

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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HOUSE BILL 707

Short Title: Deeds of Trust/Modernize Procedures. (Public)

Sponsors: Representative Rhyne (Primary Sponsor).  
For a complete list of Sponsors, see Bill Information on the NCGA Web Site.

Referred to: Banking.

April 7, 2011

A BILL TO BE ENTITLED

AN ACT TO MODERNIZE AND ENACT CERTAIN PROVISIONS REGARDING DEEDS OF TRUST, INCLUDING RELEASES, SHORT SALES, FUTURE ADVANCE PROVISION TERMINATIONS AND SATISFACTIONS, TERMINATIONS AND SATISFACTIONS FOR EQUITY LINE LIENS, RELEASE OF ANCILLARY DOCUMENTS, ELIMINATING TRUSTEE OF DEED OF TRUST AS NECESSARY PARTY FOR CERTAIN TRANSACTIONS AND LITIGATION, AND INDEXING OF SUBSEQUENT INSTRUMENTS RELATED THERETO.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 24-9 reads as rewritten:

**"§ 24-9. Loans exempt from rate and fee limitations.**

...

(c) The provisions of G.S. 24-1.2A, 24-11, and 24-11.1 shall not apply to equity lines of credit offered by banks. Except as provided in this subsection and notwithstanding any other provision of this Chapter or any other provision of State law, any bank may charge and collect from any borrower interest at any rate and fees and other charges in any amount that the borrower agrees to pay in connection with an equity line of credit. However, an equity line of credit made by a bank shall be subject to the following, to the extent otherwise applicable:

...

(3) Notwithstanding the limitation against prepayment penalties contained in ~~G.S. 45-81(e)~~, G.S. 45-82.4, a bank may charge and collect prepayment fees or penalties following the borrower's voluntary exercise of a right or option to repay all or any portion of the outstanding balance of a variable interest rate equity line of credit at a fixed interest rate over a specified period of time, subject to the following limitations:

...."

**SECTION 2.** G.S. 45-10 reads as rewritten:

**"§ 45-10. Substitution of trustees in mortgages and deeds of trust.**

(a) In addition to the rights and remedies now provided by law, the holders or owners of a majority in amount of the indebtedness, notes, bonds, or other instruments evidencing a promise or promises to pay money and secured by mortgages, deeds of trust, or other instruments conveying real property, or creating a lien thereon, may, in their discretion, substitute a trustee whether the trustee then named in the instrument is the original or a substituted trustee, trustee or a holder or owner of any or all of the obligations secured thereby,



1 by the execution of a written document properly recorded pursuant to Chapter 47 of the North  
2 Carolina General Statutes.

3 ...  
4 (c) If the trustee named in a deed of trust is also the beneficiary named in that deed of  
5 trust, the instrument shall be deemed to be a deed of trust, and any substitute trustee named  
6 under the authority of subsection (a) of this section shall succeed to all the rights, titles,  
7 authority, and duties of the trustee under the terms of the deed of trust."

8 **SECTION 3.** G.S. 45-36.4 reads as rewritten:

9 **"§ 45-36.4. Definitions.**

10 As used in this Article, the following terms mean:

11 ...

12 (1a) Borrower. – A person primarily liable for payment or performance of the  
13 obligation secured by the real property described in a security instrument.

14 (1b) Credit suspension directive. – A notification given to a secured creditor  
15 pursuant to G.S. 45-36.7A directing the secured creditor to suspend  
16 temporarily a borrower's right and ability to obtain additional credit  
17 advances in anticipation of the imminent sale of, or the imminent making of  
18 a new loan to be secured by, real property then encumbered by an existing  
19 security instrument when the anticipated transaction will involve either the  
20 satisfaction of the existing security instrument or the release of the real  
21 property from the lien of the existing security instrument.

22 ...

23 (5) ~~Entitled person. – A person liable for payment or performance of the~~  
24 ~~obligation secured by the real property described in a security instrument, or~~  
25 ~~the landowner.~~ A person who:

26 a. Is a borrower;

27 b. Is a landowner;

28 c. Has contracted to purchase real property encumbered by an existing  
29 security instrument;

30 d. Has made or has committed to make a loan that is secured or is to be  
31 secured by real property encumbered by an existing security  
32 instrument;

33 e. Is a title insurance company authorized pursuant to Article 26 of  
34 Chapter 58 of the General Statutes to issue title insurance policies in  
35 the State of North Carolina that has insured or has committed to  
36 insure title to real property encumbered by an existing security  
37 instrument;

38 f. Is the foreclosing trustee or the high bidder in a foreclosure sale  
39 involving real property encumbered by an existing security  
40 instrument;

41 g. Is a qualified lien holder; or

42 h. Is an attorney licensed to practice law in the State of North Carolina  
43 or a bank, savings and loan association, savings bank, or credit  
44 union, but only when:

45 1. The attorney, bank, savings and loan association, savings  
46 bank, or credit union is or will be responsible for the  
47 disbursement of funds in connection with the sale of, or a new  
48 loan secured by, property then encumbered by an existing  
49 security instrument; and

1                                   2.     A requirement of the sale or new loan transaction is or will be  
2   that the property be conveyed or encumbered free and clear of  
3   the lien of the existing security instrument.

4                     ...  
5             (7)     Landowner. – A person that, before foreclosure, has the right of redemption  
6                     in the real property described in a security instrument. The term does not  
7                     include a person that holds only a lien on the real ~~property~~-property or the  
8                     trustee under a deed of trust.

9                     ...  
10            (11)    Payoff statement. – A document containing the information specified in  
11                    G.S. 45-36.7(d); G.S. 45-36.7(e).

12                    ...  
13            (12a) Qualified lien holder. – A person who holds or is the beneficiary of a  
14                    security interest in or lien on real property encumbered by an existing  
15                    security instrument, but only if that person's security interest in or lien on the  
16                    real property arises from a mortgage or deed of trust that is subordinate in  
17                    priority to the lien of the existing security instrument. The term does not  
18                    include a trustee under a deed of trust.

19                    ...  
20            (19a) Short-pay amount. – The sum necessary to obtain the release of all or a  
21                    specific portion of the real property from the lien of a security instrument  
22                    without satisfying the secured obligation in full.

23            (19b) Short-pay statement. – A document containing the information specified in  
24                    G.S. 45-36.7(e1).

25                    ...  
26            (23)    Trustee. – The trustee or substitute then serving as such under the terms of a  
27                    deed of trust."

28                    **SECTION 4.** G.S. 45-36.6 reads as rewritten:

29     **"§ 45-36.6. Document of rescission: effect; liability for wrongful recording.**

30            (a)     ~~In this section, "document of rescission" means a document stating that an identified~~  
31                    ~~satisfaction or affidavit of satisfaction of a security instrument was recorded erroneously or that~~  
32                    ~~a security instrument was satisfied of record erroneously, the secured obligation remains~~  
33                    ~~unsatisfied, and the security instrument remains in force.~~Definitions. – The following  
34                    definitions apply in this section:

35                    (1)    Document of rescission. – A document that rescinds either (i) a release that  
36                    was recorded in error or (ii) the erroneous satisfaction of a security  
37                    instrument.

38                    (2)    Release. – A document that either (i) releases property from the lien of a  
39                    security instrument or (ii) indicates that an obligation is no longer secured by  
40                    a security instrument.

41            (b)     ~~If a person records a satisfaction or affidavit of satisfaction of a security instrument~~  
42                    ~~in error or if~~ If a release is recorded in error or a security instrument is erroneously satisfied of  
43                    ~~record record, erroneously by any other means, the person or then the secured creditor or the~~  
44                    person who caused the release to be recorded in error or the security instrument to be  
45                    erroneously satisfied of record may execute and record a document of rescission. The document  
46                    of rescission must be duly acknowledged before an officer authorized to make  
47                    acknowledgments. Upon recording, the document of recession either (i) rescinds an  
48                    ~~erroneously recorded~~ rescinds a release that was recorded in error and deprives the release of  
49                    ~~any effect or (ii) satisfaction or affidavit and rescinds the erroneous satisfaction of record of the~~  
50                    security instrument and reinstates the security instrument.

51            (c)     A recorded document of rescission has no effect on the rights of a person that:

- 1 (1) Records an interest in the real property described in a security instrument  
2 after the recording of ~~the satisfaction or affidavit of satisfaction of the~~  
3 ~~security instrument~~ a release that was recorded in error or the erroneous  
4 satisfaction of record of the security instrument ~~by other means~~ and before  
5 the recording of the document of rescission; and
- 6 (2) Would otherwise have priority over or take free of the lien created by the  
7 security instrument as reinstated under Chapter 47 of the General Statutes.
- 8 (d) A person that erroneously or wrongfully records a document of rescission is liable  
9 to any person injured thereby for the actual loss caused by the recording and reasonable  
10 attorneys' fees and costs.
- 11 (e) A document is a document of rescission if it does all of the following:
- 12 (1) Identifies the related security instrument, including the type of security  
13 instrument, the original parties to the security instrument, the recording data  
14 for the security instrument, and the office in which the security instrument is  
15 recorded.
- 16 (2) If the document of rescission is intended to rescind a release that was  
17 recorded in error, (i) identifies the release that was recorded in error by its  
18 recording data and the office in which it is recorded, (ii) states that the  
19 release was recorded in error, and (iii) states that the release is rescinded.
- 20 (3) If the document of rescission is intended to rescind the erroneous satisfaction  
21 of record of a security instrument, (i) identifies the satisfaction document  
22 that was recorded in error by its recording data and the office in which it is  
23 recorded, (ii) states that the security instrument was erroneously satisfied of  
24 record, and (iii) states that the satisfaction of the security instrument is  
25 rescinded and the security instrument reinstated.
- 26 (4) States that the person signing the document of rescission is either (i) the  
27 secured creditor or (ii) the person who caused the release to be recorded in  
28 error or the security instrument to be erroneously satisfied of record.
- 29 (f) The register of deeds shall accept a document of rescission for recording unless one  
30 of the following applies:
- 31 (1) The document is submitted by a method or in a medium not authorized for  
32 registration by the register of deeds under applicable law.
- 33 (2) The required recording fee is not paid.
- 34 (3) The document is (i) not signed by either the secured creditor or the person  
35 who caused the release to be recorded in error or the security instrument to  
36 be erroneously satisfied of record or (ii) acknowledged as required by law  
37 for a conveyance of an interest in real property. The register of deeds shall  
38 not be required to verify or make inquiry concerning (i) the truth of the  
39 matters stated in any document of rescission or (ii) the authority of the  
40 person executing any document of rescission to do so.
- 41 (g) No particular phrasing is required for a document of rescission that rescinds a  
42 release that was recorded in error. The following form, when properly completed, is sufficient  
43 to satisfy the requirements of subsection (e) of this section:

44  
45 "DOCUMENT OF RESCISSION

46 (G.S. 45-36.6(e))

47 The security instrument to which this Document of Rescission relates is identified as follows:

48 Type of Security Instrument: (identify type of security instrument, such as deed of  
49 trust or mortgage)

50 Original Grantor(s): (identify original grantor(s), trustor(s), or mortgagor(s))

Original Secured Party(ies): (identify the original beneficiary(ies), mortgagee(s), or secured party(ies) in the security instrument)  
Recording Data: The security instrument is recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the Register of Deeds for \_\_\_\_\_ County, North Carolina.

This Document of Rescission rescinds the release recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the Register of Deeds for \_\_\_\_\_ County, North Carolina. The release was recorded in error, is hereby rescinded, and is declared to be of no effect.

The undersigned is: (check applicable box)

\_\_\_\_\_ The secured creditor in the security instrument identified above.

