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# State of Alaska

## House Majority Leader

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LEGISLATIVE COUNCIL



Representative Max F. Gruenberg, Jr.  
District 11  
Spennard, Upper Midtown Anchorage

P.O. Box V  
Juneau, AK 99811  
(907) 465-3718  
465-4968/4986  
(Session)

3111 C Street, Suite 440  
Anchorage, AK 99503  
(907) 561-7621

## M E M O R A N D U M

March 23, 1992

TO: Members of the House Judiciary Committee

FROM: Representative Max F. Gruenberg, Jr. *MAX*

RE: HB 458, "An Act relating to the maturity of liens on real property and providing for an effective date."

I would very much appreciate your support for HB 458.

HB 458 will help ensure that security interests in real property remain effective throughout the life of a real property loan.

The Statute establishing the maturity of real property liens has not been updated to reflect current market practices. HB 458 increases the statutory maturity date, from ten to thirty years unless the instrument specifies otherwise.

Real estate loans now normally run from twenty to thirty years, rather than being paid off within ten years, as was the practice in the mid '50's, when the present statute was drafted. Deeds of trust seldom contain terms specifying the date of maturation. Usually the terms of payment are contained in the promissory note. This is a separate instrument from the deed of trust, which creates the lien.

If the lien expires before the debt is paid, the creditor loses his or her security interest and priority rights in the property, and may find that the debt is uncollectible.

If a loan is paid off before the maturity date, the deed of trust is terminated by a deed of reconveyance. This is usually taken care of, in course of standard practice, by the escrow company holding the promissory note and the title company.

If you have any questions or comments, please contact me, or my legislative assistant, Mark Handley, at 465-4986.

Thank you.

HB458.SUP\MTH