

OREGON

# BUYER AND SELLER GUIDE

FOR TITLE AND ESCROW





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## WE AT TICOR

We at Tigor are proud to be able to provide this helpful guide to understanding the title and escrow process when buying or selling a home in Oregon.

With over 160 years of history in the title industry, Tigor Title and our FNF family of title companies offers you the financial strength, experience and expertise needed to close your transactions with confidence and peace of mind.

This booklet has been prepared to give you an overview of the general process involved during the purchase/sale of a home and explain the various roles that we will play in helping to close your transaction.

We hope you find this information beneficial in making your transaction and closing experience a smooth and positive one!

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# IMPORTANT CONTACTS FOR YOUR TRANSACTION



## TITLE / ESCROW

Name: \_\_\_\_\_  
 Company: Ticor Title \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City/State/Zip: \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Fax: \_\_\_\_\_  
 Email: \_\_\_\_\_

## CONTACT

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## REAL ESTATE AGENT

Name: \_\_\_\_\_  
 Company: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City/State/Zip: \_\_\_\_\_  
 Phone: \_\_\_\_\_  
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## Why Title Insurance is Important and Worth the Money

A Value Proposition is the unique value a product or service provides to a customer. It describes the benefits the product delivers.

**It answers the question: Why is this worth the money?**



- 1 Title insurance protects the interests of property owners and lenders against legitimate or false title claims by owners or lien holders. It insures the title to the investment, unlocking its potential as a financial asset for the owner.
- 2 At Ticor we access, assemble, analyze, and distribute title information, in addition to handling escrow and closing.
- 3 Title problems are discovered in more than one-third of residential real estate transactions. These “defects” must be resolved prior to closing. The most common problems are existing liens, unpaid mortgages, and recording errors of names, addresses or legal descriptions.
- 4 An owner’s title insurance policy protects the owner for as long as he or she has an interest in the property; and the premium is paid only once, at closing.
- 5 Title insurance is different from other forms of insurance because it insures against events that occurred before the policy is issued, as opposed to insuring against events in the future, as auto, health, property or life insurance do. Title insurance is loss prevention insurance.
- 6 Ticor performs a thorough search of existing records to identify all possible defects in order to resolve them prior to issuing a policy. We perform intensive and extensive work up-front to minimize claims. The better we do this, the lower our rate of claims and the more secure your level of protection.
- 7 Researching titles is extremely labor-intensive since only a small percentage of public records are computerized. The industry invests a substantial amount of time and expense to collect and evaluate title records. As a result, the industry’s claims experience is low compared to other lines of insurance.
- 8 Ticor’s impressive Claim Reserves gives you unquestionable security and peace of mind knowing that your policy is backed by a leader in the title insurance industry.
- 9 Dollar for dollar, title insurance is the best investment you can make to protect your interest in one of the most valuable assets you own: your home.
- 10 To get the best value, choose Ticor Title for all your Title and Escrow needs. Write us in on your next transaction and you’ll see why we are worth the money.



### What is Title Insurance?

The purchase of a home is often the single largest investment people will make in a lifetime; therefore, the importance of fully protecting such an investment cannot be overstressed. Title insurance is protection which assures that the rights and interests to the property are as expected, that the transfer of ownership is smoothly completed and that the new owner receives protection from future claims against the property. It is the most effective, most accepted and least expensive way to protect property ownership rights.



Because land endures over generations, many people may develop rights and claims to a particular property. The current owner's rights—which often involve family and heirs—may be obscure. There may be other parties (such as government agencies, public utilities, lenders or private contractors) who also have “rights” to the property. These interests limit the “title” of any buyer.

#### ● Why Do You Need a Title Insurance Policy?

If title insurance companies work to eliminate risks and prevent losses caused by defects in the title before the closing, why do you need a title insurance policy? The title to the property could be seriously threatened or lost completely by hazards which are considered hidden risks—“those matters, rights or claims that are not shown by the public records and, therefore, are not discoverable by a search and examination of the those public records.” Matters such as forgery, incompetency or incapacity of the parties, fraudulent impersonation, and unknown errors in the records are examples of “hidden risks” which could provide a basis for a claim after the property has been purchased.

Title insurance isn't just for a homeowner. Subdividers need it when planning a new tract of homes or a commercial strip center. Attorneys use it for clients who are investing in shopping centers, hotels, office buildings and countless other projects. Builders need it in order to obtain construction loans from their lender. Everyone wants to have peace of mind when investing their hard-earned money. The title insurance company will help protect these important investments, no matter how large or small, with its own reputation and financial strength.



#### ● Why Does the Lender Need a Policy on My Property?

For the lender, a title policy is a guarantee that it has a valid and enforceable lien (loan or deed of trust) secured by the property, that no one else other than those listed on the policy has a prior claim (or loan, etc.) and that the party to whom they are making the loan does own the property being used as security for the loan. This protection remains in effect as long as the loan remains unpaid.

The existence of a lender's title policy encourages lenders such as banks, savings and loan associations, commercial banks, life insurance companies, etc., to loan money. Because they are lending other people's money (savings or policy holder's funds), they must be concerned with safety should the borrower not make their payments. The title company insures that the title to the property is marketable in the event of foreclosure and the guarantee is backed by the integrity and solvency of the title company. Of course, this benefits everyone—from the single-family homeowner to the owner of a high-rise building.

## ● What is a Title Search?

Before issuing a policy of title insurance, the title company must review the numerous public records concerning the property being sold or financed. The purpose of this title search is to identify and clear all problems before the new owner takes title or the lender loans money.

Our research helps us to determine if there are any rights or claims that may have an impact upon the title such as unpaid taxes, unsatisfied mortgages, judgments, tax liens against the current or past owners, easements, restrictions and court actions. These recorded defects, liens, and encumbrances are reported in a “preliminary report” to applicable parties. Once reported, these matters can be accepted, resolved or extinguished prior to the closing of the transaction. In addition, you are protected against any recorded defects, liens or encumbrances upon the title that are unreported to you and which are within the coverage of the particular policy issued in the transaction.

## ● What Types of Policies Are There?

Protection against flaws and other claims is provided by the title insurance policy which is issued after your transaction is complete. Two types of policies are routinely issued at this time: An “owner’s policy” which covers the home buyer for the full amount paid for the property; and a “lender’s policy” which covers the lending institution over the life of the loan. When purchased at the same time, a substantial discount is given in the combined cost of the two policies. Unlike other forms of insurance, the title insurance policy requires only one moderate premium for a policy to protect you or your heirs for as long as you own the property. There are no renewal premiums or expiration date.

## ● How is Title Insurance Different Than Other Types of Insurance?

With other types of casualty insurance such as auto, home, health, and life, a person thinks of insurance in terms of future loss due to the occurrence of some future event. For instance, a party obtains automobile insurance in order to pay for future loss occasioned by a future “fender bender” or theft of the car. Title insurance is a unique form of insurance which provides coverage for future claims or losses due to title defects which are created by some past event (i.e. events prior to the acquisition of the property).



Another difference is that most other types of insurance charge ongoing fees (premiums) for continued coverage. With title insurance, the original premium is the only cost as long as the owner or heirs own the property. There are no annual payments to keep the Owner’s Title Insurance Policy in force. While some people balk at another “closing fee”, title insurance is pretty reasonable considering the policy could last a lifetime.

## ● How Does a Title Insurance Policy Protect Against Claims?

If a claim is made against the owner or lender, the title insurance company protects the insured by:

1. Defending the title, in court if necessary, at no cost to owner/lender, and
2. Bearing the cost of settling the case, if it proves valid, in order to protect your title and maintain possession of the property.

Each policy is a contract of “indemnity.” It agrees to assume the responsibility for legal defense of title for any defect covered under the policy’s terms and to reimburse for actual financial losses up to the policy limits.



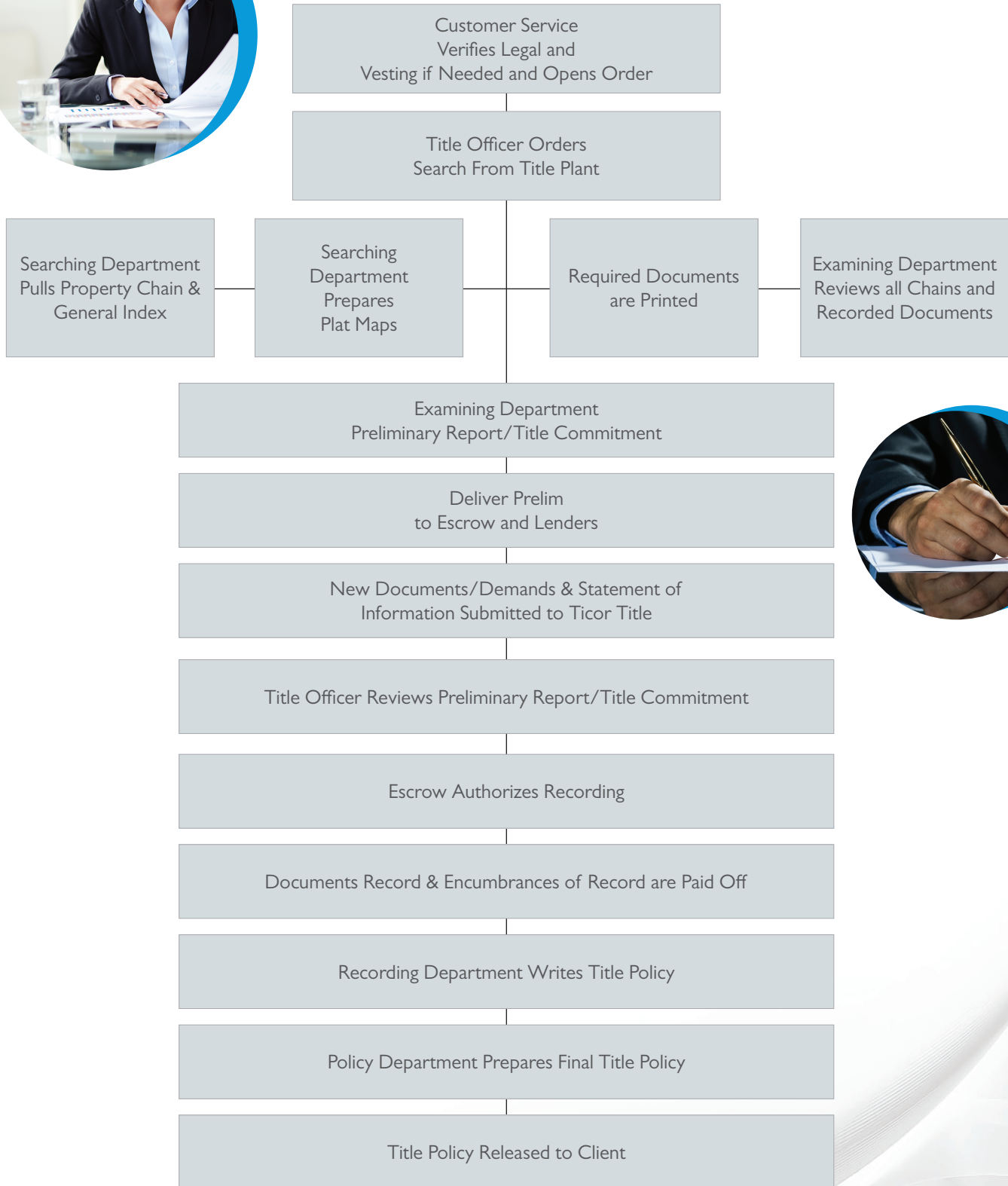
### We Hope You Never Have a Title Claim

With home ownership comes the need to protect the property against the past, as well as the future. Each successive owner brings the possibility of title challenges to the property. Title insurance protects a policyholder against challenges to rightful ownership of real property, challenges that arise from circumstances of past ownerships.

