

A Home Buying Guide



A PROFESSIONAL APPROACH TO UNDERSTANDING THE HOME BUYING PROCESS



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Guide to Home Buying

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The Home Buying Process

Follow these easy steps
and you will be on your way to moving into your new home!



1. Home Buyer
2. Select Agent
3. Agent Determines Buying Power
4. Select Home
5. Make Offer
6. Contract Acceptance
7. Mortgage Application
8. Call **Lawyers Trust Title Company**
9. Termite Inspection
10. Obtain Hazard Insurance
11. Mortgage Approval
12. Contact Utilities
13. Final Walk-through
14. Settlement
15. **MOVE** into your new home!



PURCHASING A HOME - SUMMARY FOR THE BUYER

GETTING STARTED

The initial step in the purchase of a home is the selection of a real estate agent. The real estate professional will help focus your search for the home that fits your needs and desires, as well as your budget. Your Realtor® will introduce the entire home buying process: from identifying locales, features, and types of homes in which you are interested, to assisting in the determination of your qualifications for financing.

Prior to discussing the purchase of a home with your Realtor®, he or she will provide you with an *Agency Disclosure Form*. This form is designed by the Maryland Real Estate Commission to ensure you acknowledge the relationship with the Realtor® and understand the Agent's fiduciary obligations.

Regardless of which type of relationship is established, the real estate professional will perform countless services for you, all with the objective of making the home buying and settlement process as simple and enjoyable as possible. Your Realtor® has the tools and professionalism needed to help you achieve this goal.

FINDING YOUR HOME

In order to determine the attributes of the home you desire, it will be necessary for your real estate agent to ask many questions regarding your requirements, wishes, and finances. These questions are designed to facilitate the search for the perfect home and to help you determine exactly what you want and what you can afford. Before meeting with your Realtor®, you may wish to develop a "wants and needs" list of your own. The more details and characteristics you are able to identify, the more centered your search will be.

Once you and your Realtor® have identified the general characteristics, types and styles of homes in which you are interested, as well as the areas or neighborhoods in which you wish to live, and the price range which you can afford, your Realtor® will prepare a list of homes that meet those guidelines. Your Realtor® has access to a multiple listing service (MLS), known locally as the *Metropolitan Regional Information System* (MRIS), which lists all homes currently for sale and registered with the local Association of Realtors®. Your Realtor® can arrange appointments and tour these homes with you.

CONTRACTING FOR YOUR PURCHASE



Once you have identified the home you wish to buy, an *OFFER TO PURCHASE* must be submitted to the property owner specifying the details of the purchase. Your Realtor® will help you prepare the purchase offer utilizing the appropriate contract forms. These standardized forms are employed in order to address all major issues and to assure that both you and the Seller comply with the various laws and regulations that govern the sale, financing, and settlement of the property.

After the offer has been reviewed and signed by you, your Realtor® will present it to the Seller's agent (often referred to as the *Listing Agent*) for presentation to the Seller. At this time the contract is still an *OFFER TO PURCHASE*, and the Seller may proceed in one of three ways. First, the Seller may *ACCEPT* the offer in the form presented. If the Seller accepts and signs the offer you now have a *RATIFIED CONTRACT*. Often, however, the Seller although interested in the offer, may make a *COUNTER OFFER*, by modifying one or more of the terms of the offer to purchase. At this point you have the option of (a) accepting the Seller's counter offer and ratifying the contract; (b) counter offer the Seller's counter offer; or (c) rejecting the Seller's counter offer thus nullifying the offer to purchase. The Seller's third option when presented with your initial purchase offer is to reject that offer.

Once the contract has been signed and ratified by all parties, you or your Realtor® should contact **LAWYERS TRUST TITLE COMPANY** to assure a smooth and timely settlement. It is essential that a copy of the contract and all addendums be forwarded to **LAWYERS TRUST TITLE COMPANY** in order to begin the closing process; it is not necessary to await the approval of your loan.



OBTAINING YOUR LOAN

Shortly after ratification of the Contract, it will be necessary to apply for the financing of your purchase. Selecting a dependable Lender and loan officer is critical to ensure an efficient application process. The loan officer will be responsible for completion of your loan application and for following the review of that documentation as you move toward loan approval.

Working with the loan officer is the loan *processor*. The loan processor is responsible for gathering the information and documentation necessary to complete your application. He or she will be responsible for ordering your credit report, appraisal, employment verification and similar records.

Once this information has been received it must be structured and submitted by the processor to the Lender's underwriters for loan approval.

It is imperative that your mortgage company, loan officer and loan processor be capable and qualified. Your Realtor® will be able to provide you with the names of loan officers with whom they have worked in the past and have had successful transactions. A more detailed analysis of the loan process begins on page 11 of this booklet.

SETTLEMENT

Settlement is the culmination of your hard work and the time when the purchase of your home is completed. **LAWYERS TRUST TITLE COMPANY** role is to coordinate all of the parties involved in this transaction, to conduct the settlement and to complete the post-settlement processes and disbursements.

On page 17, you will find a more detailed discussion of the settlement process and the services performed by **LAWYERS TRUST TITLE COMPANY**.

MARYLAND FIRST-TIME HOME BUYER SAVINGS

If you are buying your first primary residence in Maryland, you are exempt from paying any State Transfer Tax. Under Maryland statute, the State Transfer Tax will be reduced from .5% to .25%, which the Seller must pay, even if your contract provides otherwise.

In order to receive the exemption, the property must be the first primary residence for all Buyers in your transaction, unless a co-signer on your mortgage is merely signing for loan approval purposes and will not live in the house (an example of this would be a parent who already owns a home and co-signs for loan approval on behalf of a child).

At settlement, you will be required to sign an affidavit certifying you are entitled to this exemption.

FEDERAL LEAD PAINT DISCLOSURE LAW

Effective December 6, 1996, the Residential Lead-Based Paint Hazard Reduction Act requires disclosure of information on lead-based paint and lead-based paint hazards before the sale or lease of most housing built prior to 1978. A seller now must disclose all known (based on "actual knowledge") lead-based paint or lead-based paint hazards in the property and provide the Buyer with any available reports on lead paint in the property.

The Seller is not required to conduct a lead paint inspection prior to the sale, but the law requires the Seller to notify the Buyer by separate addendum to the contract that the Buyer can conduct such inspections at the Buyer's cost.

The Seller must also provide to the Buyer the EPA pamphlet entitled, "Protect Your Family from Lead in Your Home."

This law requires a "Disclosure of Information" from the Seller: it does not require the Seller to remove the lead-based paint or lead-based paint hazard from the home. Any cost for removal of lead-based paint pursuant to the inspection would need to be negotiated between you, as Buyer, and Seller at the time of contract negotiations.

THE CONTRACT OF SALE

The terms of the contract for the purchase of your new home will most likely be written on a standard contract form utilized by Realtors® throughout Maryland. This contract, which is drafted and distributed by The Maryland Association of Realtors®, is reprinted for your review in the Appendix. Addenda and disclosures that are used to address supplementary issues typically accompany this standard contract form. The addenda are too numerous to reprint here, but will be provided by your real estate agent. A detailed description of the Contract begins on page six.