\_\_\_\_\_ The person who caused the release to be recorded in error.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of secured creditor or person who caused the release to be recorded in error

[Acknowledgment before officer authorized to take acknowledgments]"

(h) No particular phrasing is required for a document of rescission that rescinds the erroneous satisfaction of a security instrument. The following form, when properly completed, is sufficient to satisfy the requirements of G.S. 45-36.6(e):

"DOCUMENT OF RESCISSION  
(G.S. 45-36.6(e))

The security instrument to which this Document of Rescission relates is identified as follows:

Type of Security Instrument: (identify type of security instrument, such as deed of trust or mortgage)

Original Grantor(s): (identify original grantor(s), trustor(s), or mortgagor(s))

Original Secured Party(ies): (identify the original beneficiary(ies), mortgagee(s), or secured party(ies) in the security instrument)

Recording Data: The security instrument is recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the Register of Deeds for \_\_\_\_\_ County, North Carolina.

The security instrument was erroneously satisfied of record by that satisfaction document recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the Register of Deeds for \_\_\_\_\_ County, North Carolina. The satisfaction of the security instrument is hereby rescinded, the security instrument is reinstated, and the security instrument is declared to be in full force and effect.

The undersigned is: (check applicable box)

\_\_\_\_\_ The secured creditor in the security instrument identified above.

\_\_\_\_\_ The person who caused the security instrument to be satisfied of record erroneously.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of secured creditor or person who caused the security instrument to be satisfied of record erroneously

[Acknowledgment before officer authorized to take acknowledgments]"

**SECTION 5.** G.S. 45-36.7 reads as rewritten:

**"§ 45-36.7. Payoff and short-pay statement: statements; request and content.**

**(a)** An entitled person, or an agent authorized by an entitled person to request a payoff ~~statement~~, or a short-pay statement, may give to the secured creditor a notification requesting a

1 ~~payoff statement for a specified payoff date not more than 30 days after the notification is~~  
2 ~~given, or a short-pay statement.~~ The notification must contain all of the following:

3 ...

4 (6) Whether the request is for a payoff statement or a short-pay statement.

5 (7) If the request is for a payoff statement, the specified payoff date, which may  
6 not be more than 30 days after the notification is given.

7 (8) If the request is for a short-pay statement, (i) the specified short-pay date,  
8 which may not be more than 30 days after the notification is given, (ii) a  
9 clear statement as to whether the request is for the short-pay amount required  
10 to release all of the real property described in the security instrument or only  
11 a portion of that property, and (iii) if the request is for the short-pay amount  
12 required to release only a portion of the real property described in the  
13 security instrument, a description of the specific real property to be released  
14 upon payment of the short-pay amount.

15 (b) If a notification under subsection (a) of this section directs the secured creditor to  
16 send the payoff statement or a short-pay statement to a person identified as an authorized agent  
17 of the entitled person, the secured creditor must send the statement to the agent, unless the  
18 secured creditor knows that the entitled person has not authorized the request.

19 (c) A person who gives to a secured creditor a notification requesting a payoff  
20 statement or a short-pay statement thereby represents that the person is an entitled person or the  
21 authorized agent of an entitled person. A secured creditor may rely on that representation in  
22 providing a payoff statement or a short-pay statement unless the secured creditor knows that the  
23 requesting person is neither an entitled person nor the authorized agent of an entitled person. A  
24 secured creditor has no duty to make inquiry as to whether, or to verify that, the person  
25 requesting a payoff statement or a short-pay statement is an entitled person or the authorized  
26 agent of an entitled person.

27 (d) Within 10 days after the effective date of a notification that complies with  
28 subsection (a) of this section, the secured creditor shall issue a payoff statement or a short-pay  
29 statement and send it as directed pursuant to subdivision (a)(3) of this section in the manner  
30 prescribed in G.S. 45-36.5 for giving a notification. A secured creditor that sends a payoff  
31 statement or a short-pay statement to the entitled person or the authorized agent may not claim  
32 that the notification did not satisfy subsection (a) of this section. If the person to whom the  
33 notification is given once held an interest in the secured obligation but has since assigned that  
34 interest, the person need not send a payoff statement or a short-pay statement but shall give (i) a  
35 notification of the assignment to the person to whom the payoff statement or a short-pay  
36 statement otherwise would have been sent, providing the name and address of the assignee, or  
37 (ii) a notification to the person to whom the payoff statement or a short-pay statement  
38 otherwise would have been sent, stating that the recipient claims no interest in the security  
39 instrument or the secured obligation, that the secured obligation was assigned, but that the  
40 identity and address of the assignee is not known.

41 ...

42 (e1) A short-pay statement must contain:

43 (1) The information reasonably necessary to calculate the short-pay amount as  
44 of the requested short-pay date, including the per diem interest amount, if  
45 any;

46 (2) The payment cutoff time, if any, the address or place where payment of the  
47 short-pay amount must be made, and any limitation as to the authorized  
48 method of payment;

49 (3) Any conditions precedent that must be satisfied to obtain the release of the  
50 property identified in the request for the short-pay statement from the lien of  
51 the security instrument; and

1           (4) Confirmation of the specific real property to be released from the lien of the  
2           security instrument upon receipt of the timely payment of the short-pay  
3           amount and satisfaction of the other conditions precedent to the release of  
4           that property.

5           Unless the short-pay statement expressly provides otherwise, all persons liable for payment  
6           or performance of the obligations secured by the security instrument will remain liable for the  
7           secured obligations to the extent the short-pay amount is not sufficient to satisfy the secured  
8           obligations in full.

9           (f) A payoff statement or a short-pay statement may contain the amount of any fees  
10          authorized under this section not included in the payoff amount. A secured creditor may require  
11          the payment in full of any fees authorized under this section before issuing a payoff  
12          statement or a short-pay statement.

13          (g) A secured creditor may not qualify a payoff amount or state that it is subject to  
14          change before the payoff date unless the payoff statement provides information sufficient to  
15          permit the entitled person or the person's authorized agent to request an updated payoff amount  
16          at no charge and to obtain that updated payoff amount during the secured creditor's normal  
17          business hours on the payoff date or the immediately preceding business day. A secured  
18          creditor may not qualify a short-pay amount or state that it is subject to change before the  
19          short-pay date unless the short-pay statement provides information sufficient to permit the  
20          entitled person or the person's authorized agent to request an updated short-pay amount at no  
21          charge and to obtain that updated short-pay amount during the secured creditor's normal  
22          business hours on the short-pay date or the immediately preceding business day.

23          (h) A secured creditor must provide upon request one payoff statement or one short-pay  
24          statement without charge during any six-month period. A secured creditor may charge a fee of  
25          twenty-five dollars (\$25.00) for each additional payoff statement and one hundred dollars  
26          (\$100.00) for each additional short-pay statement requested during that six-month period.  
27          However, a secured creditor may not charge a fee for providing an updated payoff amount or  
28          short-pay amount under subsection (f)-(g) of this section or a corrected payoff statement or  
29          short-pay statement under G.S. 45-36.8(a).

30          (i) Unless the security instrument provides otherwise, a secured creditor is not required  
31          to send a payoff statement or a short-pay statement by means other than first-class mail. If the  
32          creditor agrees to send a statement by another means, it may charge a reasonable fee for  
33          complying with the requested manner of delivery.

34          (j) Except as otherwise provided in G.S. 45-36.12, if a secured creditor to which a  
35          notification has been given pursuant to subsection (a) of this section does not send a timely  
36          payoff statement that substantially complies with subsection (d)-(e) of this section, section or a  
37          short-pay statement that substantially complies with subsection (e1) of this section, the creditor  
38          is liable to the entitled person for any actual damages caused by the failure, but not punitive  
39          damages. A creditor that does not pay the damages provided in this subsection within 30 days  
40          after receipt of a notification demanding payment shall also be liable for reasonable attorneys'  
41          fees and costs.

42          (k) This section does not apply unless (i) the notification requesting a payoff statement  
43          is given on or after ~~October 1, 2005~~ October 1, 2005, and (ii) the notification requesting a  
44          short-pay statement is given on or after [insert effective date of amendment]."

45          **SECTION 6.** Article 4 of Chapter 45 of the General Statutes is amended by adding  
46          a new section to read as follows:

47          "**§ 45-36.7A. Credit suspension directives.**

48          (a) A credit suspension directive may be given to a secured creditor by any of the  
49          following:

50                  (1) Any borrower.

51                  (2) The legal representative of any borrower.

- 1           (3)    The attorney for any borrower.  
2           (4)    An attorney licensed to practice law in the State of North Carolina or a bank,  
3           savings and loan association, savings bank, or credit union, but only when  
4           (i) the attorney, bank, savings and loan association, savings bank, or credit  
5           union is responsible for the disbursement of funds in connection with the  
6           sale of, or a new loan secured by, real property then encumbered by an  
7           existing security instrument; (ii) a requirement of the sale or new loan  
8           transaction is that the property be conveyed or encumbered free and clear of  
9           the lien of the existing security instrument; and (iii) the credit suspension  
10           directive is given to the secured creditor contemporaneously with a  
11           notification requesting a payoff statement or a short-pay statement in  
12           anticipation of and in preparation for the imminent settlement of the sale or  
13           new loan transaction.  
14       (b)    A credit suspension directive must contain all of the following:  
15           (1)    The name and authority of the person giving the directive.  
16           (2)    Sufficient information to enable the creditor to identify the secured  
17           obligation, the identity of the borrower, and the real property encumbered by  
18           the security interest.  
19           (3)    The specified payoff date, which may not be more than 30 days after the  
20           notification is given.  
21           (4)    A clear and unambiguous directive to the secured creditor to suspend  
22           through and including the payoff date the borrower's right and ability to  
23           obtain any additional credit advances which, if made, would be secured by  
24           the security instrument.  
25           (5)    If the person who gives a credit suspension directive to a secured creditor is  
26           a person listed in subdivision (a)(4) of this section, that person shall also (i)  
27           give a copy of the credit suspension directive to the borrower and (ii)  
28           provide an additional notification to the borrower that provides substantially  
29           as follows:

#### "NOTICE TO BORROWER

32  
33       You have a loan with (name of lender) secured by a mortgage or deed of trust on  
34       real property located at (address of property).

35  
36       We will be responsible for disbursing funds in connection with a scheduled sale of  
37       the property or a new loan that will be secured by the property. A requirement of the  
38       sale or new loan transaction is that the property be conveyed or encumbered free  
39       and clear of the existing mortgage or deed of trust that secures your loan.

40  
41       As permitted by North Carolina law, we are sending the  
42       (enclosed/attached/following/foregoing) notification to your lender directing that it  
43       temporarily suspend your right and ability to obtain credit advances in anticipation  
44       of the settlement of the sale or loan. The notification accompanies a request asking  
45       the amount that must be sent to your lender to pay your loan in full and cancel the  
46       mortgage or deed of trust that secures your loan (or, if your loan will not be paid in  
47       full, to release of the property from the mortgage or deed of trust that secures your  
48       loan). The information your lender provides us may be inaccurate if you obtain  
49       additional credit advances before the scheduled settlement date of the sale or new  
50       loan transaction.  
51



1 When your lender receives our directive, it will temporarily suspend your right and  
2 ability to obtain credit advances. The period of suspension will continue through  
3 and including (anticipated payoff date), the anticipated payoff date, regardless of  
4 whether the settlement of the sale or new loan transaction occurs as scheduled. The  
5 suspension will not affect your responsibility to continue making payments to your  
6 lender during the suspension period. You should not attempt to obtain additional  
7 credit advances from your lender during the suspension period.

8  
9 You may instruct us at any time during the suspension period to withdraw the credit  
10 suspension directive we are sending your lender, and we are required by law to  
11 comply. However, if you do so, you may jeopardize the settlement of the sale or  
12 new loan transaction because the payoff or release information provided by your  
13 lender may become inaccurate.

