



UNDERSTANDING YOUR SETTLEMENT

For most people the purchase of a home is the most important purchase they will make during their lifetime, both financially as well as emotionally. Yet, many people buy a home with very little understanding of the home buying process, which can result in an unpleasant experience for the uneducated purchaser. Our goal at Title Associates, Inc. is to assist in the overall education of the home buyer, specifically the process known as the “closing” or “settlement” of the property.

The more knowledge the purchaser has regarding the home buying process, the more enjoyable and satisfying the purchase of the home will be. Information can be obtained from the various parties involved in a home purchase (i.e., your real estate agent, attorney, loan officer, and title company). Title Associates, Inc. “TAI” encourages purchasers to take advantage of the wealth of knowledge these parties possess to answer questions or address any concerns they may have regarding the purchase of their home.

Preparing for Closing

By the time the purchasers arrive at TAI for the closing, they have usually dealt with a number of people, including a real estate agent, an attorney and a mortgage loan officer. With the assistance of these people, the purchasers have selected the house they wish to buy, negotiated and executed a sales contract and chosen a mortgage lender and a particular loan program which best suits their finances. The purchaser has provided various financial information, which the lender has analyzed and verified, in order to obtain loan approval. The house will have been appraised, a surveyor will draft a house location survey, and TAI will have performed a title examination in the land records in order to ensure that a lender’s and owner’s title insurance policy can be issued. TAI will also be in contact with the lender to make sure that the closing is on schedule and the loan documents will be provided in a timely fashion.

The Closing

Two separate closing transactions will occur at the settlement of the house. One is the sales transaction between the seller and the purchasers. At the closing, the seller will execute and deliver a Deed conveying the property to the purchasers. This Deed will be recorded by TAI in the land records in the courthouse where the property is located. The other transaction at settlement is the loan closing. The loan documents, which generally consist of a Promissory Note, Deed of Trust and various other loan disclosure statements, are executed by the purchasers at settlement. The Deed of Trust places a lien against the property to secure repayment of the Promissory Note is also recorded by TAI in the land records.

The Settlement Statement

TAI will prepare a HUD-1 Settlement Statement for the closing which will reflect the sales price, loan charges, pro-ration of taxes and homeowner association due, settlement and title insurance fees and other

items normally charged in a real estate transaction. The HUD-1 is a standard government form. At closing, a TAI settlement agent will explain the figures shown on the settlement statement.

The settlement statement will show a bottom line figure payable to the seller, which is usually the Sales Price less the settlement charges and less the payoff of any liens against the property. The settlement statement also shows a bottom line figure due from the purchaser, which is usually the Sales Price plus the settlement charges, less the deposit and less the new loan amount. At settlement the purchasers will need to bring a cashier's check made payable to Title Associates, Inc. for the bottom line figure shown as due on the settlement statement. This check, along with the loan proceeds, are deposited into Title Associates, Inc.'s escrow account. TAI will disburse the seller's proceeds as well as all other fees that are shown on the settlement statement. The funds are disbursed only after TAI has performed an additional title search and has recorded the Deed and Deed of Trust in the land records, usually the next business day after settlement.

Calculating Funds Needed

TAI will prepare the settlement statement as soon as we receive written closing instructions from the purchasers' lender. TAI makes every effort to inform the purchasers of their closing costs as soon as possible. However, written closing instructions are not always available until the day of closing. If that is the case, the purchaser can estimate the amount due at settlement by using the "Good Faith Estimate" of closing costs provided by the purchaser's loan officer. If the purchaser provides a check that is over the amount necessary, TAI will refund the overage at closing. TAI will accept a personal check up to \$1,000 for any additional amount due.

Owner's Title Insurance

At settlement, the purchasers will have the option to obtain an owner's title insurance policy to protect their interest in the property against possible title defects. A title search of the property only reveals title defects of record. There are other possible "hidden" defects which a title examination would not reveal, such as fraud, forgery, defective deeds, mental incompetence, missing heirs, indexing errors by the Clerk of the Court, or an examiner simply missing a recorded lien. An owner's title insurance policy protects against loss of any of the above mentioned defects in title which would result in a claim against the property. In addition, an owner's title insurance policy will contain affirmative mechanic's lien coverage, which protects against claims made against the property for unpaid labor, materials or services contracted for in connection with the construction of a new home or for additions or improvements made to an existing home.