RESALE CONTRACT FOR SINGLE FAMILY HOMES

"TIME IS OF THE ESSENCE" This provision in the contract is presented in a separate section and is highlighted in bold letters. This phrase is a legal concept that requires any performance obligations called for in the contract to be met exactly within that time frame. Failure to meet a time obligation could result in default of the contract.

If the Buyer and the Seller do not initial the space, time will be of the essence for all terms of the contract.

If you and the Seller both initial this provision, time will not be of the essence, which means that as long as you or the Seller meet obligations within a reasonable time called for in the contract, there is no default. This allows for flexibility in the contract, which can be important and helpful, considering all the details and personnel involved with your home purchase.

The initial paragraphs indicate the Realtors® involved in a transaction and whose interest they represent.

#1 The date the offer is made by the Buyer.

#2 & 3 These paragraphs call for names and addresses of you and the Seller. You should ensure that your name is legible and printed on the appropriate line. Signature lines are provided later in the contract.

#4 Calls for the address and/or legal description of the property sold as well as the county in which the property is located.

#5 Requires the Seller to indicate what interest is being conveyed to the Buyer. The parties must check the appropriate box. If a ground rent exists, the amount due every half-year should be filled in on the proper blank lines.

#6 This paragraph states the amount the parties agree on as a sales price.

#7 Settlement is the final requirement of the contract. This paragraph sets forth the date settlement shall occur.

#8 This paragraph indicates what settlement charges the Buyer and Seller are responsible to pay at settlement. You, the Buyer, are entitled to designate/choose the settlement agent who will conduct settlement and oversee the settlement process for you. When you select

LAWYERS TRUST TITLE COMPANY notify your Realtor® and Lender of your choice.

#9 This addresses who is responsible for payment of state and county transfer taxes and state recordation taxes. Maryland law provides that the parties can negotiate who will pay these one-time charges due at settlement. If the Buyer is a Maryland first time homebuyer, the Seller is required to pay the state transfer tax (review page 4 of this guide for the benefits available to Maryland first-time homebuyers).

#10 All ground rent, taxes, homeowners association fees, condo fees, water bills and all public assessments are prorated and adjusted between the parties. As the Buyer, you assume responsibility for each of these items from the Seller on the date of settlement unless the Seller remains in the property with your permission after settlement.

#11 You, the Buyer, at your expense, are to have the property inspected by a Maryland licensed exterminator to determine if there is termite and/or other wood-boring insect infestation or damage. If damage or active infestation is noted, the Seller is required to pay for the repairs and/or treatment up to two percent (2%) of the sales price. If the damage and/or treatment exceeds two percent (2%), the Seller may cancel the contract at the Seller's option unless you agree to pay those repair and/or treatment costs above two percent (2%) of the sales price.

#12 Within five (5) days prior to settlement, you are entitled to inspect the property. This inspection, commonly referred to as the "walk-through" inspection, typically occurs the day before settlement. The purpose of this inspection is to confirm that the property is in substantially the same condition as it was the day the contract was signed and that the mechanical systems are in operating condition. Additionally, the property is to be broom clean and free of trash and debris. This paragraph also provides that unless specified otherwise in the contract, the Seller is to deliver possession to you at the time of settlement, and the property is sold "as is".

#13 This paragraph mandates you to disclose to the Seller that your Lender requires you to sell/lease your home as a condition for your loan approval. Additionally, you need to receive the permission of the Seller by attaching a Home Sale Contingency Addendum to the contract.

#14 Any representation regarding your financial status must be truthful and accurate. If not, you may be in default and be liable for damages because the Seller has relied upon that information. Also, you must work with your Lender diligently to ensure your loan approval is delivered on time.

#15 The Seller must keep his/her mortgage payments current from the date of the contract to settlement. If the government cites the Seller for a code violation, it must be resolved prior to settlement at the Seller's expense.

#16 This paragraph addresses the legal remedies available to the parties in the event that they do not perform as required by the contract.

#17 This paragraph describes the mediation process, a voluntary method to resolve disputes between the buyer and seller.

#18 This paragraph sets forth the amount of the deposit(s) offered by you and which Broker will hold the deposit(s) in escrow.

#19 This paragraph specifies the details of the financing you plan to obtain for your purchase of the property. You will indicate the type of financing for which you will apply (conventional, FHA, VA, etc.) including the amount you intend to borrow, the term of the loan, the interest rate and the amortization.

#20 You must specify the number of days after the contract is accepted by both parties in which you will make formal loan application, as well as the number of days your Lender must provide you with written loan approval. If you fail to receive a written approval by that date, the contract becomes null and void unless you and the Seller agree to an extension.

#21 If you modify the type of loan or your loan terms after you have negotiated the contract, and receive a written commitment for that alternate loan, the financing conditions of the contract are considered satisfied as long as it does not delay settlement or increase costs to the Seller.

#22 This paragraph indicates how your Realtors® may deposit the initial and any subsequent earnest money deposits.

#23 If the loan you are applying for is a conventional loan, this paragraph addresses the allocation of points charged by your Lender. A point is a loan fee for placing and processing your loan to lower the interest rate charged by the Lender. Points are also referred to as origination or discount fees and each "point" is equal to one percent (1%) of the loan amount. This paragraph states that the Buyer receives the benefit of any decrease in the points charged by the Lender.

#24 This paragraph specifies all items that will convey with the property. Make sure you and your Realtor® review this list carefully when you prepare the offer.

#25-27 These paragraphs deal with your relationship with your agent, how your agent is paid and the agent's non-assumption of liability in case one party fails to meet its contractual obligations.

#28 If you or the Seller do not meet certain contractual obligations and a lawsuit arises, the prevailing party to the lawsuit may be entitled to a reimbursement of legal fees from the other party. Further, if the real estate Broker(s) is named as a party in the suit, both Buyer and Seller agree to pay the Broker's legal fees, as long as the legal proceeding does not result in a judgment against the Broker.

#29 The Buyer and Seller are the parties to the contract. Neither the Buyer nor the Seller may transfer his/her interest/rights in the contract to any third person without the other party's written approval.

#30 If the Seller has a tenant in the property being conveyed, the Seller must obtain the Buyer's written approval before negotiating new terms with the tenant.

#31 The Seller is responsible for any loss or damage occurring to the property until possession has been given to you (when you receive the keys) or until the deed is delivered at settlement, whichever occurs first.

#32 This paragraph provides a disclaimer for Realtors® as to certain circumstances which may affect the property. This should not be confused with the Seller's requirement to provide you with the disclosure or disclaimer form required by Maryland law.

#33 This paragraph advises the Buyer of the fact they are entitled to receive, from the Seller, a real property disclosure/disclaimer statement per Maryland statute.

#34 Seller is obligated to transfer the property to you "free and clear" of any liens, judgments or other claims that would affect your use, ownership or ability to transfer the property. This is referred to as "marketable and insurable title" and **LAWYERS TRUST TITLE COMPANY** is responsible for ensuring you receive marketable and insurable title.

#35 This paragraph advises you of the existing requirements for the property if it is part of a protected wetlands area.

#36 If the property is subject to a Homeowner' Association that requires the owner to pay dues, an addendum to the contract disclosing this fact will be included with the contract. This addendum discloses specific information about the dues assessments and advises you of your rights to review the governing documents.