14  
15 When proceeds from a sale or new loan transaction are used to pay an existing loan  
16 in full, lenders typically close the loan account, thereby terminating their borrower's  
17 ability to obtain additional credit advances. You should contact your lender to  
18 determine whether you will be able to obtain additional credit advances after the  
19 settlement of the sale or new loan transaction.

20  
21 If you have questions about this notice or our action, please contact (name of  
22 contact person or department) by calling us at (phone number) or writing to us at  
23 (mailing address).

24  
25 (Name of attorney, bank, savings and loan association, savings bank, or credit  
26 union)"

27 (6) Upon receipt of a credit suspension directive, a secured creditor shall:  
28 a. Subject to subsection (e) of this section, suspend the borrower's right  
29 and ability to obtain credit advances which, if made, would be  
30 secured by the security instrument. The period of suspension shall  
31 continue through and including the payoff date stated in the credit  
32 suspension directive.  
33 b. Apply all sums subsequently paid during the period of suspension by  
34 or on behalf of the borrower in connection with the secured  
35 obligation, including sums paid to the secured creditor by a person  
36 responsible for the disbursement of funds in connection with the sale  
37 of, or a new loan secured by, real property then encumbered by a  
38 security instrument, to the satisfaction of the secured obligation,  
39 regardless of whether the amount or amounts paid are sufficient to  
40 pay the secured obligation and other sums secured by the security  
41 instrument in full. Sums paid to the secured creditor in excess of the  
42 amount required to pay the secured obligation and other sums  
43 secured by the security instrument in full shall be refunded by the  
44 secured creditor to or at the direction of the person who paid the  
45 excess amount.

46 (7) Notwithstanding a secured creditor's receipt of a credit suspension directive,  
47 a secured creditor may do any of the following, all of which shall be secured  
48 by the security instrument:

49 a. The secured creditor may advance sums and incur expenses (i) for  
50 insurance, taxes, and assessments, (ii) to protect the secured creditor's  
51 interest under the security instrument, (iii) to preserve and protect the

1 value or condition of the real property encumbered by the security  
2 instrument, or to complete the construction of improvements on the  
3 real property encumbered by the security instrument.

4 b. The secured creditor may permit the borrower to obtain a credit  
5 advance, but only if the credit advance was initiated or approved  
6 before the secured creditor received the credit suspension directive.

7 (8) If the person giving a credit suspension directive is not a borrower, then the  
8 person giving a credit suspension directive shall be conclusively deemed the  
9 borrower's agent acting with full authority from the borrower to issue the  
10 credit suspension directive on the borrower's behalf.

11 (9) A credit suspension directive may be withdrawn at any time by the person  
12 who gave the directive. If the person who gives a credit suspension directive  
13 to a secured creditor is a person listed in subdivision (a)(4) of this section,  
14 that person shall promptly notify the secured creditor that the credit  
15 suspension directive is withdrawn (i) if instructed by the borrower at any  
16 time to withdraw the directive or (ii) if the anticipated sale or new loan  
17 transaction is cancelled. Upon receipt of a notice from the person who  
18 originally gave the credit suspension directive that the credit suspension  
19 directive is withdrawn, the secured creditor may reinstate the borrower's  
20 right and ability to obtain credit advances."

21 **SECTION 7.** G.S. 45-36.8 reads as rewritten:

22 **"§ 45-36.8. Understated payoff statement; or short-pay statement; correction; effect.**

23 (a) If a secured creditor determines that the payoff amount it provided in a payoff  
24 statement or the short-pay amount it provided in a short-pay statement was understated, the  
25 creditor may send a corrected payoff ~~statement~~ or short-pay statement. If the entitled person or  
26 the person's authorized agent receives and has a reasonable opportunity to act upon a corrected  
27 payoff statement or short-pay statement before making payment, the corrected statement  
28 supersedes an earlier statement.

29 (b) A secured creditor that sends a payoff statement containing an understated payoff  
30 amount or a short-pay statement containing an understated short-pay amount may not deny the  
31 accuracy of the payoff amount or short-pay amount as against any person that reasonably and  
32 detrimentally relies upon the understated payoff ~~amount~~ amount or short-pay amount.

33 (c) This Article does not:

34 (1) Affect the right of a secured creditor to recover any sum that it did not  
35 include in a payoff amount or a short-pay amount from any person liable for  
36 payment of the secured obligation; or

37 (2) Limit any claim or defense that a person liable for payment of a secured  
38 obligation may have under law other than this Article."

39 **SECTION 8.** G.S. 45-36.9 reads as rewritten:

40 **"§ 45-36.9. Secured creditor to submit satisfaction for recording; liability for failure.**

41 (a) A secured creditor shall submit for recording a satisfaction of a security instrument  
42 within 30 days after the creditor receives full payment or performance of the secured  
43 obligation. If a security instrument secures a line of credit or future advances, the secured  
44 obligation is fully performed only if, in addition to full payment, the secured creditor has  
45 received (i) a notification requesting the creditor to terminate the line of ~~credit~~ credit, (ii) a  
46 credit suspension directive, or (iii) a notification containing ~~a~~ a clear and unambiguous  
47 statement sufficient to terminate the effectiveness of the provision for future advances in the  
48 security instrument ~~instrument~~ including, but not limited to, a request to terminate an equity  
49 line of credit given pursuant to G.S. 45-82.2 or a notice regarding future advances given  
50 pursuant to G.S. 45-82.3.

1        (a1) If the conditions stated in a short-pay statement are fully satisfied on or before the  
2 short-pay date stated in the short-pay statement, including the payment in full of the short-pay  
3 amount and the satisfaction of all other conditions precedent to the release set forth in the  
4 short-pay statement, then within 30 days after the short-pay date the secured creditor shall  
5 release the property which is the subject of the short-pay statement from the lien of the security  
6 instrument. The release of the property may be accomplished by a deed of release, an  
7 instrument of full or partial reconveyance, a partial release recorded pursuant to G.S. 45-36.22,  
8 the satisfaction of record of the security instrument by any of the means authorized in  
9 G.S. 45-37(a), or by any other lawful means.

10        ...."

11        **SECTION 9.** Article 4 of Chapter 45 of the General Statutes is amended by adding  
12 a new section to read as follows:

13        **"§ 45-36.22. Partial release: content and effect; form.**

14        (a) A document is a partial release if it does all of the following:

- 15            (1) Identifies the type of security instrument, the original parties to the security  
16 instrument, the recording data for the security instrument, and the office in  
17 which the security instrument is recorded.  
18            (2) States that the person signing the partial release is the secured creditor or, if  
19 the security instrument is a deed of trust, that the person or persons signing  
20 the partial release is or are the secured creditor, the trustee, or both the  
21 secured creditor and the trustee.  
22            (3) Contains language releasing property or an interest in property from the lien  
23 of the security instrument.  
24            (4) Is signed by the secured creditor or, if the security instrument is a deed of  
25 trust, by the secured creditor, the trustee, or both the secured creditor and the  
26 trustee, and acknowledged as required by law for a conveyance of an interest  
27 in real property.

28        (b) The register of deeds shall accept a partial release for recording unless one of the  
29 following applies:

- 30            (1) The document is submitted by a method or in a medium not authorized for  
31 registration by the register of deeds under applicable law.  
32            (2) The required recording fee is not paid.  
33            (3) The document is not signed by the secured creditor or, if the security  
34 instrument is a deed of trust, by the secured creditor, the trustee, or both the  
35 secured creditor and the trustee, and acknowledged as required by law for a  
36 conveyance of an interest in real property. The register of deeds shall not be  
37 required to verify or make inquiry concerning the truth of the matters stated  
38 in any partial release, or the authority of the person executing any partial  
39 release to do so.

40        (c) Upon recording, a partial release shall release from the lien of the security  
41 instrument the property or interest in property as is expressly described and released. With  
42 respect only to the specific property or interest in property identified and released by a partial  
43 release, the partial release shall (i) operate and have the same effect as a duly executed and  
44 recorded deed of release or reconveyance of the property or interest in the property; (ii) release  
45 and discharge all of the secured creditor's interest in the property or property interest arising  
46 from the security instrument; and (iii) if the security instrument is a deed of trust, release and  
47 discharge all the interest of the trustee in the property or property interest arising from the deed  
48 of trust. The security instrument shall otherwise remain in full force and effect, and the  
49 remainder of the property and interests in property described in and encumbered by the security  
50 instrument shall remain subject to the lien of the security instrument.

(d) The recording of a partial release does not by itself extinguish any liability of a person for payment or performance of the secured obligation.

(e) The provisions of this section are not exclusive. Property and interests in property may be released from the lien of a security instrument by methods other than the filing of a partial release.

(f) Unless the deed of trust provides otherwise, the trustee in a deed of trust is not a necessary party to a partial release.

(g) No particular phrasing is required for a partial release. The following form, when properly completed, is sufficient to satisfy the requirements of G.S. 45-36.22(a):

"PARTIAL RELEASE  
(G.S. 45-36.22)

The security instrument that is the subject of this Partial Release is identified as follows:

Type of Security Instrument: (identify type of security instrument, such as deed of trust or mortgage)

Original Grantor(s): (identify original grantor(s), trustor(s), or mortgagor(s))

Original Secured Party(ies): (identify the original beneficiary(ies), mortgagee(s), or secured party(ies) in the security instrument)

Recording Data: The security instrument is recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the Register of Deeds for \_\_\_\_\_ County, North Carolina.

The person or persons signing this Partial Release is/are: (check appropriate box)

The secured creditor.

The trustee or substitute trustee.

The secured creditor and the trustee or substitute trustee.

The following described property or interest in property (and no other) is released from the lien of the security instrument: (identify legal description of property or interest in property to be released)

Date: \_\_\_\_\_

Signature(s) of secured creditor  
and/or trustee

[Acknowledgment before officer authorized to take acknowledgments]".

**SECTION 10.** Article 4 of Chapter 45 of the General Statutes is amended by adding a new section to read as follows:

**"§ 45-36.23. Obligation release: content and effect.**

(a) A document is an obligation release if it does all of the following:

(1) Identifies the type of security instrument, the original parties to the security instrument, the recording data for the security instrument, and the office in which the security instrument is recorded.

(2) States that the person signing the obligation release is the owner and holder of the obligation or obligations to be released.

(3) Identifies one or more of the specific obligations that are secured by the security instrument and contains language confirming that, with respect to each such secured obligation, the obligation is no longer secured by the security instrument.

(4) Is signed by the owner and holder of the specific obligation or obligations to be released and acknowledged as required by law for a conveyance of an interest in real property.

1 (b) The register of deeds shall accept an obligation release for recording unless one of  
2 the following applies:

3 (1) The document is submitted by a method or in a medium not authorized for  
4 registration by the register of deeds under applicable law.

5 (2) The required recording fee is not paid.

6 (3) The document is not signed by the owner and holder of the obligation or  
7 obligations to be released and acknowledged as required by law for a  
8 conveyance of an interest in real property. The register of deeds shall not be  
9 required to verify or make inquiry concerning (i) the truth of the matters  
10 stated in any obligation release or (ii) the authority of the person executing  
11 any obligation release to do so.

12 (c) From and after the date an obligation release is recorded, the obligation or  
13 obligations specifically identified and released in the obligation release (and only such  
14 obligation or obligations) shall no longer be secured by the security instrument, without regard  
15 to whether the obligation has been paid in full and satisfied. Unless the obligation release states  
16 that the secured obligation has been paid in full and satisfied, the recording of an obligation  
17 release does not by itself extinguish any liability of a person for payment or performance of the  
18 obligation or obligations released.

19 (d) Secured obligations that are not specifically identified and released in an obligation  
20 release remain secured by the security instrument, and the recording of an obligation release  
21 does not extinguish any liability of a person for payment or performance of the remaining  
22 secured obligation or obligations. The recording of an obligation release has no effect on the  
23 lien of the security instrument on the real property described in the security instrument.