#### ● HERE ARE 21 REASONS FOR TITLE INSURANCE:

1. A fire destroys only the house and improvements. The ground is left. A defective title may take away not only the house but also the land on which it stands. Title insurance protects you (as specified in the policy) against such loss.
2. A deed or mortgage in the chain of title may be a forgery.
3. A deed or a mortgage may have been signed by a person under age.
4. A deed or a mortgage may have been made by an incapacitated person or one otherwise incompetent.
5. A deed or a mortgage may have been made under a power of attorney after its termination and would, therefore, be void.
6. A deed or a mortgage may have been made by a person other than the owner, but with the same name as the owner.
7. The testator of a will might have had a child born after the execution of the will, a fact that would entitle the child to claim his or her share of the property.
8. A deed or mortgage may have been procured by fraud or duress.
9. Title transferred by an heir may be subject to a federal estate tax lien.
10. An heir or other person presumed dead may appear and recover the property or an interest therein.
11. A judgment or levy upon which the title is dependent may be void or voidable on account of some defect in the proceeding.
12. Title insurance covers attorneys' fees and court costs.
13. Title insurance helps speed negotiations when you're ready to sell or obtain a loan.
14. A deed or mortgage may be voidable because it was signed while the grantor was in bankruptcy.
15. There may be a defect in the recording of a document upon which your title is dependent.
16. Claims constantly arise due to marital status and validity of divorces. Only title insurance protects against claims made by non-existent or divorced "wives" or "husbands."
17. Many lawyers, in giving an opinion on a title, protect their clients as well as themselves, by procuring title insurance.
18. By insuring the title, you can eliminate delays and technicalities when passing your title on to someone else.
19. Title insurance reimburses you for the amount of your covered losses.
20. Each title insurance policy we write is paid up, in full, by the first premium for as long as you or your heirs own the property.
21. Over the last 24 years, claims have risen dramatically.







## TITLE POLICY COMPARISON CHART

POLICY PROTECTION AGAINST THE RISKS OF:	STANDARD OWNERS	EXTENDED
Record defects, liens, encumbrances, adverse claims or other matters not known or disclosed to the new owner that attach before date of policy	✓	✓
Forgery or Fraud in connection with the execution of documents	✓	✓
Undue influence on Grantor or mental incompetence of Grantor	✓	✓
Undisclosed or missing heirs	✓	✓
Wills not properly probated, mistaken interpretation of Wills and Trusts	✓	✓
Conveyance by minor(s), Conveyances by Corporation or Partnership without proper legal authority	✓	✓
Incorrect legal descriptions, non-delivery of deeds	✓	✓
Delivery of Deed after Death of Grantor	✓	✓
Clerical errors in recorded legal documents	✓	✓
Unmarketability of title as insured or lack of legal access	✓	✓
Unrecorded liens		✓
Survey and Boundary questions		✓
Claims of parties in possession not disclosed by the public records		✓
Easements or claims to easements not disclosed by public records		✓



**The Tigor Title Title Commitment is an offer to issue a policy of title insurance covering a particular estate or interest in land subject to stated exceptions.**

Since these exceptions may point to potential problems with an intended purchase, it is important for all parties to review the report once it is received.

A Title Commitment provides a list of the matters which will be shown as exceptions to coverage in a designated policy or policies of title insurance, if issued concurrently, covering a particular state or interest in land. It is designed to provide a preliminary response to an application for title insurance and is intended to facilitate the issuance of the designated policy or policies. It is normally prepared after application (order) for such policy(ies) of title insurance on behalf of the principals to a real property transaction.

The Title Commitment states on its face that it is made solely to facilitate the subsequent issuance of a title insurance policy and that the insurer assumes no liability for errors in the report. Accordingly, any claim arising from a defect in title must be made under the title policy and not the Title Commitment.

If a title policy is not contemplated, a Title Commitment should not be ordered. Instead, consideration should be given to requesting a Subdivision Guarantee Report or other similar title product.

After a title order has been placed, matters relative to the title policy coverage on the subject property are assembled in a title search package and examined by skilled technicians. This is when the Title Commitment is prepared and sent to the customer. The report contains relevant information so that the parties to the transaction will become aware of matters which will not be insured against by the title company. This report is issued before the title policy, hence the name Title Commitment.



*The following information is provided for informational purposes only and is not intended to replace legal advice from your attorney or tax consultant.*

### AS AN INDIVIDUAL MAN/WOMAN

An individual may hold title in his or her name alone whether they are married or unmarried. If the individual is married their spouse has no rights in the property in the property (i.e. Jane Doe, an individual)

### TENANTS BY THE ENTIRETY/MARRIED COUPLE

Oregon Revised Statutes (“ORS”) 93.180 provides that a conveyance to a married couple is presumed to create a tenancy by the entirety which is a survivorship estate as between the two parties, i.e. the title passes automatically from a deceased party to the survivor, unless they express a specific intent to hold it in a different manner. (i.e. John Doe and Jane Doe husband and wife or John Doe and Jane Doe tenants by the entirety)

### REGISTERED DOMESTIC PARTNERS

House Bill 2007 provides that persons of the same sex who comply with the registration provisions are afforded the same privileges, immunities, rights and benefits afforded to married persons.

Individuals may take title as tenants in common (see below) or they can take title in a survivorship estate similar to a tenancy by the entirety (i.e. John Doe and Fred Smith as Oregon registered domestic partners with the right of survivorship)

### SURVIVORSHIP ESTATE

ORS 93.180 provides that two or more individuals may take title in a survivorship estate; i.e. title automatically passes to the surviving person(s), if they state the intent to do so (i.e. John Doe, Fred Smith, Mary Kelley with right of survivorship)

### TENANTS IN COMMON

ORS 93.180 provides that a conveyance to two or more persons who are not married are presumed to be tenants in common, that is each has an equal, or as otherwise stated, undivided interest in the property (i.e. John Doe, Fred Smith and Mary Kelley tenants in common)

### ENTITY

A recognized legal entity may hold title to real property, examples are Partnership (general or limited), Limited Liability Company, or Corporation. The grantees name should be exactly as registered with the State of Oregon or other state where the entity was created.

### TRUST OR REPRESENTATIVE CAPACITY

Title to real property, may also be held by an individual or entity in their capacity acting on behalf of others, e.g. John Doe, Personal Representative of the Estate of Mary Kelley, deceased; John Doe, Trustee of the Mary Kelley Trust.

Note: You should communicate with your lender as to how you wish to take title so that your instructions will concur with the lender’s documents.



## ● Understanding an ID Affidavit

What's in a name? When a title company seeks to uncover matters affecting title to real property, the answer is, "Quite a bit."

An ID Affidavit provides title companies with the information they need to distinguish the buyers and sellers of real property from others with similar names. After identifying the true buyers and sellers, title companies may disregard the judgments, liens or other matters on the public records under similar names.

To help you better understand this sensitive subject, below are answers to common questions relating to ID Affidavits.

## ● What is an ID Affidavit?

A Statement of Information is a form routinely requested from the buyer, seller and borrower in a transaction where title insurance is sought. The completed form provides the title company with information needed to adequately examine documents so as to disregard matters which do not affect the property to be insured, matters which actually apply to some other person.

## ● What Does an ID Affidavit Do?

Every day documents affecting real property – liens, court

decrees, bankruptcies – are recorded. Whenever a title company uncovers a recorded document in which the name is the same or similar to that of the buyer, seller or borrower in a title transaction, the title company must ask, "Does this document affect the parties we are insuring?" Because if it does, it affects title to the property and would, therefore, be listed as an exception from coverage under the title policy.

A properly completed ID Affidavit will allow the title company to differentiate between parties with the same or similar names when searching documents recorded by name. This protects all parties involved and allows the title company to competently carry out its duties without unnecessary delay.



## What is an Escrow?

Buyers and sellers of a piece of property establish terms and conditions for the transfer of ownership of the property. These terms and conditions are given to a third party known as the escrow holder. In turn, the escrow holder has the responsibility of seeing that terms of the escrow are carried out. The escrow is an independent neutral account and the vehicle by which the mutual instructions of all parties to the transaction are complied with.



- **Why is Escrow Needed?**

Whether you are the buyer or the seller, you want assurance that no funds or property will change hands until all instructions have been followed. With the increasing complexity of business, law and tax structures, it takes a trained professional to supervise the transaction.

- **How Long is an Escrow?**

The length of an escrow is determined by the terms of the purchase agreement/joint escrow instructions and can range from a few days to several months.

- **Who Chooses the Escrow?**

The selection of the escrow holder is normally done by agreement between the principals. If a real estate agent is involved, they may recommend an escrow holder.

- **Why Tigor Escrow?**

Tigor Escrow has experienced and knowledgeable Escrow Officers waiting to assist you. We can handle your Residential and Commercial Purchases and/or Refinance Escrows, from the unique to the complex. Tigor has offices locally and nationwide to accommodate the most demanding Buyers, Sellers and Borrowers. Call us today to close your next transaction.



# How Does The ESCROW PROCESS Work?

The escrow is a depository for all monies, instructions and documents necessary for the purchase of your home, including your funds for down payment and your lender's funds and documents for the new loan. Generally, the buyer deposits a down payment with the escrow holder and the seller deposits the deed and any other necessary documents with the escrow holder. Prior to the close of escrow the buyer deposits the balance of the funds required and agreed upon by the parties with the escrow holder. The buyer instructs the escrow holder to deliver the monies to the seller when:

- The subject property is free and clear of all title defects
- The deed conveying title of property to buyer has been sent to the county for recording.

The escrow holder thus acts for both parties and protects the interests of each within the authority of the escrow instructions. Escrow cannot be completed until the terms and conditions of the instructions have been satisfied and all parties have signed escrow documents. The escrow holder takes instructions based on the terms of the purchase agreement and the lender's requirements



## ● Escrow Duties

1. The Escrow Officer's duties typically include the following:
2. Receive signed Purchase Agreement; prepare Escrow Instructions
3. Receive and deposit buyer's earnest money into an escrow account
4. Serve as the neutral agent and liaison/communication link to all parties to the transaction
5. Order Title Commitment to determine status of title to property
6. Request beneficiary's statement or pay-off demand related to existing financing
7. Comply with lender's requirements as specified in the lender's closing instructions
8. Secure releases of all escrow contingencies or other conditions required
9. Prorate taxes, interest, insurance and rents
10. Prepare or secure the transfer deed or other documents necessary to consummate the transaction
11. Arrange appointments for buyer/seller to sign documents
12. Request and receive purchase funds from the buyer and loan funds from new lender
13. Close escrow pursuant to instructions provided by seller, buyer, and lender.
14. Arrange for recording of deeds and any other documents as instructed
15. Request issuance of the title insurance policies
16. Disburse funds as authorized, including charges for title insurance, recording fees, commissions and loan payoffs
17. Disposition of all funds held in escrow account
18. Prepare final accounting statements for the parties

## ● Communication Tips for Escrow

- When calling the escrow officer, have the escrow number and buyer/seller's names handy.
- Keep the escrow officer informed on any matters that may affect the transaction.
- Direct your questions to the proper representative, such as:
  - Real Estate Agent: Physical aspects of property, conflicts, and terms of sale.
  - Lender: Loan terms, credit report issues, etc.
  - Escrow Officer: Escrow instructions, documents and forms to be filled out.





