

TITLE INSURANCE 101

A SIMPLIFIED GUIDE TO TITLE INSURANCE BASICS



PRESENTED BY



YOUR PLACE INSURANCE
Your Everything Agency

**WE'RE HERE FOR ALL OF
YOUR INSURANCE NEEDS!**

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Your Independent Insurance Agent

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A QUICK INTRODUCTION

Dear Future Home Buyer,

Whether a first-time homeowner or buying your 5th investment property, the home-buying process can be stressful and mysterious. Since we're big believers in education and transparency, we've put together this packet as our way of demystifying at least one part of it for you. If you'd like, you can also find our Homeowner's Insurance 101 Guide on our website as well. The more information you have, the better.

Title Insurance is something that every homeowner needs (it's typically required if using a Lender) and very few people outside of the industry actually understand what it is that they're spending their money on. While Title Insurance is relatively inexpensive with only a single premium for the life of the policy, it is **EXTREMELY** useful and can potentially save your home.

The short version is this: While Homeowner's Insurance protects you against problems that arise in the future, Title Insurance protects you against problems that may pop up from the past. It's a way to protect your ownership of your property against past liens, tax issues from past owners, and other people claiming ownership as a result of other human error.

This packet will also give you some basic information on the closing process and what to expect there. We encourage you to ask any questions you may have. We are just one of several people that have a part to play, however we are always here to make sure that at least the Title (and Homeowner's if you use us for that as well) Insurance is transparent and easy to understand.

We look forward to working with you, hope to earn your trust, and have taken many steps to ensure a secure process for everyone involved.

Sincerely,

Chad Taylor
President
Your Place Insurance, LLC

TERMS TO KNOW

APPRAISAL

An estimate of value of property resulting from analysis of facts about the property; an opinion of value.

ANNUAL PERCENTAGE RATE (APR)

The borrower's cost of the loan term expressed as a rate. This is not their interest rate.

BENEFICIARY

The recipient of benefits, often from a deed of trust, usually the lender.

CLOSING DISCLOSURE

Closing Disclosure form designed to provide disclosures that will be helpful to borrowers in understanding all of the costs of the transaction.

CLOSE OF ESCROW

Though varied from state-to-state, escrow generally refers to the date the buyer becomes the legal owner and title insurance becomes effective.

COMPARABLE SALES

Sales that have similar characteristics as the subject real property, used for analysis in the appraisal. Commonly called "comps".

CONSUMMATION / CLOSING

Occurs when the borrower becomes contractually obligated to the creditor on the loan, not, for example when the borrower becomes contractually obligated to a seller on a real estate transaction. Consummation is not the same as close of escrow or settlement.

DEED OF TRUST

An instrument used in many states in place of a mortgage.

DEED RESTRICTIONS

Limitations in the deed to a parcel of real property that dictate certain uses that may not be made of the real property.

DISBURSEMENT DATE

The date the amounts are to be disbursed to a buyer and seller in a purchase transaction or the date funds are to be paid to the borrower or a third party in a transaction that is not a purchase transaction.

EARNEST MONEY DEPOSIT

Down payment made by a purchaser of real property as evidence of good faith; a deposit or partial payment.

EASEMENT

A right, privilege or interest limited to a specific purpose that one party has in the land of another.

ENDORSEMENT

As to a title insurance policy, a rider or attachment forming a part of the insurance policy expanding or limiting coverage.

ESCROWS / IMPOUNDS

A trust type of account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums, and/or future insurance premiums, required to protect their security.

HAZARD INSURANCE

Real estate insurance protecting against fire, some natural causes, vandalism, etc. depending upon the policy. Buyer often adds liability insurance and extended coverage for personal property. Also known as "Homeowner's Insurance"

LEGAL DESCRIPTION

A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire parcel of land. It should so thoroughly identify a parcel of land that it cannot be confused with any other.

