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reconveyance

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What is Reconveyance and Why is it Important?

What Is a Deed of Reconveyance?

A mortgage holder issues a deed of reconveyance to indicate that the borrower has been released from the mortgage debt. The deed transfers the property title from the lender to the borrower. This document is most commonly used when a mortgage has been paid in full.

Some states use a satisfaction of mortgage document rather than a deed of reconveyance, and states that recognize deeds of trust, such as California, will instead issue a full reconveyance, signed by the trustee and notarized.

Why is a Deed of Reconveyance important?

Because a Deed of Reconveyance is documentation that the debt secured by a Deed of Trust has been fully paid and recorded. Any search on that property will show that the lien has been paid in full.

What happens when there is no reconveyance of record on a loan that has been paid? Or the lender is no longer in business and never issued a reconveyance? What does title need to satisfy these conditions?

If a preliminary title report shows two deeds of trust on a property but the seller states they only have one loan and there is no reconveyance on record that shows that one of those loans has been paid, the seller will have to contact the lender and request a reconveyance* to remove the second loan on record before the transaction closes.

If the lender is no longer in business and never issued a reconveyance, then the title company will request a "lost note bond". A licensed bonding company can issue a lost note bond for a fee that's typically a percentage of the sale price. This is usually the Seller's responsibility and can be costly. It may also delay closing. Always request a reconveyance when a loan is paid off. Fixing this issue years down the road may be an expensive proposition or perhaps cost you a sale.



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* In certain transactions supporting documentation in addition to the Reconveyance maybe required in order to remove an item from the Preliminary Report. The Escrow Officer will work closely with the seller to satisfy these requirements.