It all begins with the offer and acceptance skillfully negotiated by the real estate agents representing Buyer and Seller.

### ● The Buyer(s)

- Tenders a written offer to purchase (or accepts the Seller's counter-offer) accompanied by a good faith deposit amount.
- Applies for a new loan, completing all required forms and often prepaying certain fees such as credit report and appraisal costs. Approves and signs the escrow instructions and other related instruments required to complete the transaction.
- Approves the title commitment and any property disclosure or inspection report called for by the purchase and sale agreement. (Deposit Receipt)
- Approves and signs new loan documents and fulfills any remaining condition contained in the contract, lender's instructions and/or the escrow instructions.
- Deposits funds necessary to close the escrow. Approves any changes by signing amendments in the escrow instructions.
- The Lender (When applicable)
- Accepts the new loan application and other related documents from the Buyer(s) and begins the qualification process.
- Orders and reviews the property appraisal, credit report, verification of employment, verification of deposit(s), title commitment and other related information.
- Submits the entire package to the loan committee and/or underwriters for approval. When approved, loan conditions and title insurance requirements are established.
- Provide a Loan Estimate/Closing Disclosure Form describing terms of loan and applicable closing costs.
- Deposits the new loan documents and instructions with the escrow holder for Buyer's approval and signature.
- Reviews and approves the executed loan package and coordinates the loan funding with the escrow officer.



## ● The Escrow Officer

- Receives an order for escrow and title services.
- Orders the title commitment and examination on the subject property from Ticor Title.
- Acts as the impartial “stakeholder” or depository, in a fiduciary capacity, for all documents and monies required to complete the transaction per written instructions of the principals.
- Prepares the escrow instructions and required documents in accordance with terms of the sale.
- With authorization from the real estate agent or principal, orders demands on existing deeds of trust and liens or judgments, if any. For assumption or subject to loan, orders the beneficiary’s statement or formal assumption package.
- Reviews documents received in the escrow: title commitment, payoff or assumption statements, new loan package and other related instruments. Reviews the conditions in the lender’s instructions including the hazard and title insurance requirements.
- Presents the documents, statements, loan package(s), estimated closing statement and other related documents to the principal(s) for approval and signature/s, and requests the balance of the buyer’s funds.
- Reviews the signed instructions and documents, returns the loan package and requests the lender’s funds.
- Receives the proceeds of the loan(s) from the lender(s).
- Determines when the transaction will be in the position to close and advises the parties.
- Assisted by Title personnel, records the deed, deed of trust and other documents required to complete the transaction with the County Recorder and orders the title insurance policies.
- Closes the escrow by preparing the final settlement statements, disbursing the proceeds to the Seller, paying off the existing encumbrances and other obligations.
- Delivers the appropriate statements, funds and remaining document to the principals, agents and/or lenders.



## ● The Seller(s)

- Accepts Buyer’s Offer to Purchase and initial good faith deposit to open escrow.
- Submits documents and information to escrow holder, such as: addresses of Lien holders, tax receipts, equipment warranties, home warranty contracts, any leases and/or rental agreements.
- Approves and signs the escrow instructions, conveyance deed and other related document required to complete the transaction.
- Orders inspections, receives clearance, and approves final reports and/or repairs to the property as required by the terms of the purchase and sale agreement (Deposit Receipt).
- Fulfills any remaining conditions specified in the contract and/or escrow instructions; approves the payoff demands and/or beneficiary’s statements.
- Approves any final changes by signing amendments to the escrow instructions or contract.
- Requests the Title Company to examine the public records affecting the real property and issue a title commitment. Determines the requirements and documents needed to complete the transaction and advises the escrow officer and/or agents.
- Reviews and approves the signed documents, releases and the order for title insurance, prior to the closing date.
- When authorized by the escrow officer, records the signed documents with the County Recorder’s office and prepares to issue the title insurance policies.



## OPENING ESCROW

The selection of the escrow holder is normally done by agreement between the parties to a transaction. Typically, the escrow is then opened by the real estate agent. Which agent (the “seller side” or the “buyer side”) will open the escrow is generally determined by local practice.

Escrow is opened upon receipt of an executed Purchase and Sale Agreement. An escrow file number is assigned and the appropriate information is entered into the computer. Upon issuance of the escrow file number, the escrow officer will order a title commitment from the title company or title department.

- **The escrow officer will need some basic information in order to open and proceed with the escrow:**

- Correct street address, and parcel #
- Sales price
- Full names of all parties involved and marital status
- Contact information for all parties, including email, phone numbers, and mailing addresses.
- Existing lender name, loan number, contact information and approximate unpaid balance
- HOA (Homeowner’s association) information, such as address and dues
- HOA management company information (if any)
- Commission amount and additional conditions

In general, the first item to enter the escrow is the buyer’s initial deposit. The escrow file will grow, item by item, until all of the conditions have been met and the escrow is ready to close.

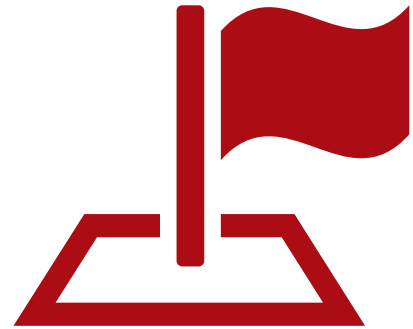
- **The Escrow Officer Will Also Need the Following From the Buyer’s Agent:**

- (see pg. 17 ID Affidavit - Why is Needed?)
- New lender information and loan amount
- Fire/hazard insurance information for new policy or existing policy



A “red flag” is a signal to pay attention! Below are some of the items which may cause delays or other problems within a transaction and must be addressed well before the closing.

- Bankruptcies
- Business trusts
- Clearing liens and judgments, including child or spousal support liens
- Encroachment or off record easements
- Establishing fact of death–joint tenancy Family trusts
- Foreclosures
- Physical inspection results–Encroachment, off-record easements
- Probates
- Power of Attorney–Use of, proper execution
- Proper execution of documents
- Proper jurats, notary seals
- Recent construction
- Transfers or loans involving corporations or partnerships
- Last minute change in buyers
- Last minute change in type of title insurance coverage



**TAXES:** These are usually standard, showing the status of the current tax year.

**RED FLAG:** Postponed property taxes is a program put on by the state for senior citizens. It allows the owner to postpone the taxes until the property is sold or refinanced. The owner applies to the state, and the state provides “checks” that the owner uses to pay the taxes. The reason this is a red flag is because a demand will need to be ordered from the state by escrow in order to pay off the postponed taxes. It may take up to two weeks to get a demand.

**CC&R’S:** These are standard. The CC&R’s should be provided to the buyer within the title report. The buyer should read these thoroughly, especially if improvements to the property are contemplated.

**RED FLAG:** Some CC&R’s prohibit certain types of improvements.

**EASEMENTS:** These are also standard. Most easements in newer subdivisions (20 years or less) are contained in the street. Some subdivisions have nonexclusive easements over portions of the property for such things as maintenance of side yards, access to common areas (like golf courses), etc.

**RED FLAG:** If improvements are contemplated (such as construction of a pool or spa for example), then the buyer should determine that there will not be any interference to contemplated improvements. However, you should be aware that easements are very difficult to get removed, and your client may be better off with another property if an easement interferes with his future plans for the property.

**AGREEMENTS:** These commonly take the form of road maintenance agreements, mutual easement agreements (like a shared driveway) or improvement agreements, and will bind the owner to certain actions. A copy of the agreement should be requested from title and provided to the buyer. It is the buyer’s responsibility to contact their own counsel if they do not understand how the agreement would affect them.



## RED FLAGS IN THE ESCROW / TITLE PROCESS

**TRUST DEEDS:** These are common. Escrow will order a demand from the lender(s) which will allow the title company to pay off the existing loan(s) using the proceeds from the new buyer's loan (or proceeds if all cash).

**RED FLAG:** Watch out for old trust deeds from a previous owner (or sometimes the current owner if he has refinanced). If you find a trust deed listed that has already been paid, or that looks like it was taken out by a previous owner, call your title officer immediately. He will research the trust deed, and take the necessary steps to either remove it from the public record (by working with escrow to get release documents) or by acquiring an "indemnity" from the title company who paid off the old loan. Old trust deeds with private party beneficiaries (an individual acting as lender, such as an old seller carry-back) are difficult to get removed, especially if several years have gone by since the loan has been paid off. A bond will sometimes be necessary in order to clear title of an old trust deed. These bonds must be covering twice the face value of the deed of trust, and will cost upwards from 1% of the bond amount (usually around 2 or 3 percent, more for higher risk bonds), depending on how much supporting documentation is provided to the bonding company. Note: If you have a client/buyer who is getting financing from the seller, or any individual, advise them to contact you or their title officer when the loan is being paid off. The release documents are much easier to get now rather than in a few years when the lender may no longer be around.

**ENCROACHMENTS:** Sometimes a structure (commonly a fence or driveway) encroaches upon a property. This usually means that a client will have to take the property subject to the encroachment. Contact your title officer if you see encroachment language in your prelim.

**RED FLAG:** The lender will usually not want to lend on a property where encroachments exist. In some circumstances, an endorsement to the lender's policy (usually with an extra charge) can allow the lender to close. These are determined on a case-by-case basis. Again, contact your title officer.

**NOTICE OF VIOLATION:** These will sometimes be recorded by the fire department, the health department or the local zoning enforcement division in situations where the property violates a local statute.

**RED FLAG:** These are always a red flag. The lender will not accept these conditions. The violation will have to be eliminated and the local enforcement agency will have to issue a release before closing. Escrow (or the seller or the seller's representative) will usually have to deal directly with the appropriate agency to resolve these types of issues.

**COURT ORDERS/JUDGMENTS:** These are not a standard item. The most common type to show on a title commitment is support judgments. These are issued by the courts when child/spousal support is owed by the party named. (See "Statement of Information")

**RED FLAG:** Any order/judgment is a red flag. Support judgments can take up to six weeks to get a demand and release from the creditor (usually the district attorney's office). If you see an order or judgment, contact escrow immediately to verify that the demand has been ordered.

**BANKRUPTCY:** While not unusual, bankruptcies are not standard.

**RED FLAG:** All open bankruptcies require the debtor to get permission from the court to sell or encumber an asset (the home) or to take on new debt. Chapter 7 and 13 bankruptcies against the seller are the most common found in a sale situation. A letter from the bankruptcy trustee will be required to close escrow. The trustee will sometimes require that a payment be made to the court at close. We sometimes find a Chapter 13 against a buyer, which will also require a letter from the trustee allowing the debtor to take on more debt. An open Chapter 7 against the buyer is rare, and the buyer probably cannot get a loan as long as he is in a Chapter 7. (See "Statement of Information").

NOTE: Chapter 7 is a complete washout of dischargeable debt, Chapter 13 is a reorganization of debt and Chapter 11 is a reorganization of debt for a company or corporation.

**NOTICE OF PENDING ACTION:** This is also known as a "lis pendens."

**RED FLAG:** This is a big red flag. This means that someone has a lawsuit pending that may affect the title to the property. These are often found in acrimonious divorce situations. A demand (the aggressing party usually wants money before releasing) and withdrawal (a "withdrawal of lis pendens" is a legal document that must be recorded to release the lis pendens) will be required before closing.