LIEN

A form of encumbrance that usually makes a specific parcel of real property the security for the payment of a debt or discharge of an obligation. For example, judgements, taxes, mortgages, deeds of trust.

LOAN ESTIMATE (LE)

Form designed to provide disclosures that will be helpful to borrowers in understanding the key features, costs, and risks of the mortgage loan for which they are applying.

MORTGAGE

The instrument by which real property is pledged as security for repayment of a loan.

PITI

A payment that includes Principal, Interest, Taxes and Insurance.

POWER OF ATTORNEY

A written instrument whereby a principal gives authority to an agent.

RECORDING

Process of filing documents affecting real property with the appropriate gov't agency as a matter of public record.

SETTLEMENT STATEMENT

Document providing a detailed breakdown of costs involved in a real estate transaction.

TRID

A rule issued by the Consumer Financial Protection Bureau (CFPB) that combines and integrates the disclosures under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). Effective October 2015.



WHAT IS TITLE INSURANCE?

Title insurance is an agreement to indemnify against damage or loss from a defect in title as evidenced by a policy of title insurance to a specific parcel or real property. Following a search and examination of public records and in exchange for a premium paid, title insurance companies will assume the risk that title to a parcel of real property is as stated to be in the policy of title insurance.

Types of Title Insurance (Policies)

Owner's Policy: Insures an owner of any type of real property against loss by reason of those matters covered under the policy of insurance for as long as they own the property. There are several versions of each policy. Consult with your Real Estate Professional to determine which policy is best for you.

Lender's Policy: Insures the priority of the lender's security interest over claims that others may have in the property.

Title Companies - What do they handle?

Title companies provide services to buyers, sellers, real estate developers, builders, mortgage lenders and others who have an interest in the real estate transaction. Title companies provide assurances that the transfer of title takes place efficiently and that your interests as an insured are protected under the terms and conditions of the policy.

Title insurance is different from many other types of insurances (casualty, auto, etc.). These other types of insurances assume risks by providing financial protection for losses arising from an unforeseen future event such as a fire, theft or accident. With title insurance, risks are examined and mitigated before the property changes hands.

Refinancing: Why Lenders Require Title Insurance

Your lender will want to insure that your new loan is protected by title insurance, just as the original lender required. Even if you already purchased a lender's policy, the policy remains in force only during the life of the loan that was insured. So, if you refinance, the old loan is paid off and a new loan is issued with a new title insurance policy. You will not need to purchase a new owner's policy of title insurance.



Is an Owner's Policy Worth the Investment?

Title Insurance is based on loss prevention. A typical title search involves searching public records as well as our own Title Plant. No other insurance does this level of due diligence before issuing a policy.

When there is a claim against the title policy it is often due to a title defect that was undetected during the title search. The most common problems are FRAUD and FORGERY. When there is a loss it is usually significant and oftentimes in the hundreds of thousands of dollars.

Some of the Risks Covered by a Title Insurance Policy

The following are risks covered by a Homeowner's form of title insurance policy (subject to insuring provisions, exclusions, exceptions and the conditions and stipulations):

- Someone else claims to have rights affecting your title arising out of forgery, fraud or impersonation.
- Someone else owns an interest in your title or has recorded lien or encumbrance on your title.
- Someone else has rights affecting your title arising out of leases, contracts or options.
- Someone else has an easement on the land or recorded right to limit your use of the land.
- You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the land.
- Because of an existing violation of a subdivision law or regulation affecting the land:
- You are unable to obtain a building permit.
- You are forced to correct or remove the violation.
- Someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it. You are forced to remove or remedy your existing structures, or any part of them, because any portion was built without obtaining a building permit or because they violate existing zoning law or zoning regulation.
- Your existing improvements made after the policy date, including lawns, shrubbery or trees, are damaged because of the future exercise of a right to use the surface of the land for the extraction development of minerals, water or any other substance.
- Someone else tried to enforce a discriminatory covenant, condition or restriction which is based upon race, color, religion, gender, handicap, familial status or national origin.
- A document upon which your title is based is invalid because it was not properly signed, sealed, acknowledged, delivered or recorded.
- The residence with the address shown is not located on the land.

