



## What is a “due-on clause”?

**A:** The due-on clause is a trust deed provision which allows your lender to call the debt due and immediately payable on any transfer of legal or equitable ownership, unless prohibited by law. The primary event triggering the lender’s due-on clause and a call for immediate payoff of the debt is the sale of the property liened by the trust deed.

The due-on clause is not only triggered by a sale using a grant deed or quitclaim deed, but by other transfers of legal or equitable ownership of real estate to a buyer, recorded or not, including:

- land sales contracts;
- lease-option agreements; and
- wraparound carryback devices also known as all-inclusive trust deeds (AITDs).

The due-on clause, on any type of property, is also triggered when leasing the property to a tenant for:

- a term over three years; or
- any term length when coupled with an option to buy.

An assignment or modification of an existing lease does not trigger the due-on clause, unless:

- the term of the lease is extended beyond three years; or
- a purchase option is granted to the tenant.

On owner-occupied, one-to-four unit residential property, transfers that do not trigger due-on enforcement include:

- the creation of a junior lien where the owner continues to occupy;
- a transfer to a spouse or child who occupies;
- a transfer into an inter vivos trust when the owner continues to occupy;
- the death of a joint tenant; or
- a transfer upon the owner’s death to a relative who occupies.