from the Property. Such a sudden upheaval weighs against granting the
2 injunction when it is not certain the Property will be sold.

3 Finally, the Court concludes an injunction immediately removing them from possession
4 would not serve the public interest as courts recognize “Congress’s commitment [to] the importance
5 of offering a debtor every opportunity to save a residence through the bankruptcy process.” *In re*
6 *Virella*, 661 B.R. 199, 213 (Bankr. D.N.J. 2024). Although the court in *Virella* addressed this public
7 interest in the Chapter 13 context, the Court considers the unique circumstances of this case where
8 the Chapter 7 Debtor appeared to not understand her ownership interest in the Property with her
9 mother co-owner. Under these exceptional circumstances, the Court concludes the overarching
10 principle underlying the public interest in allowing individuals to save their residence is best
11 supported by forestalling the Debtor and Defendant’s removal from the Property until the conditions
12 for sale are met.

13 Given the Plaintiff has not suffered any irreparable injury nor presented evidence to suggest
14 he will prior to the conditional sale, the balance of hardships favors the Defendant, and the injunction
15 would not serve the public interest, the Court will not grant this request.

16 Respecting the Plaintiff’s remaining request for injunctive relief, the Court also concludes
17 the balance of hardships does not support ordering the Debtor and the Defendant “to immediately
18 vacate the Property to allow for the marketing and turnover of the Property for sale.” ECF No. 32
19 at 15. However, an injunction to prevent any disruption or interference with the marketing and sale
20 of the Property is appropriate. The Court concludes irreparable harm could arise without a clear
21 remedy should the Defendant and the Debtor refuse to allow access to the Property for showings or
22 open houses, or to allow the Plaintiff to prepare the Property to be marketed. Moreover, the level
23 of disturbance that would befall the Defendant and the Debtor by ensuring such conduct can go
24 forward does not lend to a finding of hardship. Finally, the public interest in ensuring the expedient
25 progress of the proceedings and bankruptcy process weighs in favor of granting this injunction.
26 Accordingly, the Court hereby enjoins the Defendant and the Debtor from disrupting or interfering
27 with the Plaintiff’s efforts to prepare, market, and obtain offers for the Property. The parties shall
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Signed by Judge J Barrett Marum May 1, 2026

1 cooperate in supporting the conditional sale to go forward and allowing the Defendant and the
2 Debtor to remain at the Property until such sale is consummated.

3 Should the sale proceed, it will go forward in the normal course, with the owners vacating
4 after the sale. If they do not do so, the Court anticipates it will issue an order authorizing their
5 removal from possession in connection with the Court's order approving the sale itself, which the
6 Court will issue if the Trustee's proposed sale meets the conditions outlined above.

7 **V. CONCLUSION**

8 The events leading to the underlying bankruptcy case and resulting in this adversary
9 proceeding are unfortunate. The Court does not underestimate this. However, the bankruptcy
10 system affords significant benefits to debtors in need while carrying with it certain obligations.
11 Should the Plaintiff obtain an offer that will generate a twenty-five percent distribution to unsecured
12 creditors, the Court will approve the sale.

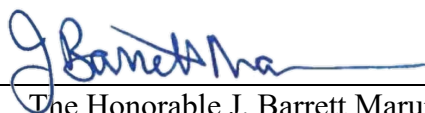
13 Accordingly, the Court orders the Defendant and the Debtor to cooperate with the Trustee
14 in marketing the Property and preparing it for sale. The Trustee must obtain a further order of the
15 Court explicitly authorizing the sale once the Trustee has received an offer to purchase the Property
16 that meets the Court's conditions. However, should the Trustee be unable to meet the conditions
17 because of administrative expenses, the Trustee may seek an order to authorize the sale that relies
18 on the Court's lowering administrative expenses.

19 The Trustee shall upload a proposed judgment consistent with this decision.

20 **IT IS SO ORDERED.**

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Dated: May 1, 2026


The Honorable J. Barrett Marum
United States Bankruptcy Judge

Signed by Judge J Barrett Marum May 1, 2026