

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003

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SENATE BILL 629  
Judiciary I Committee Substitute Adopted 4/21/03

Short Title: Clarify Subordination Agreement Requirements.

(Public)

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Sponsors:

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Referred to:

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April 1, 2003

1 A BILL TO BE ENTITLED  
2 AN ACT TO CLARIFY THE REQUIREMENTS FOR SUBORDINATION  
3 AGREEMENTS.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. Article 1 of Chapter 39 of the General Statutes is amended by  
6 adding a new section to read:

7 "**§ 39-6.6. Subordination agreements.**

8 (a) A written commitment or agreement to subordinate or that subordinates an  
9 interest in real property signed by a person entitled to priority shall be given effect in  
10 accordance with its terms and is not required to state any interest rate, principal amount  
11 secured, or other financial terms. For purposes of this section, an "interest in real  
12 property" shall include all rights, title, and interest in and to land, buildings, and other  
13 improvements of an owner, tenant, subtenant, secured lender, materialman, judgment  
14 creditor, lienholder, or other person, whether the interest in real property is evidenced  
15 by a deed, easement, lease, sublease, deed of trust, mortgage, assignment of leases and  
16 rents, judgment, claim of lien, or any other record, instrument, document, or entry of  
17 court.

18 (b) The trustee of a deed of trust shall not be a necessary party to a subordination  
19 agreement unless the deed of trust provides otherwise.

20 (c) For purposes of G.S. 1-47, a commitment or agreement described in  
21 subsection (a) of this section is deemed a conveyance of an interest in real property.

22 (d) The section is not exclusive. No agreement that is otherwise valid shall be  
23 invalidated by failure to comply with the provisions of this section."

24 SECTION 2. This act becomes effective October 1, 2003, and applies to  
25 subordination agreements filed or recorded on or after that date.