24 (e) Unless the deed of trust provides otherwise, the trustee in a deed of trust is not a  
25 necessary party to an obligation release.

26 (f) No particular phrasing is required for an obligation release. The following form,  
27 when properly completed, is sufficient to satisfy the requirements of G.S. 45-36.23(a):

28  
29 "OBLIGATION RELEASE  
30 (G.S. 45-36.23)

31 The undersigned is now the owner and holder of the obligation(s) to be released by this  
32 instrument. As used in this release, the term "Security Instrument" refers to the security  
33 instrument identified as follows:

34 Type of Security Instrument: (identify type of security instrument, such as deed of trust  
35 or mortgage)

36 Original Grantor(s): (identify original grantor(s), trustor(s), or mortgagor(s))

37 Original Secured Party(ies): (identify the original beneficiary(ies), mortgagee(s), or  
38 secured party(ies) in the security instrument)

39 Recording Data: The security instrument is recorded in Book \_\_\_\_\_ at Page  
40 \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the Register of  
41 Deeds for \_\_\_\_\_ County, North Carolina.

42 Secured obligations that are no longer secured. Each of the following obligations is no longer  
43 secured by the Security Instrument, without regard to whether the obligation has been paid in  
44 full and satisfied: (identify with particularity each secured obligation that will no longer be  
45 secured by the Security Instrument)

46 (Optional provision which may be used in addition to or in lieu of the paragraph above:)

47 Secured obligations that have been paid in full and satisfied. Each of the following obligations  
48 has been paid in full and satisfied and is consequently no longer secured by the Security  
49 Instrument: (identify with particularity each secured obligation that has been paid in full and  
50 satisfied and is consequently no longer secured by the Security Instrument)

51 Date: \_\_\_\_\_

Signature of owner and holder of  
the obligation(s) to be released

[Acknowledgment before officer authorized to take acknowledgments]"."

**SECTION 11.** Article 4 of Chapter 45 of the General Statutes is amended by adding a new section to read as follows:

**"§ 45-36.24. Expiration of lien of security instrument.**

(a) Maturity Date. – For purposes of this section:

(1) If a secured obligation is for the payment of money:

a. If all remaining sums owing on the secured obligation are due and payable in full on a date specified in the secured obligation, the maturity date of the secured obligation is the date so specified. If no such date is specified in the secured obligation, the maturity date of the secured obligation is the last date a payment on the secured obligation is due and payable under the terms of the secured obligation.

b. If all remaining sums owing on the secured obligation are due and payable in full on demand or on a date specified in the secured obligation, whichever first occurs, the maturity date of the secured obligation is the date so specified. If all sums owing on the secured obligation are due and payable in full on demand and no alternative date is specified in the secured obligation for payment in full, the maturity date of the secured obligation is the date of the secured obligation.

c. The maturity date of the secured obligation is "stated" in a security instrument if (i) the maturity date of the secured obligation is specified as a date certain in the security instrument, (ii) the last date a payment on the secured obligation is due and payable under the terms of the secured obligation is specified in the security instrument, or (iii) the maturity date of the secured obligation or the last date a payment on the secured obligation is due and payable under the terms of the secured obligation can be ascertained or determined from information contained in the security instrument, such as, for example, from a payment schedule contained in the security instrument.

(2) If the secured obligation is for the performance of some obligation other than the payment of money:

a. If the secured obligation is required to be performed by a date specified in the secured obligation, the maturity date of the secured obligation is the date so specified.

b. If the obligation is to be performed on demand or before a date specified in the secured obligation, whichever first occurs, the maturity date of the secured obligation is the date so specified. If the obligation is to be performed on demand and no alternative date for performance is specified in the secured obligation, the maturity date of the secured obligation is the date of the secured obligation.

c. The maturity date of the secured obligation is "stated" in a security instrument if (i) the maturity date of the secured obligation is specified as a date certain in the security instrument or (ii) the maturity date of the secured obligation can be ascertained or determined from information contained in the security instrument.

1        (b) Automatic Lien Expiration. – Except as provided in subsection (g) of this section,  
2 unless the lien of a security instrument that has been extended in the manner prescribed in  
3 subsection (c), (d), or (e) of this section, the security instrument has been foreclosed, or the  
4 security instrument has been satisfied of record pursuant to G.S. 45-37, the lien of a security  
5 instrument automatically expires, and the security instrument is conclusively deemed satisfied  
6 of record pursuant to G.S. 45-37, at the earliest of the following times:

7        (1) If the security instrument was first recorded before the date this section  
8 becomes law:

9            a. If the maturity date of the secured obligation is stated in the security  
10 instrument, 15 years after the maturity date.

11            b. If the maturity date is not stated in the security instrument, 35 years  
12 after the date the security instrument was recorded in the office of the  
13 register of deeds or [the date that is 35 years from the effective date  
14 of this section], whichever is later.

15            c. Without regard to whether the maturity date of the secured obligation  
16 is stated in the security instrument, 15 years from whichever of the  
17 following occurs last:

18                    1. The date when the conditions of the security instrument were  
19 required by its terms to have been performed.

20                    2. The date of maturity of the last installment of debt or interest  
21 secured thereby.

22                    3. The date an affidavit or separate instrument was recorded  
23 pursuant to the provisions of G.S. 45-37(b), if any such  
24 affidavit or separate instrument was recorded before [the  
25 effective date of this section] and before the lien of the  
26 security instrument expired.

27        (2) If the security instrument was first recorded on or after [the effective date of  
28 this section]:

29            a. If the maturity date of the secured obligation is stated in the security  
30 instrument, 15 years after the maturity date.

31            b. If the maturity date of the secured obligation is not stated in the  
32 security instrument, 35 years after the date the security instrument  
33 was recorded in the office of the register of deeds or [the date that is  
34 35 years from the effective date of this section], whichever is later.

35        (c) Methods To Extend a Lien. – The lien of a recorded security instrument may be  
36 extended one or more times by recording (i) a lien maturity extension agreement or (ii) a notice  
37 of maturity date. If more than one lien maturity extension agreement or notice of maturity date  
38 is recorded, the most recently recorded lien maturity extension agreement or notice of maturity  
39 date controls in determining when the lien of a security instrument expires. A lien maturity  
40 extension agreement or notice of maturity date is ineffective unless recorded before the lien  
41 expires. The lien of the original security instrument may not be extended to a date more than 50  
42 years after the date the security instrument was originally recorded in the office of the register  
43 of deeds without the written agreement of the then owner of the property encumbered by the  
44 lien of the security instrument.

45        (d) Lien Maturity Extension Agreement. –

46            (1) The lien of a recorded security instrument may be extended to a date  
47 specified in a lien maturity extension agreement, provided the lien maturity  
48 extension agreement is recorded before the lien expires. When a lien  
49 maturity extension agreement has been duly recorded, the lien of the security  
50 instrument will expire on the date specified in the lien maturity extension  
51 agreement.

(2) A document (including any document that modifies, amends, or restates a security instrument) is a lien maturity extension agreement if it does all of the following:

a. Identifies the type of security instrument, the original parties to the security instrument, the recording data for the security instrument, and the office in which the security instrument is recorded.

b. States the date to which the lien of the security instrument is extended.

c. Is signed by the secured creditor and the then owner of the property encumbered by the lien of the security instrument, and acknowledged as required by law for a conveyance of an interest in real property.

(3) No particular phrasing is required for a lien maturity extension agreement. The following form, when properly completed, is sufficient to satisfy the requirements for a lien maturity extension agreement:

"LIEN MATURITY EXTENSION AGREEMENT

(G.S. 45-36.24(d))

\_\_\_\_\_ is now the secured creditor under the security instrument identified as follows:

Type of Security Instrument: (identify type of security instrument, such as deed of trust or mortgage)

Original Grantor(s): (identify original grantor(s), trustor(s), or mortgagor(s))

Original Secured Party(ies): (identify the original beneficiary(ies), mortgagee(s), or secured party(ies) in the security instrument)

Recording Data: The security instrument is recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the Register of Deeds for \_\_\_\_\_ County, North Carolina.

\_\_\_\_\_ is now the owner of the real property encumbered by the lien of the security instrument.

Pursuant to G.S. 45-36.24(d), the lien of the security instrument is extended to and including \_\_\_\_\_ (specify date).

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Current Owner  
of Real Property

\_\_\_\_\_  
Signature of Secured Creditor

[Acknowledgments before officer authorized to take acknowledgments]"

(e) Notice of Maturity Date. –

(1) The lien of a recorded security instrument may be extended by a notice of maturity date, provided the notice of maturity date is recorded before the lien expires.

(2) When a notice of maturity date signed only by the secured creditor has been duly recorded, the lien of the security instrument will expire at the earliest of the following times: (i) 15 years after the maturity of the secured obligation as stated in the notice of maturity date or (ii) 50 years after the date the security instrument was originally recorded in the office of the register of deeds. A document signed only by the secured creditor is a notice of maturity date if it does all of the following:

a. Identifies the type of security instrument, the original parties to the security instrument, the recording data for the security instrument, and the office in which the security instrument is recorded.



- b. States that the person signing the notice of maturity date is the secured creditor.
- c. States the maturity date of the secured obligation.
- d. Is signed by the secured creditor, and acknowledged as required by law for a conveyance of an interest in real property.

(3) When a notice of maturity date signed by the secured creditor and by the then owner of the property encumbered by the lien of the security instrument has been duly recorded, the lien of the security instrument will expire 15 years after the maturity date of the secured obligation as stated in the notice of maturity. A document (including any document that modifies, amends, or restates a security instrument) signed by the secured creditor and by the then owner of the property encumbered by the lien of the security instrument is a notice of maturity date if it:

- a. Identifies the type of security instrument, the original parties to the security instrument, the recording data for the security instrument, and the office in which the security instrument is recorded.
- b. States the maturity date of the secured obligation.
- c. Is signed by the secured creditor and the then owner of the property encumbered by the lien of the security instrument, and acknowledged as required by law for a conveyance of an interest in real property.

(4) No particular phrasing is required for a notice of maturity date. The following form, when properly completed, is sufficient to satisfy the requirements for a notice of maturity date signed only by the secured creditor:

"NOTICE OF MATURITY DATE  
(G.S. 45-36.24(e))

The undersigned is now the secured creditor under the security instrument identified as follows:

Type of Security Instrument: (identify type of security instrument, such as deed of trust or mortgage)

Original Grantor(s): (identify original grantor(s), trustor(s), or mortgagor(s))

Original Secured Party(ies): (identify the original beneficiary(ies), mortgagee(s), or secured party(ies) in the security instrument)

Recording Data: The security instrument is recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the Register of Deeds for \_\_\_\_\_ County, North Carolina.

The maturity date of the secured obligation is \_\_\_\_\_ (specify date).

Date: \_\_\_\_\_  
Signature of Secured Creditor

[Acknowledgment before officer authorized to take acknowledgments]"

(f) Exception. – The register of deeds shall accept a lien maturity extension agreement or a notice of maturity date for recording and index the document as a subsequent instrument in accordance with G.S. 161-14.1, unless one of the following applies:

- (1) The document is submitted by a method or in a medium not authorized for registration by the register of deeds under applicable law.
- (2) The required recording fee is not paid.
- (3) The document is not signed and acknowledged as required by law for a conveyance of an interest in real property. The register of deeds shall not be

1           required to verify or make inquiry concerning (i) the truth of the matters  
2           stated in the document, (ii) whether the parties to the document are in fact  
3           the secured creditor and the then owner of the real property encumbered by  
4           the lien of the security instrument, or (iii) the authority of any person  
5           executing the document to do so.