**ID Affidavit:** Also known as a statement of facts, statement of identity, or an SI. This required document will be provided to the parties by escrow. It asks for information about the parties such as social security number, residence history, marital history, job history, aliases, etc. Please fill this out as completely as possible. The SI allows the company to eliminate things recorded in the GI (General Index) against the name (as opposed to the property) such as tax liens, judgments, welfare liens, support liens and lawsuits that may be filed against people that have the same name as you. These types of liens attach automatically to any real property owned by the debtor, and therefore make the property liable for any payment due under the lien.

**RED FLAG:** If you have a common name (for example: Smith, Johnson, Garcia, Martinez, Lee, etc) it is important that the company receive the completed SI promptly in order to “clear” these items. Sometimes you may be unaware that a lien exists. More often, you may have resolved the situation but had never gotten the proper release documents recorded in order to remove it from the public record. We cannot close a file with unresolved liens against a seller. (There are some circumstances when a deal can still be closed when there is an unresolved lien against a buyer.) Contact your title or escrow officer if you find that this situation exists.





## OTHER PARTIES TO AN ESCROW TRANSACTION



In addition to the buyer, seller, lender and real estate agent(s), Escrow may involve several other parties such as: Appraisal, Home Warranty, Home Inspection, and Disclosure Report.

### ● APPRAISAL

If the buyer is securing a new loan for the purchase, an appraisal will be required by the lender. An appraiser will:

- Research the subject property as to year built bedrooms, baths, lot size and square footage.
- Compare data of recent sales in the subject's neighborhood, typically within a one mile radius. The appraiser usually locates at least three (and preferably more) similar homes that have sold within the past six months. These homes are considered the "Comparable Properties" or "Comps" for short.
- Field inspection is conducted in two parts: (1) the inspection of the subject property, and (2) the exterior inspection of the comparable properties.

The subject property inspection includes taking photos of the front and rear of the home (that may include portions of the yard) and photos of the street scene. The appraiser also makes an interior inspection for features and conditions which may detract from or add to the value of the home. A floor plan of the home is drawn and included while doing the inspection.

### ● HOME WARRANTY

Home Warranties offer advantages to both the buyer and seller. This policy protects the buyer by paying for certain repairs and costs of major mechanical systems and major appliances in the home such as heating and air conditioning. There are a variety of plans available.

#### **Benefits of Home Warranty Coverage to the Seller**

- Home may sell faster and at a higher price
- Optional coverage during the listing period
- Protection from legal disputes that occur after the sale increases the marketability of home

#### **Benefits of Home Warranty Coverage to the Buyer**

- Warranty coverage for major systems and built-in appliances
- Protects cash flow
- Puts a complete network of qualified service technicians at the Buyer's service
- Low deductible

Most home warranty plans can be paid for at the close of escrow. A copy of the invoice is presented to the escrow company and it becomes part of the seller's closing costs. FNF offers Home Warranty coverage at [www.HomeWarranty.com](http://www.HomeWarranty.com) or 1.800.862.6837



## ● HOME INSPECTIONS

A home inspection is another component of the escrow process. It is a physical examination to identify material defects in the systems, structure and components of a building, such as foundations, basements and under-floor areas, exteriors, roof coverings, attic areas and roof framing, plumbing, electrical systems, heating and cooling systems, fireplaces and chimneys, and building exteriors.

### **Is Your Home Inspector Insured?**

They should have: Professional Liability Insurance Coverage, General Liability and Workers Compensation.

### **How the Seller Should Prepare for a Home Inspection**

The seller should have the property fully accessible, including elimination of stored objects that may prevent the inspector from accessing key components of the home. Areas of special concern are attics, crawlspaces, electric panels, closets, garages, gates/ yards, furnaces and water heaters. All utilities should be on with functioning pilots lit.

### **Inspector's Responsibility to the Homeowner**

Respect the property. Leave the property as they found it. Answer questions about the report after the inspection is completed. Provide a copy of the report on site.





## THE LOAN PROCESS

### ● Step 1: APPLICATION

An application is considered received when the consumer provides the following information to the Creditor:

- Consumer Information
- Name
- Income
- Social Security number to obtain a credit report
- Address of the subject property
- Estimate of the value of the property
- Mortgage loan amount sought

### ● Step 2: ORDERING DOCUMENTATION

Your loan consultant will order the necessary documentation for the loan as soon as it is received. Any verifications will be mailed, and the credit report and appraisal will be ordered. You will also receive a Loan Estimate of your costs and details of your loan.

### ● Step 3: AWAITING DOCUMENTATION

Within approximately two weeks, all necessary documents should be received from your loan consultant. Each item is reviewed carefully in case additional items may be needed from you to resolve any questions or problems.

### ● Step 4: LOAN SUBMISSION

Submitting your loan is a critical part of the process. All of the necessary documentation will be sent to the lender, along with your credit report and appraisal.

### ● Step 5: LOAN APPROVAL

Loan approval may be obtained in stages. Usually within one to three days, your loan consultant should have pre-approval from the lender. If the loan requires mortgage insurance, or if an investor needs to review the file, final approval could take additional time. You do not have final loan approval until ALL of the necessary parties have underwritten the loan.

### ● Step 6: CLOSING DISCLOSURE

The lender will provide to you a Closing Disclosure to review prior to the release of loan documents.

### ● Step 7: LENDER PREPARATION OF DOCUMENTS

As soon as the loan is approved and all requirements of the lender have been met, the loan documents will be prepared.

These documents will be sent to the escrow officer, and you will be asked to sign the documents. Your lender may require an impound account for tax installment payments, depending on the type of loan.



### ● Step 8: FUNDING

Once you have signed the documents and they have been returned to the lender, the lender will review them and make sure that all conditions have been met and all of the documents have been signed correctly. When this is completed, they will “fund” your loan. (“Fund” means that the lender will give the title company the money by check or wire.)

### ● Step 9: RECORDATION

When the loan has been funded, the title company will record the Deed of Trust with the county in which the property is located (usually by the next day). Upon receipt of confirmation of the deed being recorded, title or escrow will then disburse monies to the appropriate parties. At this time, in most cases, your loan is considered complete.



## What Is PMI?

Private Mortgage Insurance

Buying a home is easier than ever, thanks to the availability of private mortgage insurance, or PMI. Private mortgage insurance has made it possible for qualifying buyers to obtain mortgages with a down payment as low as 3%. Such mortgages are increasingly in demand in today's home market because potential homeowners, especially first time home buyers, are unable to accumulate the 20 or 30% down payment that would be required without private mortgage insurance.

### ● Definition PMI

PMI is a type of insurance required by the lender that helps protect lenders against losses due to foreclosure. This protection is provided by private mortgage insurance companies and enables lenders to accept lower down payments than would normally be allowed.

### ● When Do I Need to Carry PMI?

If you make a down payment of less than 20% of the home sales price, your lender will require you to carry PMI. This will protect the lender from a potential loss if you default on your low down payment loan.

### ● How Long Am I Required to Carry PMI?

PMI can usually be canceled by the home buyer when they have at least 20% equity in the home, either due to payment of the principal or the appreciation of the property. When you believe your home has achieved 20% equity, you can contact your loan server for guidelines. Usually lenders will require an appraisal on the property to verify the equity.

### ● How Much Is PMI Going to Cost Me?

The House Banking Committee has estimated that the average cost of mortgage insurance is between \$300 and \$900 a year. Premiums are based on the amount and terms of the mortgage and will vary according to loan to value ratio, type of loan and the amount of coverage required by the lender.

### ● What Are the Payment Options for PMI?

PMI can be paid on either an annual, monthly or single premium plan.



There are many types of tax issues which should be considered during a real estate transaction. Ticor Title provides the following information as a resource only and always recommends that a seller and buyer consult with their legal and tax professionals for advice.



Topics we will briefly overview which may be a part of, or a result of, your escrow include:

- Capital Gains Tax
- Change of Ownership Filing
- FIRPTA
- Property Taxes
- Supplemental Taxes

The I.R.S. provides free publications that explain the tax aspects of real estate transactions. A few of these include:

Publication #523: Selling Your Home

Publication #530: Tax Information for First Time Homeowners

Publication #544: Sales and Other Dispositions of Assets

Publication #551: Basis of Assets

### ● Federal Requirements

The Internal Revenue Service (IRS) requires that sellers report certain information pertaining to sales of real property. Under the Tax Reform Act of 1986, reportable transactions include sales and exchanges of properties including, but not limited to, houses, townhouses and condominiums. Also reportable is stock in cooperative housing corporations and mobile homes without wheels. Specifically excluded from reporting are foreclosures and abandonment of real property, as well as financing or refinancing of properties.

The escrow officer, as the settlement agent, will ask the seller to complete a Certificate for Information Reporting for the 1099 S form which may be required by the IRS. The seller is required to provide their correct taxpayer identification number (social security number), as well as the closing date of the transaction and gross proceeds of the transaction. Most settlement agents now transmit the reportable information electronically to the IRS at the end of the year, although a “hard copy” of the form is included in the seller’s closing documents.



### ● Property Taxes

Homeowners pay property taxes to their appropriate assessment, collection or franchise tax department in each county. A change in ownership or the completion of new construction could result in a change in the assessed value of the property and may result in the issuance of a supplemental property tax bill. Taxes are due on predesignated dates and become delinquent when not paid. Penalties are assessed for delinquent taxes. The yearly “tax calendar” varies by state.

In addition to standard property taxes, many jurisdictions also contain special assessment districts, which may have been formed as a means of financing infrastructure. Bonds may have been sold to finance the infrastructure and the ultimate property owner continues to make payments on the principal and interest on the bond. The bond issues vary in size and term. Other special city and county districts may be assessed for a variety of purposes, including street lights and traffic signals, street maintenance, certain educational purposes, etc.

### ● Change of Ownership Filings

When property changes hands, local government agencies require notice of change of ownership. At the local level, this would be any county office that assesses or collects taxes. Reporting a change in the ownership of the property allows the local jurisdiction to assess the tax liability for each property as the title is transferred from seller to buyer.

The reporting documents vary from state to state, but all states require at minimum the names of the seller and buyer, assessor’s parcel number or other property identifying number, the property location and tax address.

The escrow officer will generally assist the client in completing the document and ensuring that it reaches the Recorder’s Office along with the other documents pertinent to the change of ownership.

Some situations which appear to be a change of ownership are exempt from the filing of this type of document, including corrections to the record and status changes such as a change in vesting.



# PATH ACT

# INCREASES WITHHOLDING RATE

UP TO  
**15%**



President Obama recently-enacted the Protecting Americans from Tax Hikes (PATH) Act. This law creates significant changes to the Foreign Investment in Real Property Tax Act (FIRPTA).



### What does the new rule change about withholding requirements?

The PATH Act increases the FIRPTA base withholding rate from 10% to 15% of the amount realized on the sale of real property by a foreign person (the transferor). If the sales price does not exceed \$1,000,000, Real Property sold by a foreign person that is to be used as a residence by the buyer qualifies for a reduced rate of 10%. If the buyer is not using the property as a residence, the new 15% withholding rate is for all transactions. If the price is higher than \$1,000,000, the 15% withholding rate is applicable for all transactions.



### What are the benefits?

The PATH Act benefits the real estate industry by doubling the maximum amount of stock ownership a foreign person may have in a real estate investment trust (REIT) from 5% to 10%. Another additional benefit is that the law permits certain foreign pension funds to invest in REITs without having FIRPTA withholding apply.

