

Closing Out Home Equity Lines of Credit in the Escrow Process

Q. There is a Home Equity Line of Credit (HELOC) on a property in my transaction. What do I do to get it released?

A. When a HELOC is not properly closed (even if it is “paid off” at closing), the Borrower/Seller still can draw on the equity line post-closing, and the lien will retain priority over the new insured lien. If a HELOC deed of trust has been recorded against the property, escrow will request a full reconveyance from the lender along with a closure/“freeze” of the HELOC when it orders the payoff statement. The lender will then provide escrow with a document for the Borrower/Seller to sign which instructs the lender to close the HELOC.

Once the closure/“freeze” authorization letter has been signed by the Borrower/Seller, escrow will send it to the lender along with the required payoff funds. Escrow will retain copies of all sent items in its escrow file, including evidence that the lender has received the package. Upon receipt from the lender, escrow will instruct the title company to record the full reconveyance of the HELOC deed of trust, thereby removing it of record.

If you are not sure whether a mortgage is a HELOC, call your California Title Company Sales Representative.

Source: Title Resource Guaranty Company
Juliann Hickey, Senior Vice President, Eastern Regional Manager / April 7, 2014