6           (g) Foreclosure Proceedings. – No proceeding may be commenced to foreclose the lien  
7           of a security instrument unless the proceeding is commenced prior to the date on which the lien  
8           of the security instrument expires. However, if a proceeding to foreclose the lien of a security  
9           instrument is commenced before the lien of the security instrument expires, the lien created by  
10           the security instrument shall continue until final disposition of the proceeding. This provision  
11           shall not be construed as extending the lien or the right to bring or maintain any action for  
12           which a shorter period may be provided by law.

13           (h) No Shortening of Lien Without Secured Creditor's Consent. – Subject to the  
14           provisions of G.S. 45-37, the duration of the lien of a security instrument may not be shortened  
15           without the consent of the secured creditor.

16           (i) No Release or Satisfaction Necessary. – No release, satisfaction, or other instrument  
17           is necessary to discharge the lien of a security instrument that has expired; however, nothing in  
18           this section shall be construed as affecting or preventing the execution and recordation of any  
19           such release, satisfaction, or other document.

20           (j) Trustee in a Deed of Trust. – For purposes of this section, the trustee or substitute  
21           trustee in a deed of trust (i) shall not be considered the owner of the property encumbered by  
22           the lien of the deed of trust and (ii) shall not be a necessary party to a lien maturity extension  
23           agreement or notice of maturity date.

24           (k) Applicability. – This section applies to all security instruments, whether recorded  
25           before, on, or after the effective date of this section, except the following:

26           (1) Any security instrument securing the payment of money or securing the  
27           performance of any other obligation or obligations conclusively presumed to  
28           have been fully paid and performed pursuant to the provisions of  
29           G.S. 45-37(b) prior to [the effective date of this section].

30           (2) Any security instrument made or given by any railroad company, or any  
31           agreement of conditional sale, equipment trust agreement, lease, chattel  
32           mortgage or other instrument relating to the sale, purchase or lease of  
33           railroad equipment or rolling stock, or of other personal property."

34           **SECTION 12.** G.S. 45-37(b) reads as rewritten:

35           **"§ 45-37. Satisfaction of record of security instruments.**

36           ...

37           (b) It shall be conclusively presumed that the conditions of any security instrument  
38           recorded before [the effective date of the amendment] securing the payment of money or  
39           securing the performance of any other obligation or obligations have been complied with or the  
40           debts secured thereby paid or obligations performed, as against creditors or purchasers for  
41           valuable consideration from the mortgagor or grantor, from and after the expiration of 15 years  
42           from whichever of the following occurs last:

43           (1) The date when the conditions of the security instrument were required by its  
44           terms to have been performed, or

45           (2) The date of maturity of the last installment of debt or interest secured  
46           thereby;

47           provided that on or before [the effective date of the amendment] and before the lien has expired  
48           pursuant to this subsection, the holder of the indebtedness secured by the security instrument or  
49           party secured by any provision thereof may file an affidavit with the register of deeds which  
50           affidavit shall specifically state:

51           (1) The amount of debt unpaid, which is secured by the security instrument; or

1 (2) In what respect any other condition thereof shall not have been complied  
 2 with; or  
 3 may record a separate instrument signed by the secured creditor and witnessed by the register  
 4 of deeds stating:

5 (1) Any payments that have been made on the indebtedness or other obligation  
 6 secured by the security instrument including the date and amount of  
 7 payments and

8 (2) The amount still due or obligations not performed under the security  
 9 instrument.

10 The effect of the filing of the affidavit or the recording of a separate instrument made as herein  
 11 provided shall be to postpone the effective date of the conclusive presumption of satisfaction to  
 12 a date 15 years from the filing of the affidavit or from the recording of the separate instrument.  
 13 There shall be only one postponement of the effective date of the conclusive presumption  
 14 provided for herein. The register of deeds shall record and index the affidavit provided for  
 15 herein or the separate instrument made as herein provided as a subsequent instrument in  
 16 accordance with G.S. 161-14.1. This subsection shall not apply to any security instrument made  
 17 or given by any railroad company, or to any agreement of conditional sale, equipment trust  
 18 agreement, lease, chattel mortgage or other instrument relating to the sale, purchase or lease of  
 19 railroad equipment or rolling stock, or of other personal property.

20 The lien of any security instrument that secured the payment of money or the performance  
 21 of any other obligation or obligations and that was conclusively presumed to have been fully  
 22 paid and performed prior to [the effective date of the amendment] pursuant to the provisions of  
 23 this subsection is conclusively deemed to have expired and shall be of no further force or  
 24 effect. No release, satisfaction, or other instrument is necessary to discharge the lien of a  
 25 security instrument that has expired; however, nothing in this section shall be construed as  
 26 affecting or preventing the execution and recordation of any such release, satisfaction, or other  
 27 document.

28 This subsection shall apply only to security instruments securing the payment of money or  
 29 securing the performance of any other obligation or obligations that were conclusively  
 30 presumed pursuant to this subsection to have been fully paid and performed prior to [the  
 31 effective date of this section]. All other security instruments shall be subject to the provisions  
 32 of G.S. 45-36.24."

33 **SECTION 13.** G.S. 45-37.2 reads as rewritten:

34 "**§ 45-37.2. Recording satisfactions of ~~and~~ and other documents relating to security**  
 35 **instruments.**

36 (a) ~~When a satisfaction document, affidavit of satisfaction, or trustee's satisfaction is~~  
 37 ~~recorded pursuant to G.S. 45-37(a)(7), the~~The register of deeds shall record and index the  
 38 ~~instrument~~ following instruments in accordance with ~~G.S. 161-14.1.~~G.S. 161-14.1:

39 (1) A substitution of trustee.

40 (2) A document of rescission recorded pursuant to G.S. 45-36.6.

41 (3) A deed of release or reconveyance.

42 (4) A partial release recorded pursuant to G.S. 45-36.22.

43 (5) An obligation release recorded pursuant to G.S. 45-36.23.

44 (6) A satisfaction document, affidavit of satisfaction, or trustee's satisfaction  
 45 recorded pursuant to G.S. 45-37(a)(7).

46 (7) A lien maturity extension agreement or notice of maturity date recorded  
 47 pursuant to G.S. 45-36.24.

48 No fee shall be charged by the register of deeds for recording a satisfaction document,  
 49 affidavit of satisfaction, or a trustee's satisfaction.

50 (b) When a security instrument is satisfied of record by a method other than by means  
 51 of recording a satisfaction document, satisfaction affidavit, or trustee's satisfaction pursuant to

1 G.S. 45-37(a)(7), the register of deeds shall record and index in accordance with  
2 ~~G.S. 161-14.1~~G.S. 161-14.1 a record of satisfaction as provided for in this subsection. If the  
3 security instrument is being satisfied of record pursuant to G.S. 45-37(a)(2), the record of  
4 satisfaction may consist of either (i) all or a portion of the original security instrument  
5 rerecorded as described in subdivision (1) of this subsection or (ii) a separate instrument as  
6 described in subdivision (2) of this subsection. In all other cases, the record of satisfaction shall  
7 consist of a separate instrument as described in subdivision (2) of this subsection. No fee shall  
8 be charged by the register of deeds for recording a record of satisfaction.

9 ...."

10 **SECTION 14.** Article 4 of Chapter 45 of the General Statutes is amended by  
11 adding a new section to read as follows:

12 **"§ 45-42.3. Automatic release of real property from ancillary security instruments.**

13 (a) The following definitions shall apply in this section:

14 (1) Ancillary security instrument. – An assignment of leases with respect to the  
15 real property, an assignment of rents from or arising out of the real property,  
16 a financing statement covering fixtures on the real property that is filed in  
17 the office of the register of deeds in the county in which the real property is  
18 located, and any other document or instrument that assigns, or creates a lien  
19 on, an interest in the real property.

20 (2) Real property. – The real property described in and encumbered by the lien  
21 of a security instrument.

22 (b) Except as provided in subsection (c) of this section, (i) the expiration of the lien of a  
23 security instrument pursuant to G.S. 45-36.24 or the satisfaction of a security instrument of  
24 record pursuant to G.S. 45-37 shall be deemed automatically to release the real property from  
25 the operation of all ancillary security instruments that secure the same obligation or obligations  
26 secured by the security instrument and (ii) the recording of a partial release pursuant to  
27 G.S. 45-36.22 or the recording of a deed of release shall be deemed automatically to release the  
28 real property described in the partial release or deed of release from the operation of all  
29 ancillary security instruments that secure the same obligation or obligations secured by the  
30 security instrument.

31 (c) Subsection (b) of this section shall not apply to an ancillary security instrument if (i)  
32 the ancillary security instrument secures obligations other than, or in addition to, the obligation  
33 or obligations secured by the security instrument; (ii) the security instrument, the ancillary  
34 security instrument, or the document recorded in the office of the register of deeds to satisfy the  
35 security instrument of record expressly states that the satisfaction of the security instrument of  
36 record shall not release the real property from the operation of that particular ancillary security  
37 instrument or from ancillary security instruments in general; or (iii) the security instrument, the  
38 ancillary security instrument, the partial release, or the deed of release expressly states that the  
39 partial release or deed of release shall not release real property from the operation of that  
40 particular ancillary security instrument or ancillary security instruments in general."

41 **SECTION 15.** Article 5 of Chapter 45 of the General Statutes is amended by  
42 adding a new section to read as follows:

43 **"§ 45-45.3. Trustee in a deed of trust.**

44 (a) The following definitions apply in this section:

45 (1) Secured creditor. – The holder, owner, or assignee of the obligation secured  
46 by a deed of trust.

47 (2) Trustee. – The trustee or substitute trustee then serving as such under the  
48 terms of a deed of trust.

49 (b) Unless the deed of trust provides otherwise, all of the following may be done  
50 without the knowledge, consent, or joinder of the trustee:

- 1           (1) Pursuant to G.S. 45-36.23, an obligation may be declared by the owner and  
2 holder of the obligation to be no longer secured by the deed of trust.
- 3           (2) Property may be released from the lien of a deed of trust by the secured  
4 creditor.
- 5           (3) The lien of a deed of trust may be released or subordinated by the secured  
6 creditor.
- 7           (4) The terms of a deed of trust may be modified by the secured creditor and the  
8 then record owner of the property encumbered by the lien of the deed of  
9 trust.
- 10          (5) The deed of trust may be satisfied of record by the secured creditor.

11          (c) Except in matters relating to the foreclosure of the deed of trust or the exercise of a  
12 power of sale under the terms of the deed of trust, the trustee is neither a necessary nor a proper  
13 party to any civil action or proceeding involving (i) title to the real property encumbered by the  
14 lien of the deed of trust or (ii) the priority of the lien of the deed of trust. Examples of civil  
15 actions or proceedings in which the trustee is neither a necessary nor a proper party include, but  
16 are not limited to, civil actions or proceedings relating to:

- 17           (1) Condemnation.
- 18           (2) Bankruptcy.
- 19           (3) The establishment or correction of title to real property, including, but not  
20 limited to, actions to quiet title, reform land records, or resolve boundary  
21 line disputes.
- 22           (4) Fraudulent conveyances.
- 23           (5) The creation or enforcement of an attachment or judgment lien.
- 24           (6) The foreclosure of a lien other than the lien of the deed of trust, regardless of  
25 whether the lien is superior or subordinate to the lien of the deed of trust,  
26 including, but not limited to, the foreclosure of mortgages, other deeds of  
27 trust, tax liens, and assessment liens.
- 28           (7) The establishment, perfection, or enforcement of a mechanic's or  
29 materialman's lien.
- 30           (8) The creation or enforcement of a constructive trust, resulting trust, or  
31 equitable lien relating to the property.
- 32           (9) The partition of real property.
- 33           (10) The interpretation or enforceability of a will, trust, or estate.
- 34           (11) A subrogation claim or other equitable claim or defense involving the  
35 priority or enforceability of a deed of trust.
- 36           (12) Determination or enforcement of rights and obligations involving easements  
37 or restrictive covenants.