Risk Protection

Simply stated, a Loan Policy of the title insurance only insures the lender's interest and does not protect the owner of the land.

- Did you know that if you lose title to the land, you may still be responsible for paying the debt due to your lender?
- Did you know that if a claim is paid on the Loan Policy, you may be responsible for reimbursing the Title Insurer for the claim paid to the lender?

Think about building equity in your land over years only to lose it to a title claim because you did not purchase an Owner's Policy of Title Insurance!

THE TITLE SEARCH PROCESS

When you receive the keys to your new home, you may already have an idea about the work that goes into a successful closing. However, few new homeowners recognize the efforts involved in searching and underwriting a title insurance policy—one part of your closing that can prove invaluable down the road.

An in-depth title search is generally comprised of a thorough examination of public records. This can be difficult because, depending on the jurisdiction, liens and judgments on a property may be filed a number of ways - by the name of the buyer, the name of the owner, the street address, lot number, etc... Many title companies today have created exhaustive and systematic methods for conducting these searches, resulting in large databases of consistently indexed data that facilitate faster and easier title searches. These “title plants”, or large stores of uniformly organized public data, help to complete title searches faster and help ensure accuracy.

Title Search Findings

Title searches uncover more than simply liens and judgments, however. A thorough title search will include information about mortgages, street and sewer assessments, taxes and levies, and countless other issues that may taint an otherwise sound transaction.

For instance, a title searcher may examine a property and find no judgments or liens, but uncover special building restrictions of which the buyer was unaware. Or the title search may disclose previously-established easements, such as civil sewer or power. A title searcher may find that some part of the property encroaches on neighboring land, warning against possible ownership issues in the future.

New Construction

Even for newly constructed property, a title search can be quite time consuming. While the actual structure in question may be new, the land on which it resides has likely transferred hands countless times prior to the new construction, making ownership issues a possibility down the road.

Curative Process

The legwork behind the issuance of a title insurance policy is rarely seen by the buyers or sellers of a property. Title professionals work to remove any existing “clouds” (judgments, easements, liens, etc.) prior to issuing a policy in order to decrease their financial risk to insure the title. When a cloud is difficult to clear or significant enough to question the wisdom of following through with the transaction, the title company will make this known to the prospective buyer.

Risk Mitigation

The data collected through a title search not only gives the buyer peace of mind regarding the property they’re purchasing, but also helps reduce the risk of the title problems arising in the future. This makes a title insurance policy a valuable investment towards protecting an even greater investment - your home.

8 COMMON MISCONCEPTIONS



ABOUT TITLE INSURANCE

Buying a new home is one of life's most gratifying experiences. Making sure your right to own the property is protected can be just as rewarding. During the process of purchasing your dream home, you'll hear two words you've probably never given much thought—title insurance.

As with the rest of the home buying process, title insurance can be difficult to comprehend. To complicate matters, the topic is often surrounded by misconceptions that keep home buyers from recognizing its importance. To help you get a better understanding of what title insurance is and how it protects your property rights, let's analyze eight common misconceptions:

1. Title Insurance Offers Only Minimal Protection

When you purchase a home, you receive "title" to the property. Title is your legal right to own it. Early in the home buying process, a title search is conducted to review the history of the property and uncover any issues that could limit your right to ownership. Even after the most meticulous search of public records, there can be hidden title defects, such as tax liens, forged signatures, claims by ex-spouses and recording errors. These title defects can remain undiscovered for months or even years after you purchase the home.