#37 This paragraph provides for certain withholding if the Seller is a foreign national and is taking sales proceeds out of the United States. Check with your agent or **LAWYERS TRUST TITLE COMPANY** to ensure this is not applicable to your settlement.

#38 Prior to this purchase, if the property has been zoned for agricultural use, and therefore is assessed at lower tax rates and amounts, special agricultural taxes may be due at settlement. Either the Buyer or Seller may pay this "ag tax". In the absence of any agreement, the contract states the Buyer will pay these taxes.

#39 Advises the Buyer and Seller that the settlement agent is required to report to the IRS certain Seller information and sales price. This requires the Seller to cooperate in the filing of that form.

#40 The Buyer may seek recovery of up to \$25,000.00 from the Real Estate Guaranty Fund in the event they have sustained damages as a result of the actions of the real estate agents involved in this transaction.

#41 This paragraph advises you of your right to secure a home and/or environmental inspection of the property. You must initial this provision as to your choice. If you

decide to request a Home and/or Environmental Inspection, an addendum detailing the procedure for this inspection needs to be included in the contract and signed by you and the Seller.

#42 This paragraph explains the new Federal lead paint law designed to require disclosure by the Seller of any known presence of lead-based paint and to notify you of your rights of inspection (at your cost) for any presence of lead paint. It is your choice if you wish to have an inspection. Your Realtor® can provide names of lead paint inspectors certified to do such work.

#43 This paragraph specifies and identifies any addenda that are attached to the contract. Many different consumer protection laws require separate disclosures to be made for various issues.

#44 Self-explanatory.

#45 The Buyer and Seller acknowledge that the contract represents the full and final agreement between them: that they are not relying on any other provision or representations not contained in the contract; and that it is binding upon them and their successors.

#46 A contract need not contain original signatures on the same piece of paper to be enforceable. This provision advises the parties that faxed documentation may be used and still be considered a legally binding contract. Typically, your agents will follow-up the fax copy with an original contract for your files.

Other Addenda:

Your real estate agent will provide you with other addenda to this contract that are required in order to comply with the laws of Maryland and/or your local jurisdiction where the property is located. These documents contain various disclosures and contingencies.

Additionally, if there are issues or concerns that are pertinent to you, but are not addressed in this contract, your real estate agent has other addenda that may address those issues or concerns.

THE MORTGAGE LOAN PROCESS

The majority of home purchases involve financing obtained from an institutional lending source. Whether that source is a mortgage loan broker, a federal savings bank, or the bank you've been associated with your entire "banking life", you, as the borrower, will be required to supply that Lender with a myriad of documents and a seemingly endless flow of information. The purpose of obtaining this information is to document and support your request that the Lender invest its money for your purchase of a new home.

Throughout the mortgage loan process you will be assisted by various representatives of the Lender who are responsible for compiling your personal financial information and for presenting that information in a manner that will best support your request for financing. Generally, the first person you will work with will be a loan officer or mortgage banker, who will help you complete a loan application and provide you with a list of documents you will need to provide the Lender. Following this explanation, you will find a list of documents that are typically required for loan approval. You may wish to collect these documents prior to loan application to expedite the approval process. This list is not all-inclusive, but does include the basic documents required to support your application.

Assisting both you and the loan officer will be the loan processor. The processor's role is to oversee your loan application as it proceeds toward loan approval and to manage your file. The processor is responsible for obtaining documentation from you, the credit bureau, the appraiser, your insurance company, as well as others. It is important that you communicate with the processor frequently, and provide requested information in a timely fashion. Your ability to communicate with the Lender and promptly provide needed documentation will expedite the loan approval process.

ESTIMATE YOUR MORTGAGE PAYMENT			
<i>Multiply your monthly payment per thousand by the number of thousands you plan to borrow.</i>			
Interest Rate	Monthly Payment Per Thousand Dollars		
	<i>15 years</i>	<i>20 years</i>	<i>30 years</i>
5.0%	7.91	6.60	5.37
5.25%	8.04	6.74	5.53
5.5%	8.18	6.89	5.69
5.75%	8.31	7.03	5.84
6.0%	8.44	7.17	6.00
6.25%	8.58	7.32	6.16
6.5%	8.72	7.46	6.33
6.75%	8.85	7.61	6.49
7.0%	8.99	7.75	6.65
7.25%	9.13	7.90	6.82
7.5%	9.27	8.06	6.99
7.75%	9.41	8.21	7.16
8.0%	9.56	8.36	7.34
8.25%	9.70	8.52	7.51
8.5%	9.85	8.68	7.69
8.75%	9.99	8.84	7.87
9.0%	10.14	9.00	8.05
9.25%	10.29	9.16	8.23
9.5%	10.44	9.32	8.41
9.75%	10.60	9.49	8.60
10.0%	10.75	9.66	8.78
10.25%	10.91	9.82	8.97
10.5%	11.06	9.99	9.15
10.75%	11.22	10.16	9.34
11.0%	11.37	10.33	9.53
11.25%	11.53	10.50	9.72
11.5%	11.69	10.67	9.91
11.75%	11.85	10.84	10.10
12.0%	12.01	11.02	10.29
12.25%	12.17	11.19	10.48
12.5%	12.33	11.37	10.68

On page 13, you will find a flow chart that will familiarize you with the general path your loan will follow. Be aware, although the time frames noted are estimates, they can be greatly delayed if you, the borrower, do not provide complete and accurate information.

The loan officer and processor are bound by guidelines set by both the Lender's risk assessors ("underwriters"), as well as guidelines imposed by mortgage regulating authorities known as "HUD", "Fannie Mae" and "Freddie Mac". Your loan officer and loan processor will interpret these guidelines for you so that they may be quickly satisfied.

ITEMS NEEDED FOR LOAN APPLICATION



Legible copy of the sales contract signed by Buyers and Sellers, including all addenda.

Social Security number of all applicants.

Complete addresses for the past 7 years (including complete name and address of landlords for past 24 months).

Name, address and all income earned from all employers for past 24 months.

Copies of previous two years W-2 forms.

Copy of most recent year-to-date pay stub.

Name, address, account number, monthly payment and current balance for: installment loans, revolving charge accounts, student loans, mortgage loans and auto loans.

Name, address, account numbers and balances of all deposit accounts, including: checking account, savings accounts, stocks, bonds, etc.

Three months of most recent statements for deposit accounts, stocks, etc.

If you choose to include income from Child Support/Alimony bring copies of court records or cancelled checks showing receipt of payment.

If you are applying for a VA Loan:

DD-214, Certificate of Eligibility, or statement from your Commanding Officer if you are on active duty.

Typical Mortgage Loan Process

Qualification

Sales Contract

Loan Application

Order Verifications/Appraisal/Credit Report

Receive and Review items ordered and due from Applicant

Work up file and submit to Underwriter

Return to processor for additional info

Underwriter reviews file

Loan Committee approves

Processor receives approval

Closer prepares loan documents

Closing package

Closing



Settlement Agent

**Precise steps may vary from loan to loan.
Loan application to final approval may take one to four weeks.**

If you are self-employed or paid by commission:

Previous two years Federal Income Tax Returns with all schedules and a year-to-date profit and loss statement.

If you own other properties:

Address of properties and current market value.

Any debt owed on properties; Lender's name, address, account number, monthly payment and current balance.