38          (d) If a trustee is improperly joined as a party to an action or proceeding when this  
39 section provides that the trustee is neither a necessary nor a proper party to that action or  
40 proceeding, then:

- 41           (1) Upon motion duly made by any party to the action or proceeding, the trustee  
42 shall be dismissed from the action or proceeding;
- 43           (2) Regardless of whether the trustee makes an appearance in the action or  
44 proceeding, no entry of a default or default judgment shall be entered against  
45 the trustee; and
- 46           (3) If the trustee makes an appearance in the action or proceeding, each person  
47 who improperly joined the trustee as a party to the action or proceeding shall  
48 be jointly and severally liable to the trustee for all the expenses and costs  
49 incurred by the trustee in the defense of the action or proceeding or in  
50 obtaining the trustee's dismissal from the action or proceeding, including the  
51 reasonable attorneys' fees actually incurred by the trustee.

1       (e) Except as expressly provided in this section, this section is not in derogation of case  
2 law and statutory provisions that vest legal title to property conveyed by a deed of trust in the  
3 trustee named therein."

4               **SECTION 16.** G.S. 45-68 reads as rewritten:

5 **"§ 45-68. Requirements.**

6       A security instrument, otherwise valid, shall secure the following so as to give priority as  
7 provided in G.S. 45-70:

8               ...  
9               (1a) Existing obligations that are specifically or generally identified~~identified,~~  
10 described, or referenced in the security instrument as being secured thereby,  
11 and all advances made at or prior to the registration of the security  
12 instrument.

13               (1b) Future advances and future obligations that are specifically or generally  
14 identified, described, or referenced in the security instrument as being  
15 secured thereby that may from time to time be made or incurred~~under the~~  
16 ~~security instrument, incurred,~~ but only if the security instrument shows all of  
17 the following:

18               a. That the security instrument is given wholly or partly to secure future  
19 advances and/or future ~~obligations that may be made or incurred~~  
20 under the security instrument.  
21               ...."

22               **SECTION 17.** G.S. 45-69 reads as rewritten:

23 **"§ 45-69. Fluctuation of obligations within maximum amount.**

24       Unless the security instrument provides to the contrary, if the maximum amount secured by  
25 the security instrument has not been advanced or if any obligation secured thereby is paid or is  
26 reduced by partial payment, further advances may be made and additional obligations secured  
27 by the security instrument may be incurred from time to time within the time limit fixed by the  
28 security instrument. Such further advances and ~~obligations~~ obligations, together with interest  
29 thereon, shall be secured to the same extent as original advances and obligations under the  
30 security instrument, if the provisions of G.S. 45-68 are complied with. ~~However, if at any time~~  
31 ~~the aggregate outstanding principal balance of the obligation or obligations secured by the~~  
32 ~~security instrument exceeds the maximum principal amount that may be secured by the security~~  
33 ~~instrument at any one time, then the excess shall not be secured by the security instrument."~~

34               **SECTION 18.** G.S. 45-70 reads as rewritten:

35 **"§ 45-70. Priority of security instrument.**

36               (a) ~~Any Subject to subsections (a1), (c), and (d) of this section, any~~ security instrument  
37 that conforms to the requirements of this Article shall, from the time and date of registration  
38 thereof, have the same priority to the extent of all future advances and future obligations  
39 secured by it, and all interest accruing thereon, as if all the advances had been made and all the  
40 obligations ~~incurred~~ incurred, and all the interest accrued at the time the security instrument  
41 was registered.

42               (a1) Subject to subsections (c) and (d) of this section, if at any time the aggregate  
43 outstanding principal balance of the obligation or obligations secured by a security instrument  
44 that conforms to the requirements of this Article exceeds the maximum principal amount that  
45 may be secured by the security instrument at any one time, then, unless the security instrument  
46 provides otherwise, the amount in excess and the interest accrued on the amount in excess shall  
47 be secured by the security instrument, but (i) the amount in excess and the interest accrued on  
48 the amount in excess shall not be afforded the priority provided in subsection (a) of this section  
49 and (ii) the priority of the lien of the security instrument with respect to the amount in excess  
50 and the interest accrued on the amount in excess shall be determined by other applicable law.

51               (b) Repealed by Session Laws 1989, c. 496, s. 3.

1       (c) ~~Payments made by the secured creditor for fire and extended coverage insurance,~~  
2 ~~taxes, assessments, or other necessary expenditures for the preservation of the security.~~ All  
3 payments made, sums advanced, and expenses incurred by the secured creditor for insurance,  
4 taxes, and assessments, to protect the secured creditor's interest under the security instrument,  
5 or to preserve and protect the value or condition of the real property encumbered by the  
6 security instrument shall be secured by the security instrument and shall have the same priority  
7 as if such payments had been made they had been paid, advanced, or incurred at the time the  
8 security instrument was registered. The provisions of G.S. 45-68 shall not be applicable to such  
9 payments, advances, or expenses, nor shall accrued interest or such payments payments,  
10 advances, or accrued interest expenses be considered in computing the maximum principal  
11 amount which may be that is secured by the security instrument instrument at any one time.

12       (d) Notwithstanding any other provision of this Article, any security instrument  
13 hereafter executed which secures an obligation or obligations of an electric or telephone  
14 membership corporation incorporated or domesticated in North Carolina to the United States of  
15 America or any of its agencies, or to any other financing institution, or of an electric or gas  
16 utility operating in North Carolina, shall from the time and date of registration of said security  
17 instrument have the same priority to the extent of (i) all future obligations incurred by the  
18 membership corporation or utility to any mortgagee or beneficiary named in the security  
19 instrument, together with interest thereon, (ii) all future advances secured by it it, together with  
20 interest thereon, and (iii) all payments made, sums advanced, and expenses incurred by the  
21 secured creditor of the types described in subsection (c) of this section, as if all the advances  
22 had been made they all had been accrued, paid, made, advanced, and incurred at the time of the  
23 execution registration of the security instrument, regardless of whether the making of such  
24 advances is obligatory or whether the security instrument meets the requirements of  
25 G.S. 45-68."

26       **SECTION 19.** G.S. 45-74 reads as rewritten:

27       "**§ 45-74. Article not exclusive.**

28       The provisions of this Article shall not be deemed ~~exclusive, and no security instrument~~  
29 ~~securing future advances or future obligations which is otherwise valid shall be invalidated by~~  
30 ~~failure to comply with the provisions of this Article.~~ exclusive. Nothing in this Article shall  
31 invalidate or overrule any rule of validity or priority applicable to any security instrument  
32 failing to comply with the provisions of this Article."

33       **SECTION 20.** G.S. 45-81 reads as rewritten:

34       "**§ 45-81. Definition.**Definitions.

35       (a) The term "equity line of credit" means ~~an agreement in writing between a lender and~~  
36 ~~a borrower for an extension of credit pursuant to which:~~

- 37       (1) ~~At any time within a specified period not to exceed 30 years the borrower~~  
38 ~~may request and the lender is obligated to provide, by honoring negotiable~~  
39 ~~instruments drawn by the borrower or otherwise, advances up to an agreed~~  
40 ~~aggregate limit;~~  
41       (2) ~~Any repayments of principal by the borrower within the specified period will~~  
42 ~~reduce the amount of advances counted against the aggregate limit; and~~  
43       (3) ~~The borrower's obligation to the lender is secured by a mortgage or deed of~~  
44 ~~trust relating to real property which mortgage or deed of trust shows on its~~  
45 ~~face the maximum principal amount which may be secured at any one time~~  
46 ~~and that it secures an equity line of credit governed by the provisions of this~~  
47 ~~Article.~~

48       (b) As used in subdivision (a)(1) of this section, "lender is obligated" means ~~that the~~  
49 ~~lender is contractually bound to provide advances. The contract must set forth any events of~~  
50 ~~default by the borrower, or other events not within the lender's control, which may relieve the~~

1 lender from his obligation, and must state whether or not the lender has reserved the right to  
2 cancel or terminate the obligation.

3 (e) ~~At any time when the balance of all outstanding sums secured by a mortgage or~~  
4 ~~deed of trust pursuant to the provisions of this Article is zero, the lender shall, upon the request~~  
5 ~~of the borrower, make written entry upon the security instrument showing payment and~~  
6 ~~satisfaction of the instrument; provided, however, that such security instrument shall remain in~~  
7 ~~full force and effect for the term set forth therein absent the borrower's request for such written~~  
8 ~~entry. No prepayment penalty may be charged with respect to an equity line of credit loan.~~

9 The following definitions apply in this Article:

10 (1) Authorized person. – Any borrower; the legal representative of any  
11 borrower; the attorney for any borrower; a title insurance company  
12 authorized pursuant to Article 26 of Chapter 58 of the General Statutes to  
13 issue title insurance policies in the State of North Carolina, but only when  
14 the company is acting in connection with a title insurance policy issued or to  
15 be issued with respect to property then encumbered by an existing equity  
16 line security instrument; or an attorney licensed to practice law in the State  
17 of North Carolina or a bank, savings and loan association, savings bank, or  
18 credit union, but only when (i) the attorney, bank, savings and loan  
19 association, savings bank, or credit union is or was responsible for the  
20 disbursement of funds in connection with the sale of, or a new loan secured  
21 by, property then encumbered by an existing equity line security instrument  
22 and (ii) a requirement of the sale or new loan transaction is or was that the  
23 property be conveyed or encumbered free and clear of the lien of the existing  
24 equity line security instrument.

25 (2) Borrower. – A person primarily liable for payment or performance of an  
26 equity line of credit.

27 (3) Equity line of credit. – An agreement in writing between a lender and a  
28 borrower for an extension of credit pursuant to which (i) at any time within a  
29 specified period not to exceed 30 years the borrower may request and the  
30 lender is obligated to provide advances up to an agreed aggregate limit; (ii)  
31 any repayments of principal by the borrower within the specified period will  
32 reduce the amount of advances counted against the aggregate limit; and (iii)  
33 the borrower's obligation to the lender is secured by an equity line security  
34 instrument.

35 (4) Equity line security instrument. – An agreement, however denominated, that  
36 creates or provides for an interest in real property to secure payment or  
37 performance of an equity line of credit, whether or not it also creates or  
38 provides for a lien on personal property, shows on its face the maximum  
39 principal amount which may be secured at any one time, and shows on its  
40 face that it secures an equity line of credit governed by the provisions of this  
41 Article. The term "equity line security instrument" includes a deed of trust  
42 and a mortgage.

43 (5) Lender is obligated. – The lender is contractually bound to provide  
44 advances. The contract must set forth any events of default by the borrower,  
45 or other events not within the lender's control, which may relieve the lender  
46 from his obligation, and must state whether or not the lender has reserved the  
47 right to cancel or terminate the obligation.

48 (6) Notice regarding future advances. – A written notice submitted under  
49 G.S. 45-82.3 to a lender that prevents certain advances made pursuant to an  
50 equity line of credit from being secured by the related equity line security  
51 instrument.



