

# How to Properly Close Equity Lines



**CANCELLED**

## Points to Remember

- Equity lines of credit loans are governed by NCGS Chapter 45 Article 9.
- A security instrument (deed of trust) for an equity line of credit **must show on its face** that it is securing an Article 9 line of credit.
- Proper satisfaction of an equity line of credit deed of trust requires an additional action beyond paying the current balance due and requesting cancellation. **Failure** to comply with the statutory requirements in this regard allows the lender and borrower to maintain the lien position for future advances.
- The critical additional step which must be taken is the request and direction to **terminate** the line of credit.
- Pursuant to the 2011 amendments to Article 9, the **closing attorney** is now a person authorized to request termination (whereas under the prior provisions and practice only the borrower could do so).

The failure to properly block and close equity lines of credit secured by real estate has caused millions of dollars in claims for title insurers and malpractice carriers and continues to be a significant area of loss each year.

All of these claims can be easily prevented if certain procedures are incorporated in the closing process and strictly observed.

## What You Can Do

1. Establish procedures to identify any liens found in the title examination which are Article 9 deeds of trust – remember that they must state that on the face of the instrument. You should consider a method to actually “flag” these liens so that different employees who are processing the transaction are all aware of the need for additional action.
2. Create and utilize a standard termination or “block” letter for each equity line deed of trust which has been flagged. A format for such a letter is set out in the statute at NCGS 45-82.2.
3. Incorporate these actions in a closing checklist for your office staff.
4. Create a procedure to follow up with any equity line lender who was paid off in the closing to insure that they proceed with cancellation. Many claims have arisen because the bank’s internal procedures will continue to invite the borrower to utilize the line of credit despite your efforts.
5. Additional tools available at: [www.invtitle.com/resources/nc](http://www.invtitle.com/resources/nc) | Tools | Equity Line Resources.

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