Three months most recent statements for deposit accounts, stocks, etc.

If rented: copy of lease(s).

If you have filed bankruptcy in the last seven years:

Copy of petition and discharge, handwritten explanation of the reason for bankruptcy.

FINDING THE CASH

Hidden assets can bring a down payment and closing costs within your reach (see page 17). Even if you don't have the cash now, your friends and family may make an informal loan against future tax refunds (items 1 and 2). There are also other sources for finding this hidden cash (items 3 through 10). Verify your options with your tax consultant, mortgage Lender and your real estate professional.

After the contract has been ratified and the loan has been approved, you and the Seller will attend settlement to complete the sale. At settlement you will sign your loan documents and pay the Seller. The Seller in turn will deed the property to you.

Affordable Mortgage Amount

	<u>Column A</u>	<u>Column B</u>
Annual income before taxes	\$ _____	
Divide by number of months	÷ 12	
Monthly gross income	\$ _____	\$ _____
<i>Record it in both columns. Perform operations only on figures in the same vertical column.</i>		
Many Lenders will not allow you to spend more than 28% of your monthly gross income on housing expenses: (column B)		
Maximum monthly housing expense allowance: (column B)	_____ x.28	= \$ _____
Many Lenders allow 36% of monthly gross income for long-term debt:		
Long-term monthly expense allowance:	_____ x.36 = \$ _____	
Figure out your total monthly long-term obligations below, and subtract it from the allowance:		
child support	\$ _____	
auto loan	\$ _____	
credit cards	\$ _____	
associations fees	\$ _____	
other	\$ _____	
Total long-term obligations:	\$ _____ = \$ _____	
Look at the last amount in each column above. Record the smaller amount: \$ _____		
About 20% of the housing expense allowance is for taxes and Insurance, leaving 80% for payment of mortgage:		_____ x.80
Allowable monthly principal and interest expense:		= \$ _____
Divide by monthly payment per thousand dollars on page 11:		÷ _____
Multiply by \$1,000 to determine maximum loan amount:		= \$ _____

Finding The Cash

Get a refund on your income tax for your monthly mortgage payments. In this example, we'll use a person in the 28% tax bracket who meets the standard deduction, borrows \$75,000 at 8.25% interest for 30 years, and closes on May 30.

	\$513.68		Average monthly interest, first 12 months
	x .28		tax rate
=	\$143.83		Average monthly tax break, first 12 months
	x 7		Number of payments, first tax year
=	\$1006.81		Additional refund possible for new Buyer

Take a first year tax deduction for points paid on a mortgage. In this example, we'll use a person in the 28% tax bracket who meets the standard deduction, and who pays 3.5 points to borrow \$75,000.

	\$75,000		Total mortgage amount
	x .035		Points
=	\$ 2,625		Deductions for points
	x .28		Tax rate
=	\$ 735		Additional refund possible for new Buyer

Informal loan against tax refund	\$	
First time Buyers: special government incentives	\$	
State run programs, deductions, tax credits	\$	
Employer assistance to purchase / relocate	\$	
Savings	\$	
Sell something of value, car, boat, etc.	\$	
Gift from relative or friend	\$	
Borrow against life insurance or pension fund	\$	
Cash in an IRA (consult a tax advisor)	\$	

TOTAL "HIDDEN" FUNDS \$ _____

SETTLEMENT

BEFORE SETTLEMENT

When **LAWYERS TRUST TITLE COMPANY** receives your contract from your real estate agent, we do the following (as required by your contract or Lender):

- (1) Order title abstract and survey;
- (2) Review title abstract and survey to determine marketability and insurability;
- (3) Contact your Lender to schedule settlement and prepare any required documents;
- (4) Contact the Seller's Lender to obtain the amount needed to pay off the Seller's existing loan(s);
- (5) Prepare title insurance commitment pursuant to your Lender's requirements;
- (6) Contact the local taxing authority to verify the amount of property taxes and determine prorations between Buyer and Seller;
- (7) Contact Homeowners' Association to verify the amount of homeowners' dues and determine prorations between Buyer and Seller;
- (8) Obtain your Lender's loan documents and proceeds check;
- (9) Prepare the settlement sheet and any other required documents.

On the day prior to settlement, you should contact **LAWYERS TRUST TITLE COMPANY** to determine the amount of money you will need. Your Contract requires that funds be in the form of a **cashier's check** or **certified check**. Also, your Lender will require you to provide evidence of homeowner's insurance prior to settlement. Check with your loan processor prior to settlement to see if you are required to bring any documents to closing.

DURING SETTLEMENT

A settlement officer from **LAWYERS TRUST TITLE COMPANY** will conduct the closing. We will review the settlement documents as you sign them, explaining the purpose of each. After all parties have signed, you will tender funds, either by check or wire, and receive the keys to your new home. This process usually takes 45 minutes to an hour. If any problems arise during settlement, we will assist the parties in resolving the issue.

Unless you are assuming an existing loan or paying cash, you will be signing many documents at settlement. The following are examples and explanations of the documents you will typically see.

HUD-1 SETTLEMENT STATEMENT

The first document you will review and sign is the HUD-1 Settlement Statement. This form details all the charges and credits to the Buyer and Seller. The Buyer's figures are on the left-hand side of the page, the Seller's on the right. We have provided a sample of this document for your review on pages 20 and 21.

NOTE

The Note is your agreement to repay the borrowed funds to your Lender. This document will detail the terms and conditions of your loan and the manner and form of repayment of the borrowed funds.

DEED OF TRUST

This document is a standardized security instrument filed at the courthouse to establish the Lender's lien on the property for the original principal amount of the loan. The deed of trust secures the home as the collateral for the repayment of the loan. This document provides that in the event of default or non-payment, the Lender may foreclose on the property in order to recover the loan proceeds.

FIRST PAYMENT LETTER

This document states the total amount of your monthly payment. The total monthly payment will typically include principal and interest, as well as any escrow for taxes, hazard insurance or mortgage insurance.

LOAN APPROVAL LETTER OR LOAN COMMITMENT LETTER

This is a letter from the Lender that explains your loan has been approved on certain terms and subject to certain requirements. The letter will state the terms of the loan, that is, the loan amount, interest rate, and length of the loan. The Lender will also list any additional requirements, such as a hazard insurance policy naming the Lender as mortgagee, a survey or a termite report.

LOAN APPLICATION

You may be asked to sign a typed copy of the loan application. This typed form is a confirmation of the form the loan officer filled out when you applied for the loan. The Lender is asking you to verify that the information is correct and that there have been no material changes in your employment, marital, or financial status.

FLOOD INSURANCE

This document will inform you whether your home is located in a flood zone as determined by the Department of Housing and Urban Development. If it is, the Lender will require you to obtain flood insurance on the property. If it is not, as is usually the

case, the document states that if the Federal Government ever deems your property to be within a flood zone, the Lender will require you to obtain flood insurance.

TAX AUTHORIZATION

Some Lenders have you sign written instructions to the local real estate taxing authority. This authorizes them to send the tax bill directly to the Lender holding money in escrow for payment of that bill.

AGGREGATE ESCROW DISCLOSURE/ANALYSIS

At settlement, your Lender is required to disclose to you how much will be in your escrow account after each monthly payment during the first year of the mortgage. It will also show when the bills for taxes and insurance will be paid.

