

Updated Mortgage Payoff Procedures for Real Estate Purchase Transactions Throughout Connecticut

More than ten years ago, state officials in Connecticut raised concerns about instances where closing proceeds earmarked to pay off outstanding mortgage loans were not used for their intended purpose. As a result, these mortgage loans remained unpaid and the mortgages unreleased. To address these concerns, CATIC has been requiring that its agents comply with the following guidelines regarding the payoff of an outstanding mortgage in a purchase transaction, when a release of that mortgage is unavailable at closing. These guidelines and procedures remain in effect.

Procedures

If seller's title is encumbered by one or more mortgages for which the seller's attorney is unable to deliver a release at closing, the parties shall close the transaction pursuant to the following procedures with respect to each mortgage:

1. Seller's attorney shall provide to buyer's attorney the following documents at the time of closing:
 - a. Undertaking and indemnity for payoff of mortgage (form attached as Exhibit A);
 - b. Copy of a written mortgage payoff statement provided by the mortgagee; and
 - c. Mortgagee payoff transmittal letter issued by seller's attorney.
2. Buyer's attorney shall tender to the seller's attorney the mortgage payoff check by cashier's check, bank treasurer's check or attorney's trustee check made payable directly to the mortgagee. Seller's attorney shall cause the transmittal letter and check to be delivered to the mortgagee.

3. If the seller's mortgage is to be paid off by wire transfer, the wire shall be initiated by the buyer's attorney in accordance with the lender's instructions; however, the buyer's attorney must first verify and confirm these instructions by initiating contact to telephone numbers or e-mail addresses that are known or can be determined using a reputable source, in accordance with the [CATIC Procedural Bulletin dated January 2021](#). The buyer's attorney shall provide seller's attorney with the Federal Reserve reference number and confirmation of receipt of the wire.
4. With respect to an equity line of credit, seller's attorney shall: instruct the lender to terminate all future borrowing rights as of the time at which the mortgage payoff statement is requested; advise the client seller that the client is no longer able to use any checks or credit cards to obtain advances on the line of credit; and, provide proof of the termination and closing of the account to the buyer's attorney. If the seller's attorney is able to do so, it is recommended that the seller's attorney collect any and all checks or credit cards that can be used to obtain advances on the line of credit.

If you are involved in a purchase transaction where the seller's attorney is unwilling to adhere to these procedures, please be advised that you must contact an underwriting counsel at CATIC before proceeding with the transaction.

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EXHIBIT A

UNDERTAKING AND INDEMNITY FOR PAYOFF OF EXISTING MORTGAGE

Sale of: (Property Address)

Seller(s): [Name of Seller(s)]

Purchaser(s): [Name of Purchaser(s)]

INDEMNITY OF OWNER

The undersigned, being the owner(s) of the above-referenced property, hereby acknowledge(s) that the property is presently encumbered by the following mortgage:

Mortgage from _____ to _____ dated _____ and recorded in Book _____ at Page _____ of the _____ Land Records, and assigned to _____ by Assignment dated _____ and recorded in Book _____ at Page _____ of the _____ Land Records.

The attorney signing below has obtained a written payoff statement for this mortgage and I/we have directed said attorney to fully pay and satisfy said mortgage from the closing proceeds. In the event the payoff statement provided is not accurate, I/we agree to immediately tender all funds necessary to pay this mortgage in full.

In consideration of the issuance of policies of title insurance without exception to the above-referenced mortgage, the undersigned owner(s) agree(s) to indemnify and hold harmless the Purchaser(s), their attorney and their title insurance company from and against all loss, cost or damage, including attorney's fees and court costs, arising or resulting from any claim made in connection with said mortgage.

Owner Date Owner Date

CLOSING ATTORNEY'S UNDERTAKING

The undersigned hereby certifies that I am an attorney licensed to practice in the State of Connecticut. I received a written payoff statement for the above-referenced mortgage, and I have sent sufficient funds in accordance with the attached payoff statement to the mortgagee to pay off this mortgage in full. Upon payment in full of said loan, I will arrange for a proper release of the mortgage to be recorded or, if necessary, I will prepare and record an affidavit in accordance with Section 49-8a of the Connecticut General Statutes. Attached hereto is a copy of the payoff statement, payoff check and the transmittal letter to the mortgagee.

Attorney Street Address

Date City, State, Zip

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