<b>APPROPRIATE WITHHOLDING TAX RATE UNDER NEW TAX LAW</b>	<b>YES</b>	<b>NO</b>
Buyer Intends To Use Property as a Residence?		
\$300,000 and Under	\$0	15%
\$300,001- \$1,000,000	10%	15%
Over \$1,000,000	15%	15%



### When does it go into effect?

The PATH Act is effective 60 days after Obama signed it into law. This applies to sales on and after approximately **FEBRUARY 17, 2016.\***



### What are the guidelines buyers must follow when determining the withholding rate?

1. If the amount realized is \$300,000 (typically the sales price) or less, and the property will be used by the buyer as a residence (within current regulations), no amount is to be withheld or remitted to the IRS.
2. If the amount realized is greater than \$300,000 but does not exceed \$1,000,000 and the property will be used by the buyer as a residence, then the withholding rate is 10% of the entire amount realized.
3. If the amount realized exceeds \$1,000,000, then the withholding rate is 15% of the total consideration, regardless of how the property is used by the buyer.

NOTE: Other exceptions to withholding may apply.



### Are there any obligations for FIRPTA withholding by the real estate agent or broker?

If you represent the buyer or seller of real property subject to FIRPTA withholding, you could be liable for the tax up to the amount of commission received in certain circumstances. We always recommend discussing your situation with a tax professional.

\* The IRS has not issued new forms or publications which state the official date as of yet.

If you have additional questions about the PATH Act, please contact a tax professional or the IRS.

- **When do I sign loan documents?**

Generally, your escrow instructions will be mailed to you for completion and signature. Your escrow officer or real estate agent will contact you to make an appointment for you to sign your final loan papers. At this time, the escrow holder will also tell you the amount of money you will need (in addition to your loan funds) to purchase your new home. The lender will send your loan funds directly to the title company.

- **What do I bring to my loan document signing appointments?**

If you are required to bring money to closing, remember that it must be in the form of an Oregon State Bank Cashiers Check or Wire Transfer. These funds need to be received by the Escrow office 24 hours in advance of the recording/closing date indicated on your Purchase and Sale Agreement.

A valid picture ID, such as a driver's license or state ID card is required at signing for all persons who will be signing documents. These items are needed by a Notary Public to verify your identity. It is a routine but necessary step for your protection.

Make sure you are aware of your lender's requirements and that you have satisfied those requirements before you come to the escrow company to sign your papers. Your loan officer or real estate agent can assist you.

- **What's the next step after I've signed the loan documents?**

After you have signed all the necessary instructions and documents, the escrow holder will return them to the lender for final review. This review usually occurs within a few days. After the review is completed, the lender is ready to fund your loan and informs the escrow holder.

- **When will I receive the deed?**

The original deed to your home will be mailed directly to you at your new home by the County Recorder's office. This service takes several weeks (sometimes longer, depending on the County Recorder's work volume).





## WHAT IS PAYOFF

A loan payoff is an extremely important service provided by title companies to facilitate the handling of money in the closing of a real estate transaction. It is the receipt of funds from the buyer and the payment of the obligations of the seller (if any) in conjunction with a real estate transaction. The payoff function is performed by Ticor Title as part of the escrow process.



### ● Commonly Used Payoff Terms

**Prefigures:** Estimated payoff figures calculated and given prior to closing upon request. These figures are only valid through the date given and are based on the information provided at the time.

**Good Funds:** Ticor Title must be in receipt of “good funds” prior to disbursing on a payoff. Types of good funds include:

1. funds wired into Ticor Title’s trust account;
2. a cashier’s, teller’s or certified check (provide next day availability after deposit to comply with AB51 2);
3. other local checks (provide availability of funds five days after deposit), and
4. out of area checks (provide availability of funds ten days after deposit).

**Demands:** Demands must include specific payoff information concerning the particular property and must be signed. It is the responsibility of the Escrow Officer to order and provide all necessary demands, including any updates or changes on a timely basis.

**Taxes:** Outstanding property taxes can be paid out of the payoff proceeds.

**Refunds:** Any overpayment of demands will be refunded to the escrow upon receipt from the lender. Refunds typically take two to six weeks to process.

**Shortages:** Your Escrow Officer will contact you if there is a shortage of the necessary funds to cover the outstanding obligations. The shortages must be received prior to payoff.

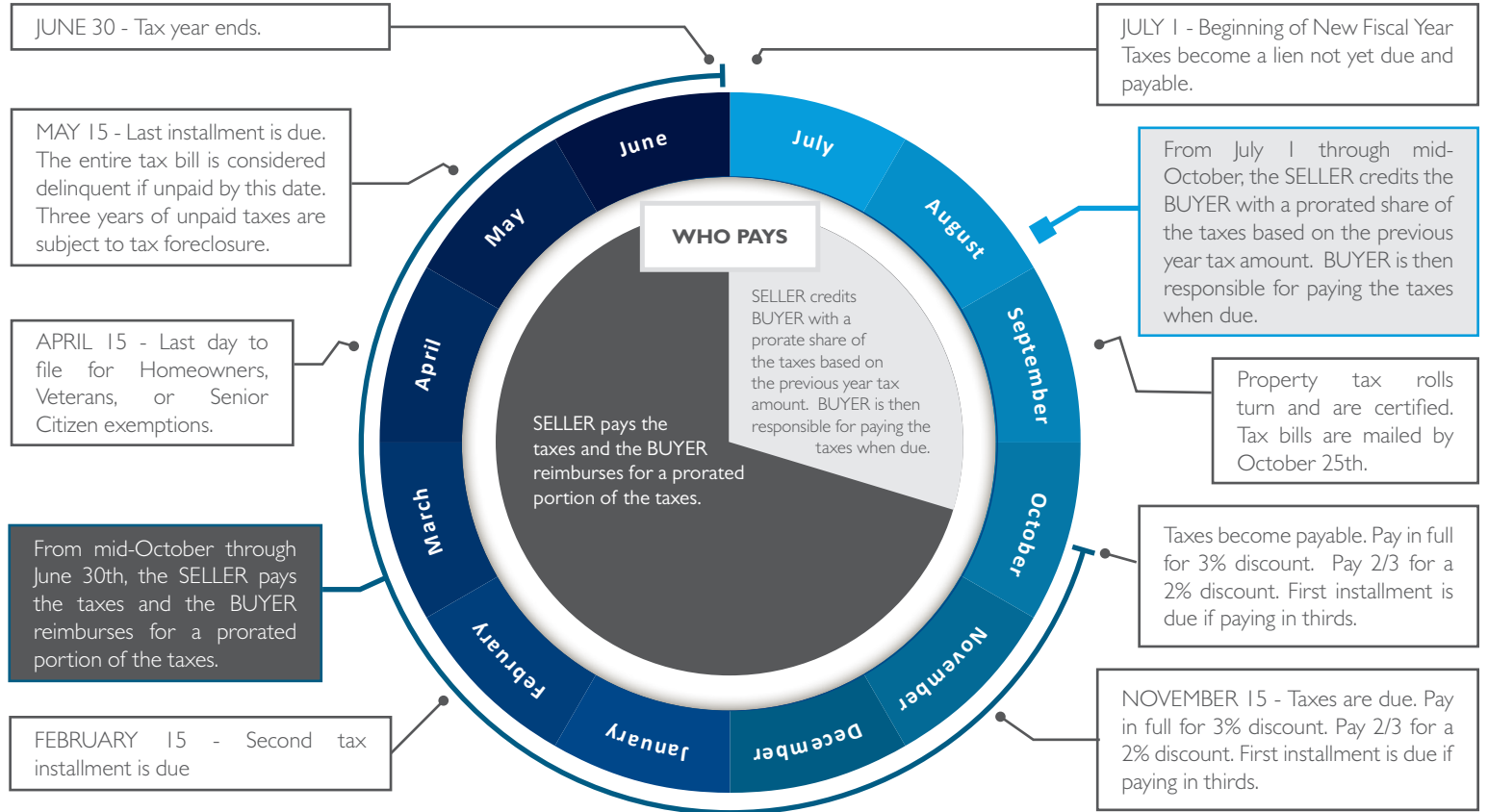
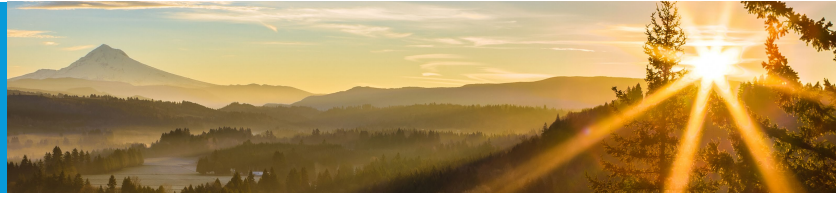
**Disbursement Checks:** Checks are delivered locally to lending institutions by a contracted messenger service. Checks to individuals and to out of area lenders are typically sent via an overnight delivery company.

**Wire Transfers:** Funds can be wired into and out of Ticor Title offices with our bank.

**Out of County Transactions:** Ticor Title offices can receive and disburse payoff funds through any of our offices.



Important Dates, Assessment, and Tax Rates



**Property Assessment**

The appraisal process identifies taxable property and assigns a value to it. County assessors appraise most Oregon property and the property value is determined as of January 1 each year.

Property subject to taxation includes all privately owned real property (land, buildings, and fixed machinery and equipment), manufactured homes, and personal property used in a business. Items with no property tax include:

- Personal belongings and automobiles.
- Crops & orchards.
- Business inventories.
- Household furnishings.
- Certain intangible property.

**Tax Rates**

Taxes are certified by the taxing districts and the county assessor places them on the tax roll each year in the Fall. Taxes are placed on the tax roll in the form of a rate per \$1,000 of assessed value.

When a district certifies a dollar amount tax levy, such as a local option tax or bond tax, the assessor must calculate a tax rate. To compute a tax rate, the tax levy amount is divided by the taxable assessed value of the property in the district. This tax rate is placed on the individual property tax accounts in the district.

The total amount of tax placed on a property is computed by multiplying the property's assessed value by the combined tax rates of all the districts in which the property is located and then adding any assessments.



# CLOSING COSTS: WHAT BUYERS & SELLERS TYPICALLY PAY FOR



Closing Costs are fees and expenses, over and above the price of the property, incurred by the buyer and/or the seller in the property ownership transfer. Examples are title searches, closing services, loan fees and deed filing fees. Also called settlement costs. There are two sides (buyer and seller) to the equation when determining closing costs. Below is a simple customary closing cost list. Keep in mind these are typical, but should not be considered hard fast rules, feel free to consult your real estate agent for more detail.



## ● Seller Normally Pays for:

- One-half of the escrow fee (according to contract)
- Work orders (according to contract)
- Owner's title insurance premiums
- Real estate commission
- Any judgments, tax liens, etc. against the seller
- Any unpaid Homeowner Association dues
- Home Warranty (according to contract)
- Any bonds or assessments (according to contract)
- Recording charges to clear all documents of record against seller
- Payoff of all loans in seller's name (or existing loan balance being assumed by buyer)
- Interest accrued to lender being paid off, reconveyance fees and any prepayment penalties



## ● Buyer Normally Pays for:

- One-half of the escrow fee (according to contract)
- Lender's title policy premiums (ALTA)
- Document preparation (if applicable)
- Tax pro-ration (from date of acquisition)
- Recording charges for all documents in buyer's names
- Home Owner's insurance premium for first year
- Home Warranty (according to contract)
- Inspection fees (according to contract): roofing, property, geological, pest, etc.
- All new loan charges (except those required by lender for seller to pay)
- Interim interest on new loan from date of funding to first payment date

### BETTER CLOSING EXPERIENCE...

From open to close, our team is dedicated to creating a superior client experience by providing clear communication, personalized service, and consistency with every escrow transaction.