- 1           (7) Owner. – Any person owning a present or future interest in the real property  
2 encumbered by an equity line security instrument, but does not mean the  
3 trustee in a deed of trust or the owner or holder of a mortgage, deed of trust,  
4 mechanic's or materialman's lien, judgment lien, or any other lien on, or  
5 security interest in, the real property.
- 6           (8) Person. – An individual, corporation, business trust, estate, trust, partnership,  
7 limited liability company, association, joint venture, public corporation,  
8 government, or governmental subdivision, agency, or instrumentality, or any  
9 other legal or commercial entity.
- 10          (9) Qualified lien holder. – A person who has a mortgage or deed of trust on  
11 property already encumbered by an existing equity line security instrument,  
12 where that person's mortgage or deed of trust was recorded after the existing  
13 equity line security instrument and it appears from warranties or otherwise  
14 that the person's mortgage or deed of trust was not intended to be  
15 subordinate to the existing equity line security instrument. The term does not  
16 include a trustee under a deed of trust.
- 17          (10) Request to terminate an equity line of credit and termination request. – A  
18 written request submitted under G.S. 45-82.2 to a lender to terminate an  
19 equity line of credit. Each of the following shall be deemed a termination  
20 request: (i) a notification given pursuant to G.S. 45-36.9(a) requesting the  
21 lender to terminate the equity line of credit, (ii) a notification given pursuant  
22 to G.S. 45-36.9(a) containing a statement sufficient to terminate the  
23 effectiveness of the provision for future advances in the equity line security  
24 instrument, and (iii) a written request made by or on behalf of a borrower to  
25 a lender pursuant to G.S. 45-37 to satisfy a related equity line security  
26 instrument as a matter of public record."

27           **SECTION 21.** G.S. 45-82 reads as rewritten:

28           "**§ 45-82. Priority of equity line security instrument.**

29           ~~A mortgage or deed of trust which~~ An equity line security instrument shows on its face that  
30 ~~it secures an equity line of credit governed by the provisions of this Article,~~ shall, from the time  
31 and date of its registration, have the same priority to the extent of all advances secured by it as  
32 if the advances had been made at the time of the ~~execution~~ registration of the equity line  
33 ~~mortgage or deed of trust,~~ security instrument, notwithstanding the fact that from time to time  
34 during the term of the ~~loan~~ equity line of credit no balance is outstanding. ~~Payments made by~~  
35 ~~the lender for insurance, taxes, and assessments and other payments made by the lender~~  
36 ~~pursuant to the deed of trust shall have the same priority as if made at the time of the execution~~  
37 ~~of the mortgage or deed of trust, notwithstanding the maximum principal amount set forth in~~  
38 ~~the mortgage or deed of trust.~~ Interest that accrues on the equity line of credit and all payments  
39 made, sums advanced, and expenses incurred by the lender for insurance, taxes, and  
40 assessments, to protect the lender's interest under the equity line security instrument, or to  
41 preserve and protect the value or condition of the property encumbered by the equity line  
42 security instrument, shall be secured by the equity line security instrument and shall have the  
43 same priority as if they had been accrued, paid advanced, and incurred at the time the equity  
44 line security instrument was registered. The accrued interest, payments, advances, and expenses  
45 shall not be considered in computing the principal amount that is secured by the equity line  
46 security instrument at any one time."

47           **SECTION 22.** G.S. 45-82.1 reads as rewritten:

48           "**§ 45-82.1. Extension of period for advances.**

49           (a) The period for advances agreed to pursuant to G.S. 45-81(a)(1) may be extended by  
50 written agreement of the lender and borrower executed and registered prior to expiration or  
51 termination of the equity line of credit or the borrower's obligation to repay any outstanding

1 indebtedness. Any extended period shall not exceed 30 years from the end of the preceding  
2 period for advances.

3 (b) If a lender and borrower extend the period for advances by registering a certificate  
4 as described in subsection (c) of this section, A mortgage or deed of trust that secures an equity  
5 line of credit to which the lender and borrower have agreed to an extended period for advances  
6 shall have priority with respect to advances that are made after the preceding loan period period  
7 for advances provided in the original recorded equity line security instrument or any previously  
8 recorded extension shall have priority from a date not later than the date of registration of the  
9 certificate described in subsection (c) of this section.

10 (c) The priority provided in subsection (b) of this section shall be accorded only if the  
11 grantor of the mortgage or the deed of trust securing the obligation, lender, the borrower, and, if  
12 different than the borrower, the then owners of the real property encumbered by the equity line  
13 security instrument and other record owners of the real property therein conveyed, execute a  
14 certificate evidencing the extension and register the certificate in the office of the register of  
15 deeds where the equity line mortgage or deed of trust security instrument is registered. The  
16 failure of any record owner to execute the certificate shall affect only that record owner's  
17 interest in the property, and executions by other owners shall have full effect to the extent of  
18 their interests in the property. For purposes of this section, the term "record owner" means any  
19 person owning a present or future interest of record in the real property which would be  
20 affected by the lien of the mortgage or deed of trust, but does not mean the trustee in a deed of  
21 trust or the owner or holder of a mortgage, deed of trust, mechanic's or materialman's lien, or  
22 any other lien or security interest in the real property.

23 (d) The certificate described in subsection (c) of this section may be in any form that  
24 fulfills the requirements of subsection (c) of this section, including the following: No particular  
25 phrasing is required for a certificate of extension under this section. The following form, when  
26 properly completed, is sufficient to satisfy the requirements of subsection (c) of this section:

27  
28 "Certificate of Extension of Period for Advances Under Home Equity Line of Credit  
29

30 Please take notice that the borrower and lender under the home equity line of credit secured  
31 by the (deed of trust) (mortgage) recorded on \_\_\_\_\_ in Book \_\_\_\_\_, at  
32 Page \_\_\_\_\_, records of this County, have agreed to extend the period within which the  
33 borrower may request advances as set forth in G.S. 45-82.1. The borrower's obligations to  
34 repay advances and related undertakings are secured by the (deed of trust) (mortgage).  
35

36 WITNESS the signatures and seals of the undersigned, this \_\_\_\_\_ day of  
37 \_\_\_\_\_, \_\_\_\_\_.

38  
39 (SEAL)  
40 (Grantor (s))

41  
42 (SEAL)  
43 Other record owner(s)

44  
45 (SEAL)  
46 (Mortgagee or Beneficiary)  
47 (Acknowledgment as required by law)."

48 "Certificate of Extension of Period for Advances Under Equity Line of Credit  
49 (G.S. 45-82.1)

50 \_\_\_\_\_ is now the lender and secured creditor in the security instrument identified  
51 as follows:

Type of Security Instrument: (identify type of security instrument, such as deed of trust or mortgage)
Original Grantor(s): (identify original grantor(s), trustor(s), or mortgagor(s))
Original Secured Party(ies): (identify the original beneficiary(ies), mortgagee(s), or secured party(ies) in the security instrument)
Recording Data: The security instrument is recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the Register of Deeds for \_\_\_\_\_ County, North Carolina.

The borrower(s) is/are the following: \_\_\_\_\_

The current owner(s) of the property described in the security instrument is/are: \_\_\_\_\_.

The parties have agreed to extend to \_\_\_\_\_ (insert date) the period within which the borrower may request advances as set forth in G.S. 45-82.1.

Date: \_\_\_\_\_

Signature of secured creditor

Signature of borrower(s)
different)

Signature of property owner(s) (if

[Acknowledgment before officer authorized to take acknowledgments]".

SECTION 23. Article 9 of Chapter 45 of the General Statutes is amended by adding a new section to read as follows:

"§ 45-82.2. Request to terminate an equity line of credit.

(a) Upon receipt of a request from an authorized person to terminate an equity line of credit, the lender shall (i) terminate the borrower's right to obtain advances under the borrower's equity line of credit; (ii) apply all sums subsequently paid by or on behalf of the borrower in connection with the equity line of credit to the satisfaction of the equity line of credit and other sums secured by the related equity line security instrument; and, (iii) when the balance of all outstanding sums secured by the related equity line security instrument becomes zero, satisfy the related equity line security instrument as a matter of public record pursuant to G.S. 45-37. A request to terminate an equity line of credit shall be conclusively deemed to have been submitted by or on behalf of a borrower if it is submitted by an authorized person.

(b) No particular phrasing is required for a request to terminate an equity line of credit. The following form, when properly completed, is sufficient to serve as a request to terminate an equity line of credit:

"REQUEST TO TERMINATE AN EQUITY LINE OF CREDIT
(G.S. 45-82.2)

To: (name of lender)

This is a request to terminate an equity line of credit submitted pursuant to G.S. 45-82.2. For purposes of this request:

- 1. The borrower(s) is/are: (identify one or more of the borrowers)
2. The account number of the equity line of credit is: (specify the account number of the equity line of credit, if known by the person submitting the request)
3. The street address of the property is: (provide the street address of the property encumbered by the security instrument identified in 4.)
4. The equity line of credit is secured by the security instrument identified as follows:

Type of Security Instrument: (identify type of security instrument, such as deed of trust or mortgage)

Original Grantor(s): (identify original grantor(s), trustor(s), or mortgagor(s))

1 Original Secured Party(ies): (identify the original beneficiary(ies), mortgagee(s),  
 2 or secured party(ies) in the security instrument)

3 Recording Data: The security instrument is recorded in Book \_\_\_\_\_ at Page  
 4 \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of the  
 5 Register of Deeds for \_\_\_\_\_ County, North Carolina.

6 I request and direct that you (i) terminate the borrower's right to obtain advances  
 7 under the borrower's equity line of credit; (ii) apply all sums subsequently paid by or  
 8 on behalf of the borrower in connection with the equity line of credit to the  
 9 satisfaction of the equity line of credit and other sums secured by the related  
 10 security instrument; and, (iii) when the balance of all outstanding sums secured by  
 11 the related security instrument becomes zero, satisfy the security instrument  
 12 identified above as a matter of public record pursuant to G.S. 45-37.

13 I certify that I am:

14  The borrower (or one of the borrowers, if there is more than one).

15  The legal representative of a borrower.

16  The attorney for a borrower.

17  A title insurance company that satisfies the requirements of G.S. ---.

18  An attorney licensed to practice law in the state of North Carolina that  
 19 satisfies the requirements of G.S. ---.

20  A bank, savings and loan association, savings bank, or credit union that  
 21 satisfies the requirements of G.S. ---.

22 Date: \_\_\_\_\_

23 \_\_\_\_\_  
 24 Signature of person submitting the request"

25 (c) If the person who gives a lender a request to terminate an equity line of credit is a  
 26 title insurance company described in G.S. ---, that person shall give a copy of the request to the  
 27 borrower accompanied by a notice that provides substantially as follows:

28 \_\_\_\_\_  
 29 "NOTICE TO BORROWER

30 You have an equity line of credit with (name of lender) secured by a mortgage or deed  
 31 of trust on real property located at (address of property).

32 We are a title insurance company that has issued or has agreed to issue a title insurance  
 33 policy on that property. As permitted by North Carolina law, we are sending the  
 34 (enclosed / attached / following / foregoing) request to your lender asking that  
 35 your equity line of credit be terminated. Our reason for making this request is:

36 (specify reason it is appropriate for the title insurance company to request the  
 37 termination of the borrower's equity line of credit)

38 When your lender receives our request, your lender will terminate and close your equity  
 39 line of credit, and you will no longer be able to obtain credit advances. However,  
 40 termination of your equity line of credit will not release you from liability for the  
 41 account. All sums your lender subsequently receives in connection with your  
 42 equity line of credit (including any sums we may send to your lender) will be  
 43 applied by your lender to the satisfaction of your account. When the balance of  
 44 your account becomes zero, your lender will be required to cancel the mortgage or  
 45 deed of trust as a matter of public record.

46 If you have questions about this notice or our action, please contact (name of contact  
 47 person or department) by calling us at (phone number) or writing to us at (mailing  
 48 address).

49 (Name of title insurance company)"

50 (d) If the person who gives a lender a request to terminate an equity line of credit is an  
 51 attorney, bank, savings and loan association, savings bank, or credit union described in G.S. ---,

1 that person shall give a copy of the request to the borrower accompanied by a notice that  
2 provides substantially as follows:

3  
4 "NOTICE TO BORROWER

5 You have an equity line of credit with (name of lender) secured by a mortgage or deed  
6 of trust on real property located at (address of property).

7 We were responsible for disbursing funds in connection with the sale of the property or  
8 a new loan secured by the property. A requirement of the sale or new loan  
9 transaction was that the property be conveyed or encumbered free and clear of the  
10 existing mortgage or deed of trust that secures your equity line of credit.

