STATE OF MINNESOTA
IN COURT OF APPEALS
A24-1326

First and Third Properties, LLC, et al.,
Respondents,

vs.

Platinum Six, LLC, et al.,
Appellants,

Tricia Beckering, et al.,
Defendants.

Filed April 21, 2025
Affirmed
Larkin, Judge

Hennepin County District Court
File No. 27-CV-21-6958

Jack E. Pierce, Bernick Lifson, P.A., Minneapolis, Minnesota (for respondents)

Kathleen M. Brennan, Stephen A. Ling, Maureen A. Foster, Johanna R. Hyman, Spencer Fane LLP, Minneapolis, Minnesota (for appellants)

Considered and decided by Johnson, Presiding Judge; Larkin, Judge; and Schmidt, Judge.

NONPRECEDENTIAL OPINION

LARKIN, Judge

Appellant lender challenges the district court's award of relief to respondent borrower, which was based on appellant's violation of a statutory requirement when making residential mortgage loans to borrower. Appellant lender also challenges the

district court's determination that it breached the covenant of good faith and fair dealing implicit in its contract with respondent guarantors. We affirm.

FACTS

This appeal stems from transactions between appellant Platinum Six, LLC, ("Platinum") and respondent First and Third Properties, LLC, ("F&T").[1] Tricia Beckering is Platinum's sole member,[2] and appellant Darin Beckering is Tricia Beckering's spouse. Respondent Daniel Coleman manages F&T, and respondent Hanna Coleman is Daniel Coleman's spouse.

In 2018 and 2019, Platinum made multiple loans to F&T, which were secured by mortgages against five F&T-owned properties. F&T signed loan agreements, promissory notes, and mortgages related to the loans, and Daniel and Hanna Coleman each signed a personal guaranty for F&T's obligations. At issue are two loans made in 2019. Each of the 2019 mortgages provided that F&T could "not sell, assign, lease, convey, mortgage or otherwise encumber or dispose of either the legal or equitable title or both to all or any portion" of the five F&T properties or interests in the properties without Platinum's prior written consent.

Before making the loans to F&T, Platinum did not request, review, or verify F&T's tax returns, bank records, payroll receipts, income, net worth, or current financial obligations. F&T's equity in the mortgaged properties was the sole financial resource that

[1] Our summary of the relevant facts is based on the district court's extensive posttrial findings of fact and conclusions of law.

[2] Tricia Beckering is not a party to this appeal.

Platinum considered in making the loans to F&T. Platinum understood that F&T intended to improve the individual properties for potential sale and that F&T would require access to the equity in the individual mortgaged properties through resale of the properties to pay the amounts due under the loan agreements on May 31, 2020.[3]

When Platinum made the residential mortgage loans to F&T, and throughout the term of the loans and thereafter, Platinum was not licensed in Minnesota as a residential loan originator. Additionally, Platinum did not hold a license from the Commissioner of Commerce as a residential mortgage servicer.

In March 2020, F&T attempted to refinance its debt to Platinum. Platinum provided final payoff amounts two days before the scheduled closing that were significantly higher than amounts it had previously provided. The conflicting payoff information was a material factor that prevented F&T from refinancing. After the dispute over payoff calculations, Platinum informed F&T that Platinum would consider and provide payoff information for further refinancing efforts only if the proposed transaction would fully pay Platinum all of the amounts due under the loan agreements. Because F&T would need to sell more than one property to fully satisfy the amounts due under the loans, Platinum

[3] In one finding of fact, the district court stated that the amounts were due on May 31, 2019, but in other findings of fact, the district court stated that they were due on May 31, 2020. It appears that reference to a due date of May 31, 2019 is a clerical mistake, which may be corrected at any time. *See* Minn. R. Civ. P. 60.01 ("Clerical mistakes in judgments, orders, or other parts of the record and errors therein arising from oversight or omission may be corrected by the court at any time upon its own initiative or on the motion of any party and after such notice, if any, as the court orders.").

effectively prevented F&T from accessing the equity in any one property to pay down the loans.

On May 31, 2020, F&T defaulted on the loans. Under the loan terms, the interest rate increased to 20% per year on the unpaid principal, and Platinum imposed monthly late fees.