Direct your next transaction to Ticor Title and let our resources, services, and team of specialists make your closing a success!



# Consumer Financial Protection Bureau (CFPB)

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Know Before You Close

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## Know Before You Close

Simple answers about the CFPB and how the new rules will change real estate transactions.



### What is CFPB?

After the 2008 financial meltdown, Congress established the Consumer Financial Protection Bureau (CFPB). It was created in 2011 after the Dodd-Frank Act was placed into effect. The Consumer Financial Protection Bureau provides information to consumers to understand financial agreements in which they enter. The CFPB strives to educate the purchaser on fair practices, enforce consumer laws, and analyze financial markets.

### CFPB Primary Goals:

- Easier-to-use disclosure forms
- Improved consumer understanding
- Better comparison shopping
- Avoid costly surprises at the closing table

On November 20, 2013 the CFPB announced the completion of their new integrated mortgage disclosure forms along with their regulations (RESPA Regulation X and TILA Regulation Z) for the proper completion and timely delivery to the consumer. These regulations are known as “The Rule”.

### In Plain English, Please

For more than 30 years, federal law has required all lenders to provide two disclosure forms to consumers when they apply for a mortgage and two additional short forms before they close on the home loan. These forms were developed by different federal agencies under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA).

Any residential loan originated after October 3, 2015 will be subject to the new rules and forms set forth by the CFPB\*. The Rule replaces the Good Faith Estimate (GFE) and early TILA form with the new Loan Estimate. It also replaces the HUD-1 Settlement Statement and final TILA form with the new Closing Disclosure. The introduction of the new disclosure forms require changes to the systems that produce the closing forms. Fidelity National Title Group is already well underway in preparing our production systems to provide the new required fee quotes, prepare the new closing disclosure forms, and track the delivery and waiting periods required by the new regulations.



To help simplify matters and avoid the confusing situations consumers have often faced when purchasing or refinancing a home in the past, the Dodd-Frank Act provided for the creation of the Consumer Financial Protection Bureau (CFPB) and charged the bureau with integrating the mortgage loan disclosures under the TILA and RESPA.

\*Loans in progress (applications submitted prior to October 3, 2015) will use current TILA and RESPA forms.

## Changes to the Closing Disclosure Timing

In addition to new forms for residential mortgage transactions, the new regulations also require delivery timetables for delivery to consumers, impacting when a closing can take place and disbursements made. Below is a preview of how the CFPB regulations will impact the closing process for transactions that originate after October 3, 2015.

## Which forms are in & out on October 3, 2015?

Out with the old	In with the new*
Good Faith Estimate Early TILA Form	 New Loan Estimate
HUD-1 Settlement Statement Final TILA Form	 New Closing Disclosure

\* As of October 3, 2015 for residential purchase and refinance transactions.

## Example Closing Calendar





## WILL THE NEW CFPB RULE DELAY MY CLOSING?



According to the Consumer Financial Protection Bureau, the answer is **NO** for just about everybody.

For mortgage applications submitted on or after October 3, 2015, lenders must give you new, easier-to-use disclosures about your loan three business days before closing. This gives you time to review the terms of the deal before you get to the closing table.

Many things can change in the days leading up to closing. Most changes will not require your lender to give you three more business days to review the new terms before closing. The new rule allows for ordinary changes that do not alter the basic terms of the deal.

### Only **THREE** changes require a new 3–day review:

1. The APR (annual percentage rate) increases by more than 1/8 of a percent for fixed-rate loans or 1/4 of a percent for adjustable loans\*. A decrease in APR will not require a new 3-day review if it is based on changes to interest rate or other fees.
2. A prepayment penalty is added, making it expensive to refinance or sell.
3. The basic loan product changes, such as a switch from fixed rate to adjustable interest rate or to a loan with interest-only payments.

\* Lenders have been required to provide a 3-day review for these changes in APR since 2009.

### **NO OTHER** changes require a new 3–day review:

There has been much misinformation and mistaken commentary around this point. Any other changes in the days leading up to closing do not require a new 3-day review, although the lender will still have to provide an updated disclosure. For instance, the following circumstances do not require a new 3-day review:

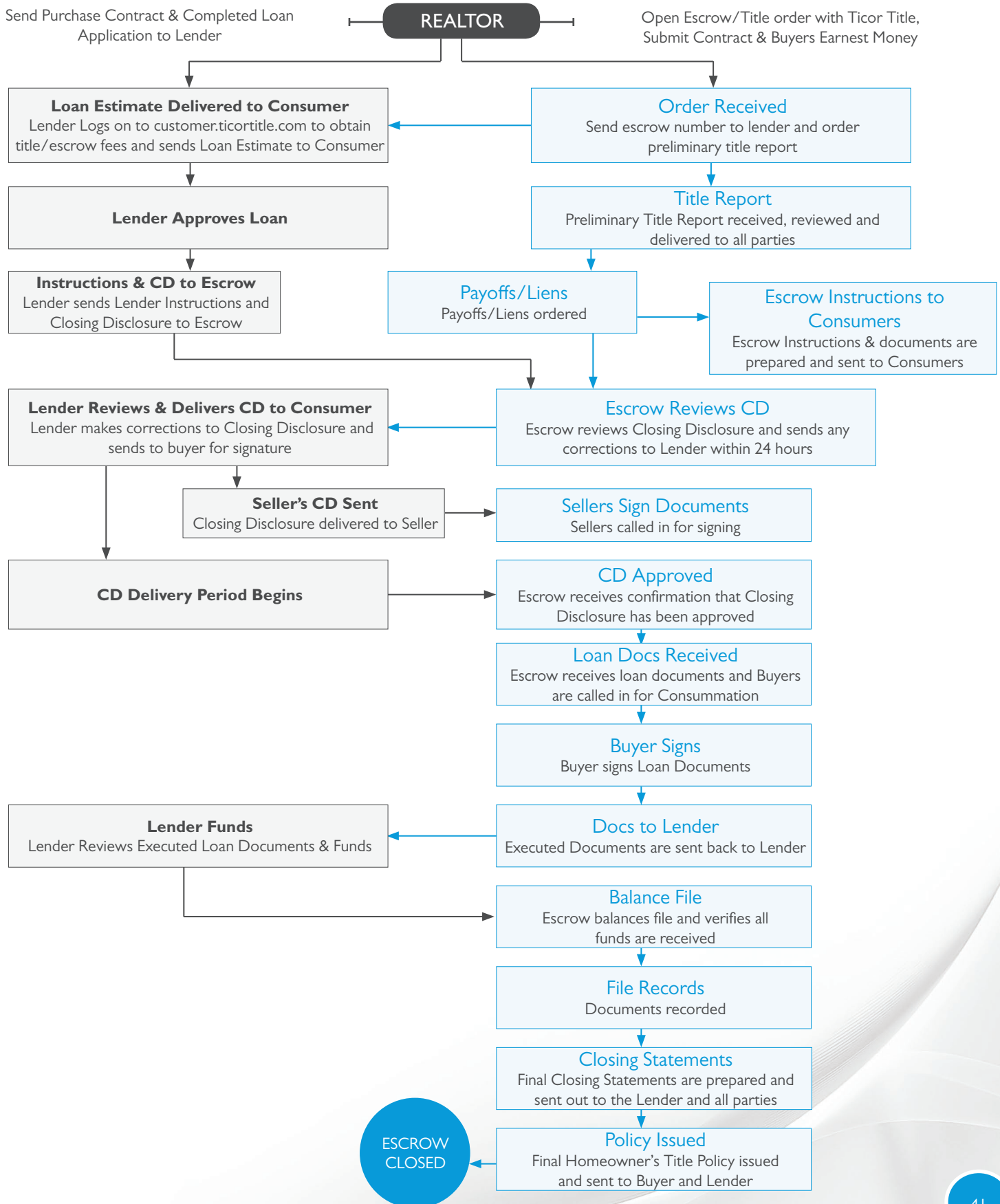
- Unexpected discoveries on a walk-through such as a broken refrigerator or a missing stove, even if they require seller credits to the buyer.
- Most changes to payments made at closing, including the amount of the real estate commission, taxes and utilities proration, and the amount paid into escrow.
- Typos found at the closing table.

Source: [consumerfinance.gov](http://consumerfinance.gov)



## ITEMS PERFORMED BY LENDER

## ITEMS PERFORMED BY TICOR:





# THE NEW CLOSING DISCLOSURE EXPLAINED

A look at the different sections of the Closing Disclosure and explanations of each page.

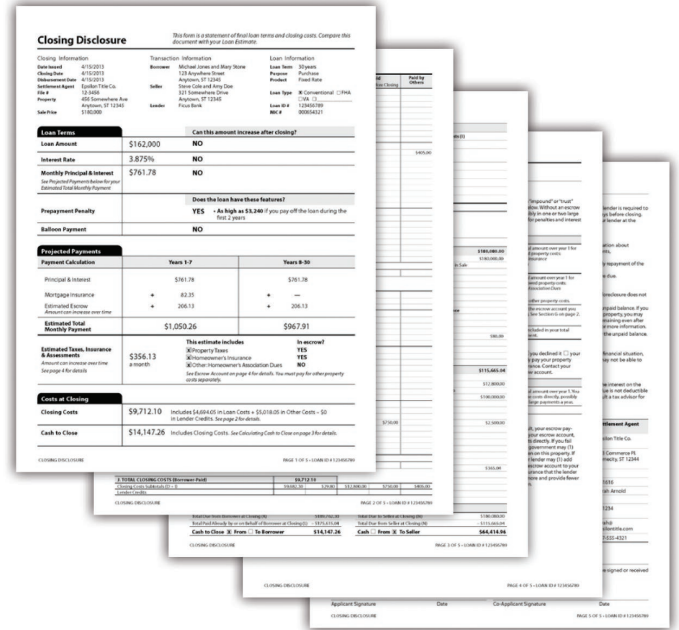
## Closing Disclosure at-a-glance

The new form is 5 pages long

New form replaces the TILA and HUD-1

One Closing Disclosure is required for each loan

Charge descriptions on both the Loan Estimate and Closing Disclosure must match.



The Closing Disclosure replaces the Truth-in-Lending Act (TILA) disclosure and the HUD-1 Settlement Statement. Under the final rule, the creditor is responsible for delivering the Closing Disclosure to the consumer, but creditors may use settlement agents to provide the Closing Disclosure, provided they comply with the final rule.

There is still a requirement for one Closing Disclosure for each loan and charge descriptions used on the Loan Estimate must be substantially similar to the descriptions used on the Closing Disclosure. This is so a consumer may easily identify a change in costs or terms by a comparison of the two forms.

## Page 1.

The first page of the Closing Disclosure is almost identical to Page 1 of the Loan Estimate. It describes the:

- Loan terms
- Loan amount
- Interest rate
- Monthly P&I, and
- Any prepayment penalty or balloon payment

This page also provides the projected payments over the life of the loan. This page also discloses to the borrower what amounts will be deposited into their impound or escrow account and provides the total estimated closing costs and cash to close.

*This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.*

Closing Disclosure		Transaction Information		Loan Information	
<b>Closing Information</b>	Date Issued: 4/15/2013 Closing Date: 4/15/2013 Disbursement Date: 4/15/2013 Settlement Agent: Equilon Title Co. File #: 12-3456 Property: 456 Somewhere Ave Anytown, ST 12345 Sale Price: \$180,000	<b>Borrower:</b> Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345 <b>Seller:</b> Steve Cole and Amy Doe 321 Somewhere Drive Anytown, ST 12345 <b>Lender:</b> Ficus Bank	<b>Loan Term:</b> 30 years <b>Purpose:</b> Purchase <b>Product:</b> Fixed Rate <b>Loan Type:</b> <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> <b>Loan ID #:</b> 123456789 <b>MC #:</b> 00054321		
<b>Loan Terms</b>	<b>Loan Amount:</b> \$162,000	<b>Interest Rate:</b> 3.875%	<b>Monthly Principal &amp; Interest:</b> \$761.78	<b>Can this amount increase after closing?</b>	
				<b>NO</b>	
<b>Prepayment Penalty:</b>		<b>YES - As high as \$3,240 if you pay off the loan during the first 2 years</b>			
<b>Balloon Payment:</b>		<b>NO</b>			
<b>Projected Payments</b>	<b>Payment Calculation</b>	<b>Years 1-7</b>	<b>Years 8-30</b>		
	Principal & Interest	\$761.78	\$761.78		
	Mortgage Insurance	+ 82.35	+ —		
	Estimated Escrow Amount can increase over time	+ 206.13	+ 206.13		
	<b>Estimated Total Monthly Payment</b>	<b>\$1,050.26</b>	<b>\$967.91</b>		
<b>Estimated Taxes, Insurance &amp; Assessments</b>	<b>\$356.13</b> Amount can increase over time See page 4 for details	<b>This estimate includes</b>		<b>In escrow?</b>	
		<input checked="" type="checkbox"/> Property Taxes		<b>YES</b>	
		<input checked="" type="checkbox"/> Homeowner's Insurance		<b>YES</b>	
		<input checked="" type="checkbox"/> Other Homeowner's Association Dues		<b>NO</b>	
		See Escrow Account on page 4 for details. You must pay for other property costs separately.			
<b>Costs at Closing</b>	<b>Closing Costs</b>	<b>\$9,712.10</b>	Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs - \$0 in Lender Credits. See page 2 for details.		
	<b>Cash to Close</b>	<b>\$14,147.26</b>	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.		

CLOSING DISCLOSURE PAGE 1 OF 5 - LOAN ID # 123456789

## Page 2.

The second page is similar to the current Page 2 of the HUD-1 Settlement Statement. It provides a breakdown of all the closing cost details and lists all loan costs and other costs paid by borrower, seller, and other parties.

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
<b>A. Origination Charges</b>	<b>\$1,892.00</b>				
01 1.25 % Loan Interest (Points)	\$100.00				
02 Application Fee	\$300.00				
03 Unservicing Fee	\$1,000.00				
04					
05					
06					
07					
<b>B. Services Borrower Did Not Shop For</b>	<b>\$236.55</b>				
01 Appraisal Fee	to John Smith Appraisers Inc.				\$400.00
02 Credit Report Fee	to Information Inc.	\$79.00			
03 Flood Determination Fee	to Info Co.	\$200.00			
04 Flood Monitoring Fee	to Info Co.	\$12.55			
05 Tax Monitoring Fee	to Info Co.	\$75.00			
06 Tax Status Research Fee	to Info Co.	\$80.00			
07					
08					
09					
10					
<b>C. Services Borrower Did Shop For</b>	<b>\$2,655.50</b>				
01 Post Inspection Fee	to First Co.	\$120.50			
02 Survey Fee	to Survey Co.	\$85.00			
03 Title - Insurance Binder	to Equilon Title Co.	\$600.00			
04 Title - Lender's Title Insurance	to Equilon Title Co.	\$100.00			
05 Title - Settlement Agent Fee	to Equilon Title Co.	\$100.00			
06 Title - Title Search	to Equilon Title Co.	\$800.00			
07					
08					
09					
10					
<b>B. TOTAL LOAN COSTS (Borrower-Paid)</b>	<b>\$4,694.05</b>				
Loan Costs Subtotal (A + B + C)	\$4,694.05	\$29.00			
<b>Other Costs</b>	<b>\$81.00</b>				
<b>F. Taxes and Other Government Fees</b>	<b>\$81.00</b>				
01 Recording Fees	Deed: \$40.00 Mortgage: \$45.00	\$85.00			
02 Transfer Tax	to Any State		\$50.00		
<b>F. Prepays</b>	<b>\$2,120.80</b>				
01 Homeowner's Insurance Premium (12 mos.) to Insurance Co.		\$1,209.96			
02 Mortgage Insurance Premium (3 mos.)		\$279.04			
03 Prepaid Interest (\$17.44 per day from 4/15/13 to 4/15/13)		\$279.04			
04 Property Taxes (3 mos) to Any County USA		\$500.80			
<b>G. Initial Escrow Payments at Closing</b>	<b>\$412.25</b>				
01 Homeowner's Insurance \$100.00 per month for 2 mos.		\$200.00			
02 Mortgage Insurance per month for 3 mos.		\$179.60			
03 Property Taxes \$196.30 per month for 2 mos.		\$392.60			
04					
05					
06					
07					
08					
09					
10					
11 Aggregate Adjustment		-\$0.01			
<b>H. Other</b>	<b>\$2,400.00</b>				
01 HOA Capital Contribution	to HOA Assn Inc.	\$100.00			
02 HOA Processing Fee	to HOA Assn Inc.	\$100.00			
03 Home Inspection Fee	to Lightstep Inc.	\$750.00			\$750.00
04 Home Warranty Fee	to XYZ Warranty Inc.			\$450.00	
05 Real Estate Commission	to Alpha Real Estate Broker			\$5,700.00	
06 Real Estate Commission	to Omega Real Estate Broker			\$5,700.00	
07 Title - Owner's Title Insurance (optional)	to Equilon Title Co.	\$1,000.00			
08					
<b>I. TOTAL OTHER COSTS (Borrower-Paid)</b>	<b>\$5,018.05</b>				
Other Costs Subtotal (F + G + H)	\$5,018.05				
<b>J. TOTAL CLOSING COSTS (Borrower-Paid)</b>	<b>\$9,712.10</b>				
Closing Costs Subtotal (B + I + J)	\$9,712.10	\$29.00	\$1,800.00	\$750.00	\$485.00
Lender Credits					

CLOSING DISCLOSURE PAGE 2 OF 5 - LOAN ID # 123456789



# THE NEW CLOSING DISCLOSURE EXPLAINED

## Page 3.

The third page displays a Calculating Cash to Close table similar to the table on Page 2 of the Loan Estimate. This table provides a comparison to the charges disclosed on the Loan Estimate. The rest of the page shows the summaries of the borrower and seller costs and credits, similar to the current Page I of the HUD-1 Settlement Statement.

Calculating Cash to Close		Use this table to see what has changed from your Loan Estimate.		Did this change?	
	Loan Estimate	Final		YES	NO
Total Closing Costs (1)	\$8,654.00	\$9,272.10	YES	- See Total Loan Costs (D) and Total Other Costs (E)	
Closing Costs Paid Before Closing	\$0	-\$2,980	YES	- You paid these Closing Costs before closing	
Closing Costs (Financed) (Paid From Your Loan Amount)	\$0	\$0	NO		
Down Payment/ Funds from Borrower	\$18,000.00	\$18,000.00	NO		
Deposit	-\$10,000.00	-\$10,000.00	NO		
Funds for Borrower	\$0	\$0	NO		
Seller Credits	\$0	\$2,500.00	YES	- See Seller Credits in Section L	
Adjustments and Other Credits	\$0	-\$1,035.04	YES	- See details in Sections K and L	
<b>Cash to Close</b>	<b>\$16,954.00</b>	<b>\$14,147.26</b>			

Borrower's Transaction		Seller's Transaction	
<b>K. Due from Borrower at Closing</b>	<b>\$189,742.30</b>	<b>M. Due to Seller at Closing</b>	<b>\$186,089.00</b>
(1) Sale Price of Property	\$180,000.00	(1) Sale Price of Property	\$180,000.00
(2) Sale Price of Any Personal Property Included in Sale		(2) Sale Price of Any Personal Property Included in Sale	
(3) Closing Costs Paid at Closing (1)	\$9,682.30	(3)	
(4)		(4)	
(5)		(5)	
(6)		(6)	
(7)		(7)	
<b>Adjustments for Items Paid by Seller in Advance</b>		<b>Adjustments for Items Paid by Seller in Advance</b>	
(8) City/Town Taxes	\$0	(8) City/Town Taxes	\$0
(9) County Taxes	\$0	(9) County Taxes	\$0
(10) Assessments	\$0	(10) Assessments	\$0
(11) HOA Dues - 4/15/13 to 4/30/13	\$80.00	(11) HOA Dues - 4/15/13 to 4/30/13	\$80.00
(12)		(12)	
(13)		(13)	
(14)		(14)	
(15)		(15)	
(16)		(16)	
<b>L. Paid Already by or on Behalf of Borrower at Closing</b>	<b>\$175,615.04</b>	<b>N. Due from Seller at Closing</b>	<b>\$115,665.04</b>
(1) Deposit	\$10,000.00	(1) Deposit	\$10,000.00
(2) Loan Amount	\$162,000.00	(2) Closing Costs Paid at Closing (1)	\$12,800.00
(3) Existing Liens Assumed or Taken Subject to	\$0	(3) Existing Liens Assumed or Taken Subject to	\$100,000.00
(4) Seller Credit	\$2,500.00	(4) Payoff of First Mortgage Loan	\$100,000.00
(5) Payoff of Second Mortgage Loan	\$0	(5) Payoff of Second Mortgage Loan	\$0
(6) Seller Credit	\$2,500.00	(6) Seller Credit	\$2,500.00
(7)		(7)	
(8)		(8)	
(9)		(9)	
(10)		(10)	
(11)		(11)	
(12)		(12)	
(13)		(13)	
(14)		(14)	
(15)		(15)	
(16)		(16)	
<b>Adjustments for Items Usual by Seller</b>		<b>Adjustments for Items Usual by Seller</b>	
(17) City/Town Taxes 1/1/13 to 4/14/13	\$365.04	(17) City/Town Taxes 1/1/13 to 4/14/13	\$365.04
(18) County Taxes	\$0	(18) County Taxes	\$0
(19) Assessments	\$0	(19) Assessments	\$0
(20)		(20)	
(21)		(21)	
(22)		(22)	
(23)		(23)	
(24)		(24)	
<b>CALCULATION</b>		<b>CALCULATION</b>	
Total Due from Borrower at Closing (K)	\$189,742.30	Total Due to Seller at Closing (M)	\$186,089.00
Total Paid Already by or on Behalf of Borrower at Closing (L) - \$175,615.04		Total Due from Seller at Closing (N)	\$115,665.04
<b>Cash to Close</b> <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	<b>\$14,147.26</b>	<b>Cash</b> <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	<b>\$64,414.96</b>

CLOSING DISCLOSURE PAGE 3 OF 5 - LOAN ID #123456789

## Page 4.

The fourth page contains disclosures about other terms of the loan, including:

- Whether the loan is assumable
- If the loan has a demand feature
- May impose a late payment fee and when it may be incurred
- If the loan has a negative amortization feature
- Whether the lender will accept partial payments
- Informs the borrower the lender will have a security interest in their property.

The page also includes a table describing what charges will be impounded and how much will be collected each month. Finally, the page includes adjustable payment and interest rate tables if they are applicable to the loan.