HOUSE LOCATION DRAWING

If the home you are purchasing is a single family detached home or a townhouse, your Lender may require that you obtain, at a minimum, a House Location Drawing. This document is prepared by a licensed surveyor for the purpose of showing the location of the improvements (structures) within the boundaries of the property. If you desire, you can request a boundary survey, which certifies the exact locations of your property lines. This type of survey is considerably more expensive. You may want to order this type of survey if you are concerned for any reason about your boundary line location.

Maryland law requires you to indicate in writing to the surveyor which type of service you desire. Prior to settlement, **LAWYERS TRUST TITLE COMPANY** will send to you the survey order form to be signed and returned. Maryland law does not allow the surveyor to start work until you return the written choice.

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		SETTLEMENT STATEMENT	
B. TYPE OF LOAN 1. <input type="checkbox"/> FHA 3. <input type="checkbox"/> CONV. UNINS. 4. <input type="checkbox"/> VA		6. File Number 123456	7. Loan Number 78901
		8. Mortgage Insurance Case Number A1B2C3	
<i>C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.</i>			
D. NAME AND ADDRESS OF BORROWER: Robert Buyer Betty Buyer		E. NAME AND ADDRESS OF SELLER: Sam Seller Susan Seller	F. NAME AND ADDRESS OF LENDER: Local Lender, Inc. 123 Main Street Baltimore, MD 21204
G. PROPERTY LOCATION: 4567 Maple Avenue Baltimore, MD 21212		H. SETTLEMENT AGENT: NAME, AND ADDRESS Lawyers Trust Title Company 901 Dulaney Valley Road Suite 708 Towson, Maryland 21286	
		PLACE OF SETTLEMENT: Lawyers Trust Title Company	I. SETTLEMENT DATE: 7/12
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price 200,000.00		401. Contract sales price 200,000.00	
102. Personal property		402. Personal property	
103. Settlement charges to borrower(line 1400) 11,995.72		403.	
104.		404.	
105.		405.	
<i>Adjustments for items paid by seller in advance</i>		<i>Adjustments for items paid by seller in advance</i>	
106. City/town taxes to		406. City/town taxes to	
107. County taxes 7/12 to end of fiscal year 1,740.78		407. County taxes 7/12 to end of fiscal year 1,740.78	
108. Assessments 7/12 to 1/1 188.49		408. Assessments 7/12 to 1/1 188.49	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER 213,924.99		420. GROSS AMOUNT DUE TO SELLER 201,929.27	
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit of earnest money 5,000.00		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s) 180,000.00		502. Settlement charges to seller (line 1400) 13,940.00	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan 121,000.00	
205.		505. Payoff of second mortgage loan	
206.		506. Repair/water escrow 150.00	
207.		507. Courier final payoff 15.00	
208.		508.	
209.		509.	
<i>Adjustments for items unpaid by seller</i>		<i>Adjustments for items unpaid by seller</i>	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER 185,000.00		520. TOTAL REDUCTION AMOUNT DUE SELLER 135,105.00	
300. CASH AT SETTLEMENT FROM/TO BORROWER		600. CASH AT SETTLEMENT TO/FROM SELLER	
301. Gross amount due from borrower(line 120) 213,924.99		601. Gross amount due to seller (line 420) 201,929.27	
302. Less amounts paid by/for borrower(line 220) 185,500.00		602. Less reductions in amount due seller (line 520) 135,105.00	
303. CASH (X FROM) (□ TO) BORROWER 28,924.99		603. CASH (X TO) (□ FROM) SELLER 66,824.27	

L. SETTLEMENT CHARGES					PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. TOTAL SALES/BROKER'S COMMISSION based on price \$	@	%=				
<i>Division of Commission (line 700) as follows:</i>						
701. \$6,000.00	to Century 21 American Patriot					
702. \$6,000.00	to XYZ realty					
703. Commission paid at Settlement						12,000.00
704. Administrative fee				TBD		TBD
800. ITEMS PAYABLE IN CONNECTION WITH LOAN						
801. Loan Origination Fee	%					
802. Loan Discount	%					
803. Appraisal Fee	300.00	to Local Appraiser			POC	
804. Credit Report		to Local Credit			POC	
805. Lender's Inspection Fee						
806. Mortgage Insurance Application Fee to						
807. Assumption Fee						
808. Underwriting Fee		Local Lender				
809. Flood certification fee		Local Lender				
810. Tax service fee		Local Lender				
811. Document preparation fee		Local Lender				
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE						
901. Interest from 7/12 to 8/1	@\$41.92	/day			838.40	
902. Mortgage Insurance Premium for		months to				
903. Hazard Insurance Premium for	1	years to Safety 360.00			POC	
904.		years to				
905.						
1000. RESERVES DEPOSITED WITH LENDER						
1001. Hazard Insurance	2	months @ \$30.00	per month		60.00	
1002. Mortgage insurance	2	months @ \$80.00	per month		160.00	
1003. City property taxes		months @ \$	per month			
1004. County property taxes	4	months @ \$183.33	per month		733.32	
1005. Annual assessments		months @ \$	per month			
1006.		months @ \$	per month			
1007.		months @ \$	per month			
1008. Aggregate Adjustment		months @ \$	per month		-200.00	
1100. TITLE CHARGES						
1101. Settlement or closing fee		to Lawyers Trust Title Company			Call Lawyers Trust	
1102. Abstract or title search		to			Title Co.for an itemization	
1103. Title examination		to				
1104. Title insurance binder		to				
1105. Document preparation		to				
1106. Notary fees		to				
1107. Attorney's fees to						
<i>(includes above items numbers;)</i>						
1108. Title Insurance		to Lawyers Trust Title Company			725.00	
<i>(includes above items numbers;)</i>						
1109. Lender's coverage		\$450.00 (\$180,000.00)				
1110. Owner's coverage		\$275.00 (\$200,000.00)				
1111. Courier						
1112. Release preparation						
1113.						
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES						
1201. Recording fees: Deed \$25.00 ; Mortgage \$25.00 ; Releases \$					50.00	
1202. State Recordation tax: Deed \$; Mortgage \$					440.00	440.00
1203. State transfer tax: Deed \$; Mortgage \$					500.00	500.00
1204. County transfer tax					1,000.00	1,000.00
1205.						
1300. ADDITIONAL SETTLEMENT CHARGES						
1301. Survey		to Survey 1			110.00	
1302. Pest inspection to Bugs Are Us					35.00	
1303.						
1304.						
1305.						
1400. TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)					11,995.72	13,940.00

700. Sales/Broker's Commission: This is the total dollar amount of the real estate broker's sales commission, which is usually paid by the seller. This commission is typically a percentage of the selling price of the home.

704. Administrative Fee: A fee charged to either Buyer, Seller, or both parties, by their respective Brokers.

800. Items Payable in Connection with Loan: These are the fees that lenders charge to process, approve and make the mortgage loan:

801. Loan Origination: This fee is usually known as a loan origination fee but sometimes is called a "point" or "points." It covers the lender's administrative costs in processing the loan. Often expressed as a percentage of the loan, the fee will vary among lenders. Generally, the buyer pays the fee, unless otherwise negotiated.