11 As permitted by North Carolina law, we are sending the (enclosed / attached / following  
12 / foregoing) request to your lender asking that your equity line of credit be  
13 terminated. Our reason for making this request is to ensure that the mortgage or  
14 deed of trust on the property will be cancelled once your equity line of credit is  
15 paid in full.

16 When your lender receives our request, your lender will terminate and close your equity  
17 line of credit, and you will no longer be able to obtain credit advances. However,  
18 termination of your equity line of credit will not release you from liability for the  
19 account. All sums your lender subsequently receives in connection with your  
20 equity line of credit (including any sums we send to your lender in connection  
21 with the closing of the sale of the property or the new loan) will be applied by  
22 your lender to the satisfaction of your account. When the balance of your account  
23 becomes zero, your lender will be required to cancel the mortgage or deed of trust  
24 as a matter of public record.

25 If you have questions about this notice or our action, please contact (name of contact  
26 person or department) by calling us at (phone number) or writing to us at (mailing  
27 address).

28 (Name of attorney, bank, savings and loan association, savings bank, or credit union)".

29 **SECTION 24.** Article 9 of Chapter 45 of the General Statutes is amended by  
30 adding a new section to read as follows:

31 **"§ 45-82.3. Notice regarding future advances.**

32 (a) A notice regarding future advances may be submitted to a lender by an authorized  
33 person, an owner of the property, or a qualified lien holder.

34 (b) Except as provided in subsection (c) of this section, an advance made by a lender to  
35 a borrower pursuant to an equity line of credit will not be secured by the related equity line  
36 security instrument if the advance occurs after the lender receives and has had not less than one  
37 complete business day to act on a notice regarding future advances.

38 (c) Notwithstanding a lender's receipt of a notice regarding future advances, the  
39 following shall be secured by the equity line security instrument and shall have the same  
40 priority as if they had been owing, accrued, paid, advanced, or incurred at the time the equity  
41 line security instrument was registered:

- 42 (1) Sums owing to the lender under the equity line of credit at the time the  
43 lender receives the notice regarding future advances (including accrued  
44 interest), all interest that thereafter accrues on the equity line of credit, and  
45 all payments made, sums advanced, and expenses incurred by the lender  
46 before or after the lender receives the notice regarding future advances (i) for  
47 insurance, taxes, and assessments, (ii) to protect the lender's interest under  
48 the equity line security instrument, or (iii) to preserve and protect the value  
49 or condition of the real property encumbered by the equity line security  
50 instrument.

1           (2)    Any advance made by the lender to a borrower pursuant to an equity line of  
 2           credit that occurs within one complete business day after the lender receives  
 3           the notice regarding future advances.

4           (3)    Any advance made by the lender to a borrower pursuant to an equity line of  
 5           credit that occurs more than one complete business day after the lender  
 6           receives the notice regarding future advances, but only if the advance was  
 7           initiated or approved before the lender received the notice regarding future  
 8           advances.

9           (d)    Receipt by a lender of a notice regarding future advances shall be conclusively  
 10          deemed to be an action by the borrower adversely affecting the lender's security for the equity  
 11          line of credit. Upon receipt of a notice regarding future advances, the lender may terminate the  
 12          borrower's right and ability to obtain additional advances under the equity line of credit.

13          (e)    No particular phrasing is required for a notice regarding future advances. The  
 14          following form, when properly completed, is sufficient to serve as a notice regarding future  
 15          advances:

16  
 17                                    "NOTICE REGARDING FUTURE ADVANCES  
 18                                    (G.S. 45-82.3)

19          To: (name of lender)

20          This is a notice regarding future advances submitted pursuant to G.S. 45-82.3. For  
 21          purposes of this notice:

- 22          1.       The borrower(s) is/are: (identify borrower(s))
- 23          2.       The account number of the equity line of credit is: (specify the account  
 24                  number of the equity line of credit, if known by the person submitting the  
 25                  notice)
- 26          3.       The street address of the property is: (provide the street address of the  
 27                  property encumbered by the security instrument identified in 4.)

- 28          4.       The equity line of credit is secured by the security instrument identified as  
 29                  follows:

30          Type of Security Instrument: (identify type of security instrument, such as  
 31          deed of trust or mortgage)

32          Original Grantor(s): (identify original grantor(s), trustor(s), or mortgagor(s))

33          Original Secured Party(ies): (identify the original beneficiary(ies),  
 34          mortgagee(s), or secured party(ies) in the security instrument)

35          Recording Data: The security instrument is recorded in Book \_\_\_\_\_ at  
 36          Page \_\_\_\_\_ or as document number \_\_\_\_\_ in the office of  
 37          the Register of Deeds for \_\_\_\_\_ County, North  
 38          Carolina.

39          Except as provided in G.S. 45-82.3(c), subsequent advances made by you under the  
 40          equity line of credit will not be secured by the security instrument identified  
 41          above.

42          I certify that I am:

43                   The borrower (or one of the borrowers, if there is more than one).

44                   The legal representative of a borrower.

45                   The attorney for a borrower.

46                   An owner of the property encumbered by the security instrument  
 47               identified above.

48                   A title insurance company that satisfies the requirements of G.S. ---.

49                   An attorney licensed to practice law in the State of North Carolina  
 50               that satisfies the requirements of G.S. ---.

A bank, savings and loan association, savings bank, or credit union that satisfies the requirements of G.S. ---.

A qualified lien holder as defined in G.S. 45-81(9).

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of person submitting the request"

(f) If the person who gives a lender a notice regarding future advances is (i) a title insurance company described in G.S. ---; (ii) an attorney, bank, savings and loan association, savings bank, or credit union described in G.S. ---, (iii) an owner as defined in G.S. 45-81(7), other than an owner who is also a borrower, or (iv) a qualified lien holder described in G.S. 45-81(9), then that person shall give a copy of the notice regarding future advances to the borrower accompanied by a notice that provides substantially as follows:

"NOTICE TO BORROWER

You have an equity line of credit with (name of lender) secured by a mortgage or deed of trust on real property located at (address of property).

As permitted by North Carolina law, we are sending the (enclosed / attached / following / foregoing) Notice Regarding Future Advances to your lender. Subject to certain exceptions, the notice prevents any new credit advances you obtain under your equity line of credit from being secured by the mortgage or deed of trust that currently secures its repayment. Our reason for giving your lender the notice is to limit the amount secured by the mortgage or deed of trust that secures your equity line of credit and to prevent that amount from increasing.

When your lender receives our notice, your lender may elect to terminate your right and ability to obtain additional advances under your equity line of credit. However, termination of your right and ability to obtain additional advances will not release you from liability for the account. You should contact your lender to determine whether you will be able to obtain additional credit advances from your lender.

If you have questions about this notice or our action, please contact (name of contact person or department) by calling us at (phone number) or writing to us at (mailing address).

(Name of insurance company, attorney, bank, savings and loan association, savings bank, credit union, owner, or qualified lien holder)".

**SECTION 25.** Article 9 of Chapter 45 of the General Statutes is amended by adding a new section to read as follows:

**"§ 45-82.4. Prepayment penalty.**

No prepayment penalty may be charged with respect to an equity line of credit."

**SECTION 26.** G.S. 45-83 reads as rewritten:

**"§ 45-83. Future advances statute shall not apply.**

The provisions of Article 7 of this Chapter shall not apply to an equity line of credit or the equity line security instrument securing it, if the equity line security instrument shows on its face that it secures an equity line of credit governed by the provisions of this Article."

**SECTION 27.** G.S. 45-84 reads as rewritten:

**"§ 45-84. Article not exclusive.**

Except as otherwise provided in G.S. 45-83, the provisions of this Article are not exclusive, and no mortgage or deed of trust which secures a line of credit or other obligation shall be invalidated by failure to comply with the provisions of this Article. exclusive. Nothing in this Article shall invalidate or overrule any rule of validity or priority applicable to any mortgage, deed of trust, or other security instrument failing to comply with the provisions of this Article. "

**SECTION 28.** G.S. 161-14.1 reads as rewritten:

1 **"§ 161-14.1. Recording subsequent entries as separate instruments.**

2 (a) As used in this section, the following terms mean:

3 ...

4 (3) Subsequent instrument. – Any instrument presented for registration that  
5 indicates in its title or within the first two pages of its text that it is intended  
6 or purports to modify, amend, supplement, assign, satisfy, terminate, revoke,  
7 or cancel a previously registered instrument. Examples of subsequent  
8 instruments include the ~~appointment or designation of a substitute trustee in~~  
9 ~~a deed of trust; an affidavit extending the life of a deed of trust; the~~  
10 ~~cancellation of a Notice of Inactive Hazardous Substance or Waste Disposal~~  
11 ~~Site registered pursuant to G.S. 130A-310.8(f); a record of satisfaction or~~  
12 ~~other instrument purporting to satisfy a security instrument registered~~  
13 ~~pursuant to G.S. 45-37 or G.S. 45-37.2; a notice of foreclosure registered~~  
14 ~~pursuant to G.S. 45-38; an assignment of a security instrument or lease; a~~  
15 ~~modification agreement; a release or partial release of property from the lien~~  
16 ~~of a security instrument; an assumption agreement; a subordination~~  
17 ~~agreement; an instrument terminating future optional advances registered~~  
18 ~~pursuant to G.S. 45-72; the revocation of a power of attorney; any~~  
19 ~~instrument authorized or directed by law to be indexed under the provisions~~  
20 ~~of this section; and any instrument for which the register of deeds is~~  
21 ~~authorized or directed by law to make a subsequent entry upon the margin of~~  
22 ~~the record of an original instrument.~~following:

- 23 a. The appointment or designation of a substitute trustee in a deed of  
24 trust.
- 25 b. A corrective affidavit registered pursuant to G.S. 45-36.1.
- 26 c. A lien maturity extension agreement or notice of maturity date  
27 registered pursuant to G.S. 45-36.24.
- 28 d. A document of rescission registered pursuant to G.S. 45-36.6.
- 29 e. The cancellation of a Notice of Inactive Hazardous Substance or  
30 Waste Disposal Site registered pursuant to G.S. 130A-310.8(f).
- 31 f. A record of satisfaction or other instrument purporting to satisfy a  
32 security instrument registered pursuant to G.S. 45-37 or  
33 G.S. 45-37.2.
- 34 g. A notice of foreclosure registered pursuant to G.S. 45-38.
- 35 h. An assignment of a security instrument or lease.
- 36 i. An amendment or modification agreement.
- 37 j. A release or partial release of property from the lien of a security  
38 instrument, including a partial release registered pursuant to  
39 G.S. 45-36.22 or a deed of release or reconveyance.
- 40 k. An obligation release registered pursuant to G.S. 45-36.23.
- 41 l. An assumption agreement.
- 42 m. A subordination agreement.
- 43 n. An instrument terminating future optional advances registered  
44 pursuant to G.S. 45-72.
- 45 o. A certificate of extension extending the period for advances under an  
46 equity line of credit registered pursuant to G.S. 45-82.1.
- 47 p. A notice of extension relating to after-acquired property registered  
48 pursuant to G.S. 47-20.5.
- 49 q. The revocation of a power of attorney.
- 50 r. Any instrument authorized or directed by law to be indexed under the  
51 provisions of this section.



1                   s.     Any instrument for which the register of deeds is authorized or  
2                             directed by law to make a subsequent entry upon the margin of the  
3                             record of an original instrument.

4                   ...."

5                   **SECTION 29.** Sections 2, 9, 15, and 21 through 24 of this act shall become  
6 effective October 1, 2011, and shall apply to documents recorded before, on, or after that date.  
7 The remainder of this act becomes effective October 1, 2011, and applies to documents  
8 recorded on or after that date.