2. There is Only One Type of Title Insurance

There are two types of title insurance policies: an owner's policy and a loan policy. An owner's policy protects you, the property owner, against loss or damage in the event there is a covered title defect in your right of ownership to the property. If you're obtaining a mortgage loan to purchase your home, a mortgage lender will likely require that you purchase a loan policy, also known as a lender's policy. This type of policy protects the lender's interest in the property until the mortgage loan is paid in full. The loan policy provides no coverage to the homeowner.

You can opt for more enhanced coverage within your owner's policy. Standard coverage protects you against financial loss and related legal expenses for common title defects that occurred prior to the date of the title insurance policy. Enhanced coverage includes all the standard coverages, plus even more for maximum protection, some of which protect against matters that may transpire after the date of the policy.

3. Title Insurance Requires a Monthly or Annual Premium

Unlike most insurance policies, there is no monthly or annual premium. Title insurance is a one-time cost you pay at closing when you purchase or refinance real property, and lasts until you sell it again.

8 TITLE INSURANCE MYTHS CONTINUED...

4. Title Insurance is Expensive

The one-time premium for an owner's title policy is based on the purchase price of your home and accounts for only a small percentage of your closing costs. Coverage is provided for as long as you and your heirs own the property. When you add up the benefits compared to the costs, an owner's policy of title insurance is quite reasonable.

5. Paying All Cash Eliminates the Need for Title Insurance

An all-cash purchase eliminates the requirement of a mortgage loan and therefore eliminates the need for lender's title insurance. However, an all-cash transaction does not eliminate the risk posed by unknown title defects. An owner's policy protects you against possible loss or damage from a covered title defect.

6. Homeowner's Insurance and Title Insurance Offer the Same Protection

Title insurance protects a buyer's right to ownership and a lender's investment. On the other hand, homeowner's insurance is a policy that protects you against potential losses or damage you can experience to the structure of your home or its contents during an insurable incident.

7. Home Buyers Do Not Get to Choose the Title Company

Under the terms of the Real Estate Settlement Procedures Act (RESPA), the buyer generally has the right to choose the title company when the property is purchased with the assistance of a federally related mortgage loan. The property seller may not require the buyer to purchase title insurance from any specific title company, unless it has been instructed that the seller will pay for both the owner's and loan policies associated with the real estate transaction.

8. I'll Never Need to Use Title Insurance

According to the American Land Title Association (ALTA), title insurance policyholders have filed over 730,600 claims to date.* In 2018, the title industry spent over \$615 million* defending the property rights of its policyholders and compensating their losses due to covered title defects.

With so many misconceptions about title insurance, finding a team of professionals that you can trust is imperative. At Your Place Insurance, we are committed to providing quality service and being there for you with the backing of First American Title Insurance Company if your property rights are threatened.



Why Is My Neighbor Mowing My Lawn?



A new homeowner noticed a neighbor mowing part of her front lawn. When she asked the neighbor why he was mowing her lawn, the neighbor replied the property he was mowing belonged to him, even though the line of trees separating the two houses looked as if the property belonged to the new homeowner. She called her title agent and found out the neighbor was correct. "How can that be? Didn't you search my property?"

Unfortunately, the new homeowner did not understand the difference between a title search and a survey and failed to purchase a survey. A title search confirms ownership of property, but it does not show the details of the property location.

A survey is a map of real property that shows where the property is located on the earth, the boundary lines of the property, the improvements on the land and access to the property.

Call us if you would like a survey ordered to ensure your property is safe from intrusion.

FIVE GREAT REASONS TO PURCHASE A SURVEY

- 1 Undisclosed Rights and Easements**
You may own your new home and its surrounding land, but someone else might have a right to use a portion of your property. A survey will show physical evidence of the rights of others to use your property for access, parking, utilities, and other situations.
- 2 Undiscovered Encroachments**
A survey may be the only way to tell if a third party holds a claim to part of your property because their improvements such as a garage, fence, or swimming pool, are on your land.
- 3 House Built on Incorrect Lot**
It may seem impossible, but sometimes a house is built on the wrong lot. A survey provides peace of mind by showing the exact location of the house you are buying.
- 4 Size of the Property**
A survey shows the exact dimensions of the property's boundary lines and how much land is included within those lines.
- 5 Adding on in the Future**
Many residential platted lots have building restrictions known as setbacks which prohibit building anything within a certain distance from the boundary lines. If you are thinking of adding on in the future, a survey will help you determine if the property is right for both your current and future plans.