Litigation ensued. The parties' claims and counterclaims were tried to the district court over five days. In resolving those claims, the district court found that F&T defaulted on the loan agreements. However, the district court also found that Platinum violated a statutory provision that requires a residential mortgage originator to verify a borrower's reasonable ability to pay before making a residential mortgage loan and that Platinum's violation injured F&T. Nonetheless, the district court determined that F&T should remain liable for the outstanding principal and granted Platinum a decree of foreclosure based on F&T's default. But the district court eliminated the increased interest rate and penalties stemming from F&T's default, awarded F&T its reasonable attorney fees, and denied Platinum's contractual attorney fees based on Platinum's statutory violation and the resulting injury to F&T.

The district court also granted relief to the Colemans based on its determination that Platinum breached the covenant of good faith and fair dealing implied in the guaranty between Platinum and the Colemans. The district court ruled that the Colemans' liability on the guaranty would be co-extensive with F&T's reduced liability under the court's order.

Platinum appeals.

DECISION

This appeal stems from a violation of the Minnesota Residential Mortgage Originator and Servicer Licensing Act, Minn. Stat. §§ 58.01-.23 (2024) ("the Act"). The relevant portions of the Act follow.

Minn. Stat. § 58.18, subd. 1, provides:

> A *borrower injured* by a violation of the standards, duties, prohibitions, or requirements of sections 58.13, 58.136, 58.137, 58.16, and 58.161 shall have a private right of action and the court shall award:
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> (1) actual, incidental, and consequential damages;
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> (2) statutory damages equal to the amount of all lender fees included in the amount of the principal of the residential mortgage loan as defined in section 58.137;
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> (3) punitive damages if appropriate, and as provided in sections 549.191 and 549.20; and
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> (4) court costs and reasonable attorney fees.

(Emphasis added.)

Minn. Stat. § 58.13, subd. 1(a)(24) provides, in relevant part:

> No person acting as a residential mortgage originator . . . shall:
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> . . . .
>
> (24) make, provide, or arrange for a residential mortgage loan without verifying the borrower's *reasonable ability to pay* the scheduled payments of the following, as applicable: principal; interest; real estate taxes; homeowner's insurance, assessments, and mortgage insurance premiums. . . . For all residential mortgage loans, the borrower's income and financial resources must be verified by tax returns, payroll receipts, bank records, or other similarly reliable documents.

(Emphasis added.)

On appeal, Platinum does not dispute that it violated the Act by making the underlying loans without verifying F&T's reasonable ability to pay the financial obligations resulting from the amounts due under the loan agreements. Instead, Platinum contends that the district court erred as follows: (1) by determining that F&T was a "borrower injured" under section 58.18, (2) by determining that Platinum breached the implied covenant of good faith and fair dealing, and (3) by awarding F&T equitable relief, by awarding F&T's reasonable attorney fees, and by denying Platinum's contractual attorney fees. We address each contention in turn.

I.

Platinum contends that the district court erred by determining that F&T was an injured borrower—as required under section 58.18, subdivision 1 of the Act—because there was no evidence that F&T was harmed by Platinum's violation of the Act. Platinum argues that "[s]imply pointing to a violation of the statute, without more, is insufficient" to establish an injury. Platinum further argues that section 58.18, by its terms, requires some concrete injury or damage that has a nexus to the violative conduct.

The district court found—and Platinum does not dispute on appeal that—it violated Minn. Stat. § 58.13, subd. 1(a)(24), which prohibits a residential mortgage originator from making a residential mortgage loan without first verifying the borrower's reasonable ability to pay. The district court also determined that F&T sustained an injury as a result of Platinum's violation. The district court explained the injury, and the nexus between the violation and the injury, as follows:

> F&T's equity in the five mortgaged properties was the sole actual financial resource Platinum considered in making the loans to F&T and entering the Loan Documents with F&T and the Colemans.
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> . . . .
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> Platinum's issuance of the residential mortgage loans evidenced by the Loan Documents without verification of resources other than the equity in the cross-mortgaged properties and F&T's actual lack of other income and resources to repay the amounts due was a *significant factor in F&T's ultimate default* on May 31, 2020.
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> . . . .
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> The issuance of the Loan Documents cross mortgaging the properties with terms precluding any transactions without Platinum's approval, without verification that F&T had sufficient resources other than the equity in the mortgaged properties harmed F&T. *F&T suffered an immediate injury in the impairment of its property rights in each of cross-mortgaged properties, specifically the right to sell the properties without interference or approval of Platinum.* Ultimately, when F&T lacked other resources to repay the principal amounts due on May 31, 2020, *F&T sustained additional harms in the form of the increased interest rate on the unpaid principal, late fees, and obligations to pay additional expenses including [attorney] fees.* Indeed, Platinum now asserts it is entitled to more than $1,234,303.48 in unpaid principal, interest and late fees (not inclusive of [attorney] fees and expenses) which represents *a more than 75% increase to the amount due* on May 31, 2020.

(Emphasis added and omitted.)

Platinum argues that the district court erred in reasoning that the impairment of F&T's property rights constitutes an injury because under that reasoning "every residential mortgage or loan arrangement in the State could be considered injurious to the borrower under the Act." But, as the district court explained, the injury in this case was not merely

the encumbrance of F&T's equity in the properties. The injury was F&T's default as a result of its inability to access its equity in the mortgaged properties and the ensuing "imposition of substantial financial penalties under the terms of the unlawfully issued Loan Documents." And, as the district court reasoned, F&T's inability to pay Platinum without accessing its equity in the mortgaged properties—and the resulting financial harm to F&T—stemmed from Platinum's failure to verify that F&T had a reasonable ability to pay its loan obligations from sources other than its equity in the mortgaged properties.

Platinum also argues that the district court erred in reasoning that F&T was entitled to rely on Platinum to verify F&T's ability to repay the loans. Platinum argues that "it was not reasonable for F&T, a sophisticated real estate investor with full knowledge of its financial condition and the 2019 Loan terms, to rely on Platinum for verification of its ability to repay the 2019 Loans." This argument is at odds with the verification requirement of Minn. Stat. § 58.13, subd. 1(a)(24), which makes no exception for sophisticated borrowers.

Platinum further argues that it had no reason to doubt F&T's ability to repay the loans because F&T fully repaid a previous loan from Platinum. This argument is also at odds with Minn. Stat. § 58.13, subd. 1(a)(24). Although the statute authorizes reliance on "criteria other than the borrower's income and financial resources to establish the borrower's reasonable ability to repay the residential mortgage loan," reliance "on any single item . . . is not sufficient to establish the existence of the income or resources when verifying the reasonable ability to pay." Minn. Stat. § 58.13, subd. 1(a)(24).

In sum, the district court did not award relief to F&T based only on Platinum's violation of the Act. The district court awarded relief because Platinum's statutory violation resulted in financial harm to F&T. And Platinum's arguments suggesting it should not be liable for that violation are inconsistent with the Act.

II.

Platinum contends that the district court erred in determining that it breached the implied covenant of good faith and fair dealing.

"Under Minnesota law, every contract includes an implied covenant of good faith and fair dealing . . . ." *In re Hennepin Cnty. 1986 Recycling Bond Litig.*, 540 N.W.2d 494, 502 (Minn. 1995). The covenant requires that "one party not unjustifiably hinder the other party's performance of the contract." *Id.* (quotation omitted). "To establish a violation of this covenant, a party must establish bad faith by demonstrating that the adverse party has an ulterior motive for its refusal to perform a contractual duty." *Minnwest Bank Cent. v. Flagship Props. LLC*, 689 N.W.2d 295, 303 (Minn. App. 2004).

As an initial matter, Platinum notes that F&T did not include a claim alleging breach of the implied covenant of good faith and fair dealing in its complaint. F&T responds that even though it did not expressly allege a breach of the implied covenant in its complaint, the issue was litigated by consent of the parties.

Minn. R. Civ. P. 15.02 provides:

> When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. Such amendment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be

> made upon motion of any party at any time, even after judgment; but failure to amend does not affect the result of a trial of these issues.

A claim that Platinum breached the implied covenant of good faith and fair dealing was raised and addressed on the merits in several district court filings. For example, F&T raised the claim in its memorandum opposing Platinum's motion for summary judgment, and Platinum acknowledged the claim in its summary-judgment reply memorandum. F&T also raised the claim in its trial memorandum. And the claim was raised in a *joint* statement of the case that the parties filed in district court. Finally, Platinum acknowledged the claim in its proposed findings of fact, noting that an issue for trial was whether or not Platinum had breached the implied covenant of good faith and fair dealing. On this record, we are satisfied that F&T's claim for breach of the implied covenant of good faith and fair dealing was litigated by consent of the parties.

As to the merits of the claim, the district court noted that F&T and the Colemans each asserted that Platinum violated the implied covenant of good faith and fair dealing as a defense to Platinum's breach-of-contract claims against F&T and the Colemans. The district court declined to address F&T's argument that Platinum breached the implied covenant because "any remedy would be consistent with the equitable relief" that the court granted F&T based on Platinum's violation of the Act. Thus, the district court addressed the issue only in the context of whether Platinum breached the implied covenant "in relation to the [Colemans'] Guaranty."

The Guaranty contains a "Waiver of Defenses" that provides:

> OTHER THAN CLAIMS BASED [UP]ON THE FAILURE OF THE LENDER TO ACT IN A COMMERCIALLY REASONABLE MANNER, GUARANTOR WAIVES EVERY PRESENT AND FUTURE DEFENSE (OTHER THAN THE DEFENSE OF PAYMENT IN FULL), CAUSE OF ACTION, COUNTERCLAIM OR SETOFF [WHICH] GUARANTOR OR THE BORROWER MAY NOW HAVE OR HEREAFTER MAY HAVE TO ANY ACTION BY LENDER IN ENFORCING THIS GUARANTY OR ANY OF THE LOAN [DOCUMENTS]. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER GRANT[ING] ANY FINANCIAL ACCOMMODATION TO THE BORROWER.

The district court found that:

> The Guaranty includes an implied covenant of GFFD [(good faith and fair dealing)] that the underlying Loans, Notes and Mortgages Platinum entered with F&T upon which the Guaranty is based were not issued unlawfully under Minnesota law governing the transactions. The Guaranty also includes an implied covenant of GFFD that Platinum would not act in bad faith to impair F&T's ability to pay the amounts due, which under the circumstances of the Loan Documents included that it would not act unreasonably to preclude F&T from being able to access the equity in the mortgaged properties individually in relation to payment obligations.
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> . . . .
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> . . . As a result of Platinum's breach of the implied covenant of GFFD and commercially unreasonable conduct, the "waivers" of defenses and set offs under the Guaranty do not apply. The Colemans are entitled to assert this defense and claims for set-off of the obligations under the Guaranty in relation to the equitable relief awarded to F&T.
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> Under the Guaranty, *the Colemans remain jointly and severally liable for the amounts owed by F&T under this Order* and any deficiency judgment following the foreclosure sales of the properties.

(Emphasis added.)

In sum, the district court identified two breaches of the implied covenant of good faith and fair dealing by Platinum: (1) Platinum issued the underlying loans in violation of the Act and (2) Platinum acted in bad faith to impair F&T's ability to pay the amounts due.

Although the district court found that Platinum breached the implied covenant in two distinct ways, Platinum assigns error only to the district court's determination regarding the second breach. We need not consider Platinum's assignment of error to the district court's determination that Platinum acted in bad faith to impair F&T's ability to pay the amounts due because, for the reasons that follow, we conclude that the district court's alternative, unchallenged determination that Platinum breached the implied covenant by unlawfully issuing the loans is an independent and sufficient basis to sustain the district court's grant of relief to the Colemans. *See Hunter v. Anchor Bank, N.A.*, 842 N.W.2d 10, 17 (Minn. App. 2013) (affirming grant of summary judgment where district court provided two independent and sufficient grounds for the grant, and appellant did not challenge one of the grounds), *rev. denied* (Minn. Mar. 18, 2024).

The district court noted:

> Platinum argues that any relief under [the Act] is limited to F&T and that it is entitled under the terms of the Guaranty to separately enforce against the Colemans personally all of the contractual amounts it claims against F&T under the Loan Documents regardless of the Court's issuance of equitable relief to F&T in relation to . . . those obligations.

The district court rejected that argument, reasoning:

> [I]nterpreting borrowers to exclude those who have obligations under a personal guaranty would substantially undermine the intent of the legislature and public policy interests in relation to protections for transactions involving

> residential mortgages. If remedies including damages or equitable relief for a borrow[er] do not apply to a guarantor for injuries for the unlawful making of a residential mortgage loan (whether the borrow[er] or guarantor are the same [or] different people or entities) [the Act's] remedies, as broad as they are, could be considered illusory.

Based on the district court's statements regarding the purpose of the Act, we are confident that the district court would have granted Colemans the same relief (i.e., reducing the Colemans' liability under the loans so it is co-extensive with F&T's liability) based solely on its determination that Platinum breached the implied covenant by issuing the loans in violation of the Act. Because there is an unchallenged independent and sufficient ground for the district court's grant of relief to the Colemans, any error stemming from the district court's second determination that Platinum acted in bad faith to impair F&T's ability to pay the amounts due is harmless and must be ignored. *See* Minn. R. Civ. P. 61 (indicating that harmless error must be ignored).

III.

Platinum contends that the district court abused its discretion by awarding F&T equitable relief in the form a reduction in the interest rates and penalties on the loans, by awarding F&T's reasonable attorney fees, and by denying Platinum's contractual right to attorney fees.

The district court awarded equitable relief in part as follows:

> As equitable relief, the Court precludes Platinum from benefiting from enforcing its strict legal rights under the Loan Documents following F&T['s] default from its inability to repay the amounts due on May 31, 2020. Specifically, Platinum is precluded from obtaining after May 31, 2019 more than reasonable interest on the principal loaned amounts

> ($600,000 and $100,000). Reasonable interest is determined by the Court to be the default rate on contractual debt obligation under Minn. Stat. § 334.01 of 6% per annum. Platinum is precluded from recovering monthly or other late fees after May 31, 2020[,] and from recovering under the Loan Documents any additional contractual costs, expenses and [attorney] fees in relation to the residential mortgage loans.
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> Because Platinum remains entitled under the Loan Documents to recover the loaned amounts and reasonable interest from F&T, and against the mortgaged properties, the Court will grant Platinum's claim for foreclosure by action on the properties. As further equitable relief, the parties will bear their own [attorney] fees and expenses in relation to the foreclosure sale.

In challenging the district court's approach, Platinum first argues that equitable relief was not available to F&T as a matter of law. In the alternative, Platinum argues that the district court abused its discretion in fashioning equitable relief. We address each issue in turn.

Availability of Equitable Relief

Platinum argues that equitable relief was not available to F&T as a matter of law because there was no evidence showing that F&T was harmed or injured by Platinum's violation of the Act. Platinum repeats its argument that, because F&T was not a "borrower injured," F&T was not entitled to relief under Minn. Stat. § 58.18, subd 2. We have already rejected that argument and do not discuss it further in this context.

Platinum also argues that equitable relief was not available to F&T as a matter of law because F&T did not plead a claim under Minn. Stat. § 8.31 (2024), Minnesota's private attorney general statute. Platinum relies on a provision in the Act that states: "A borrower injured by a violation of" certain sections of the Act "*also may bring an action*

under section 8.31. A private right of action by a borrower under this chapter is in the public interest." Minn. Stat. § 58.18, subd. 2 (emphasis added). The district court cited section 8.31 as the basis for its award of equitable relief—including its award of F&T's reasonable attorney fees—even though F&T did not plead a claim for relief under section 8.31.

Although F&T did not explicitly plead a claim for relief under section 8.31 in its complaint, it requested "any and all further relief available, such as any relief [the district court] may consider equitable or appropriate." In addition, F&T's request for equitable relief was contained in the joint statement of the case that the parties filed with the district court. In fact, at trial, Platinum raised the unclean-hands doctrine as a defense to F&T's request for equitable relief.[4] This record shows that F&T's general request for equitable relief, including relief under section 8.31, was litigated with Platinum's consent. *See* Minn. R. Civ. P. 15.02.

Abuse of Discretion

"[B]ecause the district court in this case weighed the equities and made its decision based on disputed factual findings after a court trial, we review the district court's equitable determinations for abuse of discretion." *Herlache v. Rucks*, 990 N.W.2d 443, 450 n.4 (Minn. 2023). A district court abuses its discretion if its ruling is "based on an erroneous

[4] The district court rejected that defense stating, "When the Court considers and weighs all of the wrongful conduct by all of the parties and considers the equities between all of those parties arising from the wrongful conduct, the equities weigh against imposing the doctrine of unclean hands against F&T . . . ."

view of the law" or is "against the facts in the record." *City of North Oaks v. Sarpal*, 797 N.W.2d 18, 24 (Minn. 2011).

Platinum challenges the district court's reliance on the doctrine of unjust enrichment, arguing that it was based on an erroneous view of the law and contrary to the facts.[5]

The supreme court recently summarized the doctrine of unjust enrichment:

> Unjust enrichment is an equitable doctrine that allows a plaintiff to recover a benefit conferred upon a defendant when retention of the benefit is not legally justifiable. Claims for unjust enrichment do not lie simply because one party benefits from the efforts or obligations of others. Rather, the plaintiff must show that the defendant was enriched illegally or unlawfully, or in a manner that is morally wrong. The measure of relief for an unjust enrichment claim is based on what the person allegedly enriched has received, not on what the opposing party has lost.

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[5] Although the district court relied on the doctrine of unjust enrichment, it noted:

> The Court believes equitable relief under alternative equitable theories would also be appropriate including: (1) injunctive relief enjoining Platinum from enforcement of its strict contractual rights in relation to interest, late fees and additional costs, expenses and attorneys' fees; (2) declaring the unlawfully issued Loan Document voidable by F&T and providing for Platinum to recover just payment through equity for the amounts loaned (this approach could leave Platinum without recourse against the mortgaged properties); and/or (3) the doctrine of equitable restitution. Because the Court believes the doctrine of unjust enrichment is established and sufficiently flexible to provide sufficient and adequate equitable relief, the Court does not analyze other alternative equitable relief.

(Citation omitted.)

Herlache, 990 N.W.2d at 450 (quotations and citations omitted).

Platinum argues that the district court "overlooked established Minnesota law" providing that "a party to a contract cannot be unjustly enriched by asserting or enforcing its contractual rights." Platinum asserts that it was simply enforcing its contractual rights. Platinum is correct that equitable relief based on the doctrine of unjust enrichment generally "cannot be granted where the rights of the parties are governed by a valid contract." *U.S. Fire Ins. Co. v. Minn. State Zoological Bd.*, 307 N.W.2d 490, 497 (Minn. 1981). But in this case, we are confronted with a contract that, although valid, is voidable. Given that context, several principles inform our analysis.

Although "[i]llegal contracts are commonly spoken of as void," that proposition "is not generally accurate and, if true under all circumstances, it would lead to unfortunate consequences, for it might protect a guilty defendant from paying damages to an innocent plaintiff." *Vercellini v. U.S.I. Realty Co.*, 196 N.W. 672, 672 (Minn. 1924). Thus, a distinction is made between "void" and "voidable" contracts. *See Logan v. Panuska*, 293 N.W.2d 359, 363 (Minn. 1980).

Transactions that do not comply with an applicable statute are generally considered voidable and not void. *See Greer v. Kooiker*, 253 N.W.2d 133, 138 & n.2 (Minn. 1977) (explaining that statute of frauds, which states that certain contracts "shall be void," actually renders them voidable (quotation omitted)); *In re Sprain's Est.*, 272 N.W. 779, 781 (Minn. 1937) (holding that sale of property in probate proceeding in violation of statute stating any sale "made contrary to the provisions of this section shall be void," was voidable rather than void (quotation omitted)). But the supreme court has stated, "We do not believe

the void-voidable rule should prevent a court from acting fairly by applying equitable principles . . . ." *Logan*, 293 N.W.2d at 363.

Here, the loan agreements are voidable, meaning they are valid unless they are voided. *See Spartz v. Rimnac*, 208 N.W.2d 764, 767 (Minn. 1973) ("A voidable contract is valid and binding until it is avoided by the party entitled to avoid it." (quotation omitted)). On the one hand, because the loan agreements are valid, equitable relief generally would not be available under the unjust-enrichment doctrine as a remedy for the injury caused by Platinum's violation of the Act. On the other hand, a remedy for that injury could have included voiding the loan agreements. We do not believe that the distinction between void and voidable contracts should prevent the application of a more measured equitable response in this situation. *See Logan*, 293 N.W.2d at 360-61 n.1, 364 (holding that "equitable estoppel is a valid defense in an action for rescission" under a "Blue Sky Law" that generally prohibited the sale of securities that were not registered in compliance with certain statutory requirements).

The district court's reasoning reflects the distinction between void and voidable contracts and the idea that the distinction should not foreclose equitable relief in an appropriate case. The district court explained:

> [A]lthough violation of [the Act] occurs when an Originator makes a residential mortgage loan without verifying the borrower's reasonable income and financial resources (other than equity in the property), a determination that this automatically renders the contracts related to the transactions void as against public policy is not warranted. . . . [T]he broad remedies available under [the Act] that allow the Court to fashion appropriate equitable relief on a case by case basis [are] sufficient to protect the public policy interests of [the Act].

Essentially, the district court reasoned that it could provide a remedy for Platinum's violation of the Act in one of two ways: (1) void the loan agreements or (2) leave the loan agreements in effect with certain equitable modifications intended to prevent Platinum from being unjustly enriched by its unlawful loans to F&T. Under the circumstances, the district court did not abuse its discretion by granting equitable relief to prevent Platinum's unjust enrichment, even though the parties' rights are generally governed by a contract.

Finally, Platinum argues that the district court's award of equitable relief was "contrary to the facts in the record." Specifically, Platinum argues that the district court "failed to account for the substantial financial benefits that F&T received during this litigation," including rents from the mortgaged properties and insurance proceeds for damage to one of the mortgaged properties. But the district court's findings do not indicate that the amount of any rents received by F&T or the amount of any insurance proceeds retained by F&T netted an amount that rendered the district court's equitable award a windfall for F&T.[6] We therefore discern no abuse of discretion.

Platinum further argues that the district court's award of attorney fees to F&T "effectively offset all of the reduced interest and a significant amount of the principal," resulting in an interest-free loan for F&T and forgiving a portion of the principal—all to Platinum's detriment. Platinum asserts that F&T received a "windfall" as a result of the attorney-fee award. Platinum's argument is unavailing for the following two reasons.

[6] Platinum did not move for amended findings of fact. *See* Minn. R. Civ. P. 52.02 (stating that on proper motion, a district court may "amend its findings or make additional findings").

First, the attorney-fee award was mandated by the Act: "the court shall award . . . court costs and reasonable attorney fees" to a borrower injured by a violation of the Act. Minn. Stat. § 58.18, subd. 1(4). Second, the attorney-fee award was not a "windfall" for F&T. It compensated F&T for the reasonable attorney fees it incurred as a result of its injury from Platinum's issuance of a loan in violation of the Act.[7] We therefore do not consider the amount of F&T's attorney-fee award when reviewing the relief that was awarded on equitable grounds, that is, the reduction of interest rates, elimination of default penalties, and denial of Platinum's contractual attorney fees.

As to the district court's reduction of interest rates and elimination of default penalties, we discern no abuse of discretion. Again, the district court could have voided the loan agreements. Instead, after considering the equities to both sides, the district court left the loan agreements in effect and eliminated the higher interest rate and financial penalties that were triggered by F&T's default.

As to the district court's denial of Platinum's contractual attorney fees, the district court reasoned that Platinum should not benefit from enforcement of "its strict legal rights" under the loan agreements following F&T's default, including "[attorney] fees in relation to the residential mortgage loans." Platinum does not show that the district court abused its discretion by refusing to allow Platinum to benefit from its strict legal rights under the loan agreements when Platinum made the loans in violation of the Act and F&T was injured as a result.

[7] Platinum does not contest the district court's determination of the amount of fees awarded to F&T.

In sum, Platinum has not established prejudicial error justifying relief.

Affirmed.