

# The Importance of a Reconveyance

**III In simple terms;** 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 a trust deed.



## DEFINITIONS

**Trustor:**  
The borrower.

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

**Beneficiary:**  
The lender.

**Note:**  
The obligation

**Deed of Trust:**  
A security document used to secure the performance under a Note.

**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? What does title need to satisfy this requirement in certain transactions?**

**Scenario I** 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.

**Scenario II** If the lender in scenario #1 is no longer in business and never issued a reconveyance then the title company will 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 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. The Escrow Officer will work closely with the seller to satisfy these requirements.