Additional Information About This Loan											
<b>Loan Disclosures</b>											
<b>Assumption</b> If you sell or transfer this property to another person, your lender will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> I will not allow assumption of this loan on the original terms.	<b>Escrow Account</b> <b>For new</b> your loan <input checked="" type="checkbox"/> I will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.										
<b>Demand Feature</b> Your loan <input type="checkbox"/> has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details. <input checked="" type="checkbox"/> Does not have a demand feature.	<b>Escrow Table</b>										
<b>Late Payment</b> If your payment is more than 15 days late, your lender will charge a late fee of 5% of the monthly principal and interest payment.	<table border="1"> <thead> <tr> <th>Escrow</th> <th>Estimated total amount over year 1 for your escrowed property costs. (Borrower's insurance, Property Taxes)</th> </tr> </thead> <tbody> <tr> <td>Escrowed Property Costs over Year 1</td> <td>\$2,473.56</td> </tr> <tr> <td>Not Escrowed Property Costs over Year 1</td> <td>\$1,800.00</td> </tr> <tr> <td>Initial Escrow Payment</td> <td>\$41,275</td> </tr> <tr> <td>Monthly Escrow Payment</td> <td>\$206.13</td> </tr> </tbody> </table>	Escrow	Estimated total amount over year 1 for your escrowed property costs. (Borrower's insurance, Property Taxes)	Escrowed Property Costs over Year 1	\$2,473.56	Not Escrowed Property Costs over Year 1	\$1,800.00	Initial Escrow Payment	\$41,275	Monthly Escrow Payment	\$206.13
Escrow	Estimated total amount over year 1 for your escrowed property costs. (Borrower's insurance, Property Taxes)										
Escrowed Property Costs over Year 1	\$2,473.56										
Not Escrowed Property Costs over Year 1	\$1,800.00										
Initial Escrow Payment	\$41,275										
Monthly Escrow Payment	\$206.13										
<b>Negative Amortization</b> (Increase in Loan Amount) Under your loan terms, you <input type="checkbox"/> are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property. <input type="checkbox"/> may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property. <input checked="" type="checkbox"/> Do not have a negative amortization feature.	<b>In the future:</b> Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.										
<b>Partial Payments</b> Your lender <input checked="" type="checkbox"/> may accept payments that are less than the full amount due (partial payments) and apply them to your loan. <input type="checkbox"/> may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan. <input type="checkbox"/> does not accept any partial payments. If this loan is sold, your new lender may have a different policy.	<b>No Escrow</b> Estimated Property Costs over Year 1 Escrow Waiver Fee										
<b>Security Interest</b> You are granting a security interest in 456 Somewhere Ave., Anytown, ST 12345  You may lose this property if you do not make your payments or satisfy other obligations for this loan.											

CLOSING DISCLOSURE PAGE 4 OF 5 - LOAN ID #123456789

## Page 5.

On the fifth page under the heading “Loan Calculations” the consumer will find the:

- Total of payments over the life of the loan
- Finance charge
- Amount financed
- Annual Percentage Rate (APR)
- Total interest percentage information

Under “Other Disclosures” the consumer will find information about the:

- Appraisal (if applicable)
- Contract details
- Liability after foreclosure
- Refinance information
- Tax deductions

Loan Calculations		Other Disclosures		
<b>Total of Payments.</b> Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs as scheduled.	\$285,803.36	<b>Appraisal</b> If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.		
<b>Finance Charge.</b> The dollar amount the loan will cost you.	\$116,830.27	<b>Contract Details</b> See your note and security instrument for information about: - what happens if you fail to make your payments, - what is a default on the loan, - situations in which your lender can require early repayment of the loan, and - the rules for making payments before they are due.		
<b>Amount Financed.</b> The loan amount available after paying your upfront finance charge.	\$162,000.00	<b>Liability after Foreclosure</b> If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan, <input checked="" type="checkbox"/> state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information. <input type="checkbox"/> state law does not protect you from liability for the unpaid balance.		
<b>Annual Percentage Rate (APR).</b> Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%	<b>Refinance</b> Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.		
<b>Total Interest Percentage (TIP).</b> The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.46%	<b>Tax Deductions</b> If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.		
<p><b>Questions?</b> If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a></p>				
Contact Information				
Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
<b>Name</b> Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.
<b>Address</b> 4321 Ravenna Blvd Somerty, ST 12340		789 Local Lane Somertown, ST 12345	987 Suburb Ct Someplace, ST 12340	123 Commerce Pl Somerty, ST 12344
<b>NMLS ID</b>				
<b>ST License ID</b>		Z765416	Z61455	Z61616
<b>Contact</b> Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
<b>Contact NMLS ID</b> 12345				
<b>Contact ST License ID</b>		F16415	F31461	F11234
<b>Email</b> joesmith@ficusbank.com		sam@omgare.biz	joep@ahare.biz	sarah@epsilontitle.com
<b>Phone</b> 123-456-7890		123-555-1717	321-555-7171	987-555-4321
Confirm Receipt				
By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.				
Applicant Signature	Date	Co-Applicant Signature	Date	
CLOSING DISCLOSURE				PAGE 5 OF 5 - LOAN ID # 123456789

At the bottom of the page is the Contact Information and Signature lines. If signature lines are included, the following disclosure is used: “By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form” indicating a signature is intended only as a receipt of the form.

All of these forms, dates, rules, and laws can seem like a lot to take in. The good news is that we’ve done our homework and are here to help you understand what you need to know before you close.

## Timing References by Day

Signing	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
↓	↓	↓	↓	↓	↓	↓
Waiting Period 	Preceding Thursday	Preceding Friday	Preceding Saturday	Preceding Monday	Preceding Tuesday	Preceding Wednesday
↓	↓	↓	↓	↓	↓	↓
Delivery Period 	Preceding Monday	Preceding Tuesday	Preceding Wednesday	Preceding Thursday	Preceding Friday	Preceding Saturday

### Note:

- If a federal holiday falls within the Delivery and/or Waiting Periods, add an additional business day.
- The three-day period is measured by days, not hours. Thus, disclosure must be delivered three days before closing, and not 72 hours prior to closing.
- Disclosures may also be delivered electronically to start the Delivery Period and may be signed in compliance with E-Sign requirements.



## GLOSSARY OF TERMS



**ADJUSTABLE RATE MORTGAGE (ARM):** A mortgage in which the interest rate is adjusted periodically in accordance with a market indicator, to more closely coincide with the current rates. Also sometimes known as renegotiable rate mortgage, the variable rate mortgage, or the graduated rate mortgage.

**AMORTIZATION:** Reduction of the principal of a debt in regular, periodic installments.

**ANNUAL PERCENTAGE RATE (APR):** An interest rate reflecting the cost of a mortgage as a yearly rate. This rate is likely to be higher than the stated note rate or advertised rate on the mortgage, because it takes into account point and other credit cost. The APR allows home buyers to compare different types of mortgages based on the annual cost for each loan.

**ASSUMPTION OF MORTGAGE:** An obligation undertaken by a new purchaser of land to be liable for payment of an existing note secured by a mortgage.

**CAPS:** Consumer safeguards that limit the amount the interest rate on an adjustable rate mortgage can change at each adjustment or over the life of the loan.

**CONDITIONS, COVENANTS & RESTRICTIONS (CC&R'S):** A document that controls the use, requirements and restrictions of a property.

**CERTIFICATE OF REASONABLE VALUE (CRV):** An appraisal issued by the Veterans Administration showing the property's current market value.

**CLOSING (ALSO CALLED "SETTLEMENT"):** The completion of a real estate transfer, where the title passes from seller to buyer, or a mortgage lien is given to secure debt.

**CONDOMINIUM:** A statutory form of real estate development of separately- owned units and jointly-owned common elements in a multi-unit project.

**CONVENTIONAL MORTGAGE:** A mortgage securing a loan made by investors without governmental underwriting, i.e., a loan which is not FHA insured or VA guaranteed.

**DEED:** Written instrument which, when properly executed and delivered, conveys title.

**DISCOUNT POINT:** An additional charge made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent.

**EARNEST MONEY:** A deposit of funds made by a buyer of real estate as evidence of good faith.

**EASEMENT:** A non-possessory right to use all or part of the land owned by another for a specific purpose.

**EQUITY:** The difference between the fair market value and current indebtedness, also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

**FEDERAL HOUSING ADMINISTRATION LOAN (FHA LOAN):** A loan insured by the Federal Housing Administration, open to all qualified home purchasers.

**FARMERS HOME ADMINISTRATION LOAN (FMHA LOAN):** A loan insured by the federal government similar to FHA loan, but usually used for residential properties in rural areas.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** Also known as “Fannie Mae.” A U.S. government sponsored corporation dealing in the purchase of first mortgages for the secondary market.

**FEE SIMPLE DEED:** The absolute ownership of a parcel of land. The highest degree of ownership that a person can have in real estate, which gives the owner unqualified ownership and full power disposition.

**JOINT TENANCY:** An equal undivided ownership of property by two or more persons. Upon death of any owner, the survivors take the decedent’s interest in the property.

**LIEN:** A claim upon a piece of property for the payment or satisfaction of a debt or obligation.

**LOAN-TO-VALUE RATIO:** The relationship between the amount of the mortgage loan and the appraised value of the property expressed as a percentage.

**MORTGAGE:** A conditioned pledge of property to a creditor as security for the payment of a debt.

**NEGATIVE AMORTIZATION:** Occurs when your monthly payments are not large enough to pay all the interest due on the loan. This unpaid interest is added to the unpaid balance of the loan. The danger of negative amortization is that the home buyer ends up owing more than the original amount of the loan.

**PERSONAL PROPERTY:** Any property which is not real property, e.g., money, savings accounts, appliances, cars, boats, etc.

**POINTS (ALSO CALLED “COMMISSION OR DISCOUNT” POINTS):** Each point is equal to 1% of the loan amount (e.g., two points on a \$100,000 mortgage would cost \$2000).

**PRINCIPAL, INTEREST, TAXES AND INSURANCE (PITI):** Also called monthly housing expense.

**PRIVATE MORTGAGE INSURANCE (PMI):** In the event that a buyer does not have a 20% down payment, lenders will allow a smaller down payment—as low as 3% in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance

will usually require an initial premium payment and may require an additional monthly fee, depending on the loan’s structure.

**REALTOR®:** A real estate broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors®.

**SUBDIVISION:** A tract of land surveyed and divided into lots for purposes of sale.

**TENANCY IN COMMON:** An undivided ownership in real estate by two or more persons, without right of survivorship – interests need not be equal.

**TRUST ACCOUNT:** An account separate and apart and physically segregated from the broker’s own, in which the broker is required by law to deposit all funds collected for clients.

**TRUSTEE:** The neutral third party in the deed of trust with limited powers. When the loan is paid in full, the property is reconveyed by the trustee back to the person or persons legally entitled to the land, or if delinquent, the property will be conveyed pursuant to non judicial foreclosure proceedings, to the highest bidder in a public sale.

**TRUSTOR:** The borrower, owner and guarantor of the property conveyed in a deed of trust.

**VETERANS ADMINISTRATION LOAN (VA LOAN):** Housing loan to veterans by banks, savings and loans, or other lenders that are guaranteed by the Veterans Administration, enabling veterans to buy a residence with little or no down payment.

**WARRANTY:** In a broad sense, an agreement or undertaking by a seller to be responsible for present or future losses of the purchaser occasioned by deficiency or defect in the quality, condition or quantity of the thing sold. In a stricter sense, the provision or provisions in a deed, lease or other instrument conveying or transferring an estate or interest in real estate under which the seller becomes liable to the purchaser for defect in or encumbrances on the title.



NOTES

Lined area for writing notes, consisting of 20 horizontal lines.











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