The information contained in this document was prepared by First American Title Insurance Company ("FATICO") for informational purposes only and does not constitute legal advice. FATICO is not a law firm and this information is not intended to be legal advice. Readers should not act upon this without seeking advice from professional advisers.

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AMD: 08/2017



YOUR PLACE INSURANCE

Your Everything Agency

Life • Medicare • Personal • Commercial • Title

AN INDEPENDENT POLICY-ISSUING AGENT OF FIRST AMERICAN TITLE INSURANCE COMPANY

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FLORIDA TITLE INSURANCE RATES (SIMPLE)

POLICY AMOUNT	RATE PER \$1,000
\$0.00 UP TO \$100,000	\$5.75
\$100,000 UP TO \$1,000,000	\$5.00
\$1,000,000 UP TO \$5,000,000	\$2.50
\$5,000,000 UP TO \$10,000,000	\$2.25
OVER \$10,000,000	\$2.00

EXAMPLES

HOME AMOUNT	TITLE PREMIUM	HOME AMOUNT	TITLE PREMIUM
\$100,000	\$575.00	\$2,500,000	\$8,825.00
\$500,000	\$2,575.00	\$6,000,000	\$17,325.00

Title agents are prohibited from:

- Providing or paying for food, drinks or room rentals at events designed to promote their business.
- Paying advertising costs of real estate brokers, etc. for business referrals.
- Sponsoring and hosting any open houses for real estate brokers etc. for business referrals.
- Providing or paying for gift cards or gift certificates for referral of business.
- Making cash payments or exchanging financial consideration of any kind for referral of business, including from Realtors, Lenders, and mortgage brokers.
- Providing or paying for cellular contracts for business referrals.
- Offering any discount or reduction of any fee of the cost of an inspection, inspection report, appraisal or survey, including wind inspections, to a purchaser or prospective purchaser of title insurance.

For a complete list of prohibited activities, please review Rule 69B -186.010(4), Florida Administrative Code.

For more information:

Florida Department of Business & Professional Regulation
(850) 487-1395
www.MyFloridaLicense.com/DBPR

Florida Department of Financial Services
1-877-MY-FL-CFO (1-877-693-5236)
www.MyFloridaCFO.com

File an insurance complaint online through the: Online Complaint Portal

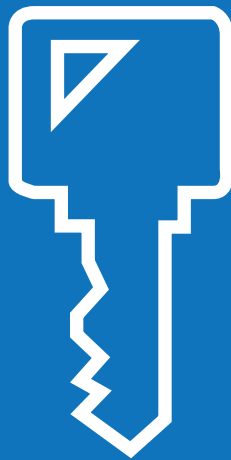
Florida Office of Insurance Regulation
(850) 413-3140
www.FLOIR.com

Florida Office of Financial Regulation
(850) 487-9687
www.FLOFR.com

U.S. Department of Housing and Urban Development
(202) 708-1112
www.HUD.gov

HOME CLOSING 101

**You're almost there. Take a breath.
You've got this.**



**Closing Checklist.
Example Closing Disclosure.**

Before closing

Taking a few key actions can make your home closing go more smoothly. Use this worksheet to prepare in advance.

1. Determine who will conduct your closing, where it will be, and when.

Although the type of company conducting your closing can vary based on where you live, you can shop for the company of your choice.

? Who will be conducting my closing? What is their title?