802. Loan Discount: Also often called "points" or "discount points," a loan discount is a one-time charge imposed by the lender or broker to lower the rate at which the lender or broker would otherwise offer the loan to you. Each "point" is equal to one percent of the mortgage amount. For example, if a lender charges two points on a \$80,000 loan this amounts to a charge of \$1,600.

803. Appraisal Fee: This charge pays for an appraisal report made by an appraiser.

804. Credit Report Fee: This fee covers the cost of a credit report, which shows your credit history. The lender uses the information in a credit report to help decide whether or not to approve your loan and how much money to lend you.

805. Lender's Inspection Fee: This charge covers inspections, often of newly constructed housing, made by employees of your lender or by an outside inspector. (Pest or other inspections made by companies other than the lender are discussed in line 1302.)

806. Mortgage Insurance Application Fee: This fee covers the processing of an application for mortgage insurance.

807. Assumption Fee: This is a fee which is charged when a buyer "assumes" or takes over the duty to pay the seller's existing mortgage loan.

808. Underwriting Fee: A fee charged by the Lender for the Underwriter's review of the file.

809. Flood Certification Fee: A fee charged to examine the Federal Flood maps.

810. Tax Service Fee: A fee charged to establish an escrow account for taxes and insurance.

811. Document preparation Fee: Lender's fee for the preparation of loan documents.

900. Items Required by Lender to Be Paid in Advance: You may be required to prepay certain items at the time of settlement, such as accrued interest, mortgage insurance premiums and hazard insurance premiums.

901. Interest: Lenders usually require borrowers to pay the interest that accrues from the date of settlement to the first monthly payment.

902. Mortgage Insurance Premium: The lender may require you to pay your first year's mortgage insurance premium or a lump sum premium that covers the life of the loan, in advance, at the settlement.

903. Hazard Insurance Premium: Hazard insurance protects you and the lender against loss due to fire, windstorm, and natural hazards. Lenders often require the borrower to bring to the settlement a paid-up first year's policy or to pay for the first year's premium at settlement.

904. Flood Insurance: If the lender requires flood insurance, it is usually listed here.

1000 - 1008. Escrow Account Deposits: These lines identify the payment of taxes and/or insurance and other items that must be made at settlement to set up an escrow account. The lender is not allowed to collect more than a certain amount. The individual item deposits may overstate the amount that can be collected. The aggregate adjustment makes the correction in the amount on line 1008. It will be zero or a negative amount.

1100. Title Charges: Title charges may cover a variety of services performed by title companies and others. Your particular settlement may not include all of the items below or may include others not listed.

1101. Settlement or Closing Fee: This fee is paid to the settlement agent or escrow holder. Responsibility for payment of this fee should be negotiated between the seller and the buyer.

1102-1104. Abstract of Title Search, Title Examination, Title Insurance Binder: The charges on these lines cover the costs of the title search and examination.

1105. Document Preparation: This is a separate fee that some lenders or title companies charge to cover their costs of preparation of final legal papers, such as a mortgage, deed of trust, note or deed.

1106. Notary Fee: This fee is charged for the cost of having a person who is licensed as a notary public swear to the fact that the persons named in the documents did, in fact, sign them.

1107. Attorney's Fees: You may be required to pay for legal services provided to the lender, such as an examination of the title binder. Occasionally, the seller will agree in the agreement of sale to pay part of this fee. The cost of your attorney and/or the seller's attorney may also appear here. If the lender requires an attorney's involvement, the fee will appear on this part of the form, or on lines 1111, 1112 or 1113.

1108. Title Insurance: The total cost of owner's and lender's title insurance is shown here.

1109. Lender's Title Insurance: The cost of the lender's policy is shown here.

1110. Owner's (Buyer's) Title Insurance: The cost of the owner's policy is shown here.

1200. Government Recording and Transfer Charges: These fees may be paid by you or by the seller, depending upon your agreement of sale with the seller. The buyer usually pays the fees for legally recording the new deed and mortgage (line 1201). Transfer taxes, which in some localities are collected whenever property changes hands or a mortgage loan is made, can be substantial and are set by state and/or local governments. City, county and/or state tax stamps may have to be purchased as well (lines 1202 and 1203).

1300. Additional Settlement Charges:

1301. Survey: The lender may require that a surveyor perform a property survey. This is actually a location drawing. Generally, the buyer pays the surveyor's fee, usually between \$100 and \$150.

1302. Pest and Other Inspections: This fee is to cover inspections for termites or other pest infestation of the home.

1303-1305. **Lead-Based Paint Inspections:** This fee is to cover inspections or evaluations for lead-based paint hazard risk assessments and may be on any blank line in the 1300 series.

1400. **Total Settlement Charges:** The sum of all fees in the borrower's column entitled "Paid from Borrower's Funds at Settlement" is placed here. This figure is then transferred to line 103 of Section J, "Settlement charges to borrower" in the **Summary of Borrower's Transaction** on page 1 of the HUD-1 Settlement Statement and added to the purchase price. The sum of all of the settlement fees paid by the seller are transferred to line 502 of Section K, **Summary of Seller's Transaction** on page 1 of the HUD-1 Settlement Statement.

Paid Outside Of Closing ("POC"): Some fees may be listed on the HUD-1 to the left of the borrower's column and marked "P.O.C." Fees such as those for credit reports and appraisals are usually paid by the borrower before closing/settlement. They are additional costs to you. Other fees such as those paid by the lender to a mortgage broker or other settlement service providers may be paid after closing/settlement. These fees are usually included in the interest rate or other settlement charge. They are not an additional cost to you. These types of fees will not be added into the total on Line 1400.

The first page of the HUD-1 Settlement Statement summarizes all the costs and adjustments for the borrower and seller. Section J is the summary of the borrower's transaction and Section K is the summary of the seller's side of the transaction. You may receive a copy of the seller's side, but it is not required.

Section 100 summarizes the borrower's costs, such as the contract cost of the house, any personal property being purchased, and the total settlement charges owed by the borrower from Section L.

Beginning at line 106, adjustments are made for items (such as taxes, assessments, fuel) that the seller has previously paid. If you will benefit from these items after settlement, you will usually repay the seller for that portion of the cost.

Section 200 lists the amount paid by the borrower or on behalf of the borrower. This will include the deposit of earnest money you put down with the agreement of sale, the loan(s) you are getting and any loan you may be assuming.

Beginning at Line 210, adjustments are made for items that the seller owes (such as taxes, assessments) but for which you as the borrower will pay after settlement. The seller will usually pay you or credit you this portion at settlement.

Section 300 reflects the difference between the gross amount due from the borrower and the total amount paid by/for the borrower. Generally, line 303 will show the amount of cash the borrower must bring to settlement.

At settlement it is usually necessary to make an adjustment between buyer and seller for property taxes and other expenses. The adjustments between buyer and seller are shown in Sections J and K of the HUD-1 Settlement Statement. In the example given above, the taxes, which are payable annually, had already been paid when the settlement occurs on July 12. The borrower will have to credit the Seller, for taxes the Seller previously paid, from July 12 to the end of the fiscal year. Thus, the Seller was only responsible for 12 days of taxes in the current fiscal year. The Seller is given credit for this amount at the settlement and the Seller will count it as a credit to the gross amount due to the Seller.

