



The Importance of a **RECONVEYANCE**

A Reconveyance is an instrument used to transfer title from a trustee to the “owner” of real estate. This is most commonly used upon payment in full of the mortgage.

At the time of payoff, the lender is obligated to make certain that the title to your property is cleared of the lien. A Reconveyance of the Deed of Trust is the document which releases the lender’s interest in your property and confirms that you have fully paid your loan. In addition, under the terms of your Policy of Title Insurance, the title insurer assumes liability for the elimination of that paid lien. This policy is your written guarantee that your property is free and clear of liens which were paid off by the title company as a part of your escrow process. This important document is your best protection against any defects in the title to your property and should be a part of every escrow transaction.

What happens when there is no reconveyance of record on a loan that has been paid or when the lender or beneficiary is no longer available to issue the request for reconveyance?

Example: The preliminary report shows two deeds of trust but the seller says they only have one loan. There is no reconveyance on record that shows that one of those loans has been paid. The seller must contact the lender and request a reconveyance before the transaction closes in order to remove the second loan on record.

What happens if the lender in scenario is no longer in business and never issued a reconveyance?

The title company will then need to be provided with a “lost note bond”, this typically is the Sellers responsibility. A licensed bonding company can issue the lost note bond for a fee that is typically a percentage of the sale price. This can be expensive and can create a delay in closing. It is therefore important to always request a reconveyance when a loan is paid off. Years later it may be an expensive issue to fix.

In certain transactions, supporting documentation in addition to the Reconveyance may be required in order to remove the item from the Preliminary Report. Our Escrow Officer will work closely with the seller to satisfy these requirements.

DEFINITIONS:

TRUSTEE:

An independent third party that performs under the terms of the Deed of Trust for the benefit of the borrower and the lender. Chicago Title is the trustee when preparing a Reconveyance on behalf of the lender and the borrower.

TRUSTOR:

The borrower.

NOTE:

The obligation.

BENEFICIARY:

The lender.

DEED OF TRUST:

A security document used to secure the performance under a Note.