Name: _____ Phone: _____

- ☐ Title agent ☐ Escrow agent
☐ Closing attorney ☐ Other _____

? When is my closing? Where is my closing?

Date: _____ Time: _____

Address: _____

2. Ask the person who will conduct your closing what to expect.

The closing process can vary by region and area. Learn the details of your closing in advance.

? What do I need to bring to my closing?

- ☐ Review the list on page 4 and make any necessary changes.

? About how much will I need to pay at closing? How do I pay?

\$ _____ ☐ Cashier's check ☐ Wire transfer

? If I decide to [walk away at closing](#), will I still owe the seller money?

3. Request your closing documents three days in advance of closing.

By law, you must receive your Closing Disclosure three business days before closing.

These are some of the most [important documents](#) you'll see at closing:

- ☐ Closing Disclosure
☐ Promissory Note
☐ Mortgage / Security Instrument / Deed of Trust
☐ Deed, document that transfers property ownership (purchase only)
☐ Right to Cancel (refinance only)

4. Protect yourself from a mortgage closing scam.

Closing funds are [tempting targets for scammers](#). Beware of emails with last-minute changes to your payment or wire instructions. It may be a scam.

Record the names and phone numbers for two trusted individuals (i.e. real estate or settlement agents) who can securely confirm payment instructions in case of a scam attempt.

Name: _____ Phone: _____

☐ I have this person's number saved.

Name: _____ Phone: _____

☐ I have this person's number saved.

5. Schedule time in advance of your closing to review documents.

Set aside enough time to carefully review the documents for errors and to make sure you have a clear understanding of the loan terms.

Date: _____ Time: _____

6. Compare your Closing Disclosure to your most recent Loan Estimate.

Look at the table on the top of page three of your [Closing Disclosure](#). By law, only certain costs can change.

Search for answers to these questions, and if you can't find the answers, ask your loan officer:

? Are the loan type, interest rate, monthly payment, and other key terms the same as I expected?

? Are there any fees that I don't understand or that have changed significantly?

? Do I have an escrow account? Do I understand how that works?

7. Read the rest of your closing documents.

Use our [document summaries](#) to learn more about why your closing documents are important.

? Is my personal information correct on all of the documents?

? What happens if I don't pay my loan?

? Do the key numbers (loan amount, monthly payment, interest rate) match exactly across all of my documents?

? How can I exercise my Right to Cancel (refinance only)?

? If you're unable to get the rest of your closing documents in advance, take the list of questions above with you to closing.

8. Arrange your payment for the amount due at closing.

☐ I have my cashier's check or wire transfer ready.

! If you receive an email with last-minute changes to the wire instructions or to verify your personal information, it may be a scam. Contact the trusted parties you identified on Step 4 to confirm the payment details, using only the primary phone numbers that you saved.

At closing

Your closing day has finally arrived! Bring this worksheet to your closing and use it as a guide.

1. Bring these things or people with you to closing.

- ☐ A cashier's check or proof of wire transfer for the exact amount of money you need to close.
- ☐ The list of people to call that you prepared earlier.
- ☐ Your Closing Disclosure. You'll want to compare it to the final documents one more time.
- ☐ A trusted friend, advisor, or lawyer, if you want an advocate at the table.
- ☐ Your co-borrower or the person who is co-signing your loan.
- ☐ Your check book, in case there are any last minute changes.
- ☐ Your driver's license or ID.

2. Get answers to these questions at your closing.

- ❓ How will I pay my property taxes and homeowner's insurance?
 - ☐ Included in my monthly payment.
 - ☐ I have to pay them on my own.
- ❓ Where will I send my monthly payments?

❓ If I have Homeowners' Association dues, how do I pay?

❓ Who should I call if I have questions after closing?

Name: _____ Phone: _____

3. Don't forget these closing tips.

- Take all the time you need. You have a right to read and understand your closing documents, no matter how long it takes.
- Trust your gut. Don't go forward until you feel comfortable.