Similar adjustments are made for homeowner association dues, special assessments, and fuel and other utilities, although the billing periods for these may not always be on an annual basis. Be sure you work out these cost sharing arrangements or "prorations" with the seller before the settlement. You may wish to notify utility companies of the change in ownership and ask for a special reading on the day of settlement, with the bill for pre-settlement charges to be mailed to the seller at his or her new address or to the settlement agent. This will eliminate much confusion that can result if you are billed for utilities used when the seller owned the property.

TRUTH-IN-LENDING STATEMENT

Federal law requires the Truth-in-Lending disclosure to be provided to each borrower. The purpose of this document is to disclose to the borrower an estimate of the annual cost, as well as the total cost of the loan over the full term of that loan, factoring in all costs and fees incurred in placing the loan. Page 26 contains a detailed explanation of this form.

TERMITE INSPECTION

You will be asked to acknowledge receipt of a copy of the termite inspection report. This report needs to be prepared by an exterminator licensed in Maryland and indicates whether any evidence of infestation and/or damage has been discovered.

AFTER SETTLEMENT

In order to complete the process of the settlement, we do the following, as required:

- (1) record the deed, deed of trust or assumption documents in the land records at the county courthouse,
- (2) audit the disbursement sheet,
- (3) disburse all proceeds,
- (4) issue the title insurance policy,
- (5) send the Lender the packet of all signed documents,
- (6) pay off the Seller's Mortgage(s) if any, and obtain and record a release of the Seller's deed(s) of trust
- (7) disburse any funds required to be escrowed at closing.

BUYERS ESTIMATE OF SETTLEMENT CHARGES

At settlement, you will be required to bring a certified or cashier's check for your settlement costs. These costs include: the balance of your down payment, charges from your Lender and the title company and government recording fees. Every Lender structures charges to the borrower differently, and the allocation of specific charges between you and the Seller will depend upon the type of loan and the allocation agreed upon in your sales contract. When you apply for your loan, your Lender will give you a good faith estimate of closing costs that should include the Lender's and title company's charges, as well as recording fees. Keep in mind this is just an estimate. Please call **LAWYERS TRUST TITLE COMPANY** immediately prior to settlement to verify this amount.

We have provided a worksheet in the Appendix to help you calculate the amount of your settlement costs. We will be happy to help you with any of these calculations, just call us. Following the worksheet is an explanation of some of the more common charges.

TRUTH-IN-LENDING

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit at a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled. (B + C)
A %	\$ B	\$ C	\$ D

Q. What is a Truth-in-Lending Disclosure and why do I receive it?

A. The Disclosure is designed to give you information about the costs of your loan so that you may compare these costs with those of other loan programs or Lenders.

Q. What is the Annual Percentage Rate? (Box A)

A. The Annual Percentage Rate (A.P.R.) is the cost of your credit expressed as an annual rate. Because you may be paying loan discount "points" and other "prepaid" finance charges at closing, the A.P.R. disclosed is often higher than the interest rate of your loan. This A.P.R. can be compared to the A.P.R. on other loan programs to give you a consistent means of comparing rates and programs.

Q. Why is the Annual Percentage Rate different from the interest rate for which I applied?

A. The A.P.R. is computed from the Amount Financed and based on what your proposed payments will be on the actual loan amount credited to you at settlement. In a \$50,000 loan with \$2,000 Prepaid Finance Charges, a 30-year term, and a fixed interest rate of 12%, the payments would be \$514.31 (principal and interest). Since the A.P.R. is based on the Amount Financed (\$48,000), while the payment is based on the actual loan amount given (\$50,000), the A.P.R. (12.553%) is higher than the interest rate.

Q. What is the Finance Charge? (Box B)

A. The Finance Charge is the cost of credit expressed in dollars. It is the total amount of interest calculated at the interest rate over the life of the loan, plus Prepaid Finance Charges and the total amount of any required mortgage insurance charged over the life of the loan.

Q. What is the Amount Financed? (Box C)

A. The Amount Financed is the loan amount applied for, minus the Prepaid Finance Charges. Prepaid Finance Charges include items paid at or before settlement, such as loan origination, commitment or discount fees ("points"), adjusted interest, and initial mortgage insurance premium. The Amount Financed is lower than the amount you applied for because it represents a NET figure. If you applied for \$50,000 and the Prepaid Finance Charges total \$2,000, the Amount Financed would be \$48,000.

Q. What is the Total of Payments? (Box D)

A. The total of payments represents the sum you will have repaid to the Lender over the term of the loan. It presumes you will make regularly scheduled payments for the full term and does not take into account any additional principal payments you may forward nor does it take into account any additional interest or penalties that may accrue due to failure to make regularly scheduled payments.

LENDER'S FEES

Points - each point is one percent of the loan amount. For an FHA loan, the origination fee is a percentage of the base loan amount and the discount points are based on the base loan amount plus the mortgage insurance premium.

Document Preparation Fee - the fee the Lender charges to prepare the documents that you will sign at settlement.

Tax Service Fee - the fee charged by the Lender for setting up a computerized tax paying service.

PMI (Private Mortgage Insurance) -generally charged by Lenders on conventional loans when you are making a down payment of less than 20% of the purchase price of the property.

MIP (Mortgage Insurance Premium) - for FHA loans. This is paid in a one-time premium up front, plus monthly payments for the term of the loan. PLEASE NOTE - not all Lenders charge all these fees on every loan and some Lenders have other fees in certain cases.

YOU WILL WANT TO CONTACT YOUR LENDER FOR THEIR FEES.

ESCROWS

An escrow is money that the Lender will hold until bills are received. Usually the Lender holds funds in escrow to pay the hazard insurance and property taxes. To determine the monthly amount, take the annual amount of each bill and divide by twelve. The estimate sheet tells you how many months of each kind of escrow the Lender is likely to require at settlement.

SETTLEMENT FEES

Settlement Fee - the fee paid to **LAWYERS TRUST TITLE COMPANY** for its services. We prepare documents, examine the title abstract, conduct the settlement, coordinate with the Lender and all other parties, disburse funds, record documents, procure and record releases of existing liens, issue title insurance policies and more.

Title Abstract - the fee paid to search the public land records for the past sixty years to verify ownership of property. This also indicates the loans and other liens that must be satisfied from the Seller's proceeds at settlement.

Title Insurance Premium - the amount paid for title insurance coverage is based upon the loan amount and the purchase price.

Miscellaneous - binder preparation – the binder is the commitment to issue title insurance required by your Lender prior to settlement.

Messenger - most Lenders require that their loan documents be hand-carried to and from the Lender and to the courthouse.

GOVERNMENTAL RECORDING CHARGES

County and State Transfer and Recordation Taxes - The various local and state governments charge transfer and/or recordation taxes on the purchase of a home. Your real estate agent can calculate these amounts for you.

OTHER COSTS

Survey - the fee for a survey showing the approximate location of the improvements within the boundaries of the property or for an additional cost, certifying the exact location of the boundaries and improvements.

Homeowners' Association or Condominium Fees - if applicable, this fee will usually be the next month's fee; in addition, you will reimburse the Seller for the portion of the month which follows settlement.

OWNER'S TITLE INSURANCE

WHAT IS TITLE INSURANCE?

Before answering "what is title insurance" it might be best to first answer "what is title?" "Title" is the ownership in real property. Among other things, it means that you have the legal right to possess, occupy, peacefully enjoy and sell your property without interference from others, subject only to restrictions imposed by governmental authorities or previous owners. In most cases, **title** is transferred by deed, which is recorded in the land records of the county in which the property is located. Generally, when property is sold, an attorney for the Buyer or title examiner goes to the record room and searches the land records for any **title defects**. A **title defect** is anything in the entire history of ownership of real estate that may encumber the owner's rights under the title. A title defect may cause the owner of real property to lose all or part of his land to a superior ownership interest or claim of another. This is the type of loss against which title insurance protects. In short, if you own a title insurance policy, the title insurance company will defend you, without cost, against an attack or claim upon your ownership interest in your property as insured and you will be protected against financial loss caused by a title defect. The title insurance premium is paid one time - at closing - and coverage extends to you for your protection as long as you own the property and even thereafter in some cases.

If my title has been examined, why isn't that enough?

There are many defects, which, even the most meticulous search of the land records will not uncover. For instance, it is impossible for an examiner to know whether the marital rights of all previous owners have been relinquished; whether all deeds, mortgages and judgments affecting the property have been properly indexed in the land records; whether all signatures are valid; or whether an unknown heir of a previous owner has a valid

claim against the property. Without owner's title insurance you may have no recourse for recovery from these types of problems.

If I am required to purchase Lender's insurance, why do I need owner's coverage?

In almost every instance, a Lender will require you to purchase Lender's title insurance protecting it up to the value of its loan on the property. This coverage only protects the Lender, not you, and the coverage diminishes as the loan is paid off. As you build more equity in the property, you expose yourself to a higher risk of loss occasioned by a title defect. In this situation, the protected Lender will suffer no loss while you bear the substantial risk of the damage. Owner's title insurance will protect you against loss from failure of title up to the full amount of the policy.



IMPORTANT REASONS WHY YOU SHOULD HAVE TITLE INSURANCE

Owner's Title Insurance will protect you against those hidden risks which would not be disclosed by even the most meticulous search of public records.

1. Forgery.
2. Fraud in connection with execution of documents.
3. Undue influence on a grantor or executor.
4. False personation by those purporting to be owners of property.
5. Incorrect representation of marital status of grantors.
6. Undisclosed or missing heirs.
7. Wills not properly probated.
8. Mistaken interpretation of wills and trusts.
9. Mental incompetence of grantors.
10. Conveyance by a minor.
11. Birth of heirs subsequent to date of will.
12. Incorrect legal descriptions.
13. Non-delivery of deeds.
14. Unsatisfied claims not shown on record.
15. Deeds executed under expired or false powers of attorney.
16. Confusion due to similar or identical names.
17. Dower or courtesy rights of ex-spouses of former owners.
18. Incorrect indexing.
19. Clerical errors in recording legal documents.
20. Delivery of deeds after death of grantor.

IN CLOSING

Buying a new home could be the single most important investment you will make. It is critical that you understand the process and your options so that you can make an informed and rational decision on every aspect of the home buying process. That is why we have provided you with this guide. Your choice of real estate agent, loan officer and Title Company is as important as your choice of which home to buy. Finding the right professionals who understand your needs, preferences and resources can make the difference in whether your experience is smooth and efficient or lengthy and plagued with problems.

Do your research - it will be worth the effort. Talk to your friends and business associates for referrals. Your real estate agent can also refer you to a Lender and Title Company with whom they have had successful transactions and who will meet your needs and provide the excellent service you deserve.

At **LAWYERS TRUST TITLE COMPANY** we welcome your questions. Not only are we happy to answer questions regarding our fees or the services we perform, but we can also help you understand or solve many issues that arise during the home buying process.

PLANNING FOR YOUR MOVE

Planning and preparing down to the last few details will make your move easier. The following is a time frame that will help you develop a schedule to keep you on track as you approach moving day.



8 WEEKS BEFORE THE MOVE

- Get estimates from moving companies. If you are moving yourself, get estimates from truck rental companies.
- Use up things that can't be moved - such as the food in your freezer and flammable household aerosol cleaning supplies.

6 WEEKS BEFORE THE MOVE

- Meet with your mover to discuss costs, insurance, packing, loading, delivery, and the claims procedure.
- Inventory your possessions.
- Get copies of records from doctors, dentists, lawyers, accountants, etc. Make arrangements to transfer your children's school records.
- Fill out a change of address form with the Post Office. Don't forget about changing the address on magazine subscriptions, catalogs, creditors, etc.
- Speak to an accountant or the IRS about tax deductible moving expenses.

4 WEEKS BEFORE THE MOVE

- If you have contracted to have the mover do all the packing for you, arrange to have this completed a day or two before loading the truck. If you need it, arrange for storage.
- If you are moving yourself, figure out how many boxes you'll need. (Many truck rental companies will provide this service.)

3 WEEKS BEFORE THE MOVE

- Assemble packing materials.
- Begin packing items that you won't need.
- Arrange to cancel utilities and services at your old home and have them installed at your new home.
- Make travel and hotel reservations.
- Get car license, registration, and insurance in order, as necessary.

2 WEEKS BEFORE THE MOVE

- Arrange to transfer all of your bank accounts to new branch locations.
- Cancel any direct deposit or automatic payment arrangements on bank accounts that you are closing.
- Cancel delivery services.

1 WEEK BEFORE THE MOVE

- Transfer all medical prescriptions to a pharmacy in your new location.

2 OR 3 DAYS BEFORE THE MOVE

- Defrost your refrigerator and freezer.
- Have the movers pack your shipment.
- Arrange to have cash, a certified check, or money order ready to pay the driver on delivery day.
- Set aside valuables and legal documents to go with you, not on the van.
- Pack your first day handy items (see "Delivery Day") to go with you.

MOVING DAY!

- Do-it-yourself movers should pick up truck early.
- Make a list of every item and box loaded onto the truck.
- Let the mover know where you can be reached.
- Check your old house to make sure you've turned off water and that no leave-behind appliances are running.
- Inspect basement, attic, and garage.
- Lock up all doors and windows.
- Be on hand to answer questions and give directions to the mover.

DELIVERY DAY

ASSEMBLE FIRST-DAY HANDY ITEMS:

- | | |
|--|---|
| <input type="checkbox"/> Scissors | <input type="checkbox"/> Utility knife |
| <input type="checkbox"/> Coffee cups | <input type="checkbox"/> Instant coffee, tea, and soft drinks |
| <input type="checkbox"/> Teakettle | <input type="checkbox"/> Paper plates |
| <input type="checkbox"/> Paper towels | <input type="checkbox"/> Toilet paper |
| <input type="checkbox"/> Shelf liner | <input type="checkbox"/> Soap |
| <input type="checkbox"/> Pencils and paper | <input type="checkbox"/> Local phone book |
| <input type="checkbox"/> Masking tape | <input type="checkbox"/> Bath towels |
| <input type="checkbox"/> Trash bags | <input type="checkbox"/> Toiletries kit |

- Check off all boxes and items as they come off the truck.
- Install new locks.
- Make sure the utilities are hooked up.
- Unpack children's toys.

Be on hand to answer questions, pay the driver, give directions, and examine your goods.