After closing

Congratulations! Now that the paperwork is over, set yourself up for success as a homeowner with these final steps.

1. Save your closing packet.

You should save the entire set of documents, exactly as you received it.

Double check that your packet includes these important documents:

- ☐ Closing Disclosure
- ☐ Promissory Note
- ☐ Mortgage / Security Instrument / Deed of Trust
- ☐ Deed, document that transfers property ownership (purchase only)
- ☐ Right to Cancel (refinance only)

2. Change your address.

- ☐ Bank accounts, investment accounts, and credit card companies
- ☐ Department of Motor Vehicles and car insurance
- ☐ Cell phone company, health/life insurance, and other bills
- ☐ US Postal Service

3. Revise your budget and plan for future expenses.

- Include Homeowners' Association (HOA) fees, and if you don't have an escrow account, property taxes and homeowner's insurance.
- Settle in to your new budget for a few months before making major unplanned or non-essential home repairs or renovations.
- Set aside money each month in an emergency fund to cover essential repairs or loss of income.

4. Review your homeowner's insurance.

Contact your insurance company with questions or changes.

- ? Does it cover floods? Earthquakes? Other disasters?
- ? Could you get a discount for having smoke alarms or if you get your car insurance with the same company?
- ? Could you save money by increasing your deductible?

5. Pay attention to:

- ! Changes in your monthly payment. Even if you have a fixed-rate loan, your total monthly payment can change if your taxes, mortgage insurance, or homeowner's insurance go up or down.
- ! Servicing changes. The "servicer" is where you send your mortgage payments, and your servicer might change. If your servicer changes, you'll get a [change-of-servicer notice](#) in advance.

6. Watch out for:

Marketers often target new homeowners. Give yourself a chance to adjust to your new budget before applying for new credit or making large purchases.

- ! Offers for new credit cards or home equity lines of credit. If you want to opt-out of the offers, you can do so [online](#) or by calling (888) 567-8688.
- ! Offers from home improvement contractors. Not only should you wait before making major investments, but scams are common. Research a contractor's reputation and always get three quotes before choosing a contractor.
- ! Offers for "mortgage protection (life) insurance," often sent in official-looking envelopes. Most homeowners are better off with standard life insurance, which is more flexible and usually cheaper.
- ! Bi-weekly payment plans offered for a fee. A bi-weekly payment plan can be smart for people who get paid bi-weekly—you'll pay off your loan quicker and save money—but you don't have to pay for this service. You can often set it up yourself.
- ! Refinance offers that don't save you money. Don't refinance too often or fees can really add up. When considering a refinance, make sure you're saving money with a lower interest rate.

7. Act fast to avoid foreclosure if you are struggling to make your payments.

If you're struggling to make your payments, talk to your mortgage servicer and call a housing counselor. Your mortgage servicer is required to explain what options are available to avoid foreclosure. [HUD-approved counselors](#) are trained professionals who will help you at little or no charge.

The CFPB is here to help you.

Have questions or need a definition? [Get answers from Ask CFPB.](#)

Have a complaint? [Submit a complaint through the CFPB.](#)

FEBRUARY 7, 2014

TILA RESPA Integrated Disclosure

H-25(B) Mortgage Loan Transaction Closing Disclosure – Fixed Rate Loan Sample

This is a sample of a completed Closing Disclosure for the fixed rate loan illustrated by form H-24(B). The purpose, product, sale price, loan amount, loan term, and interest rate have not changed from the estimates provided on the Loan Estimate. The creditor requires an escrow account and that the consumer pay for private mortgage insurance for the transaction.



Consumer Financial
Protection Bureau

Closing Disclosure

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

Closing Information		Transaction Information		Loan Information	
Date Issued	4/15/2013	Borrower	Michael Jones and Mary Stone	Loan Term	30 years
Closing Date	4/15/2013		123 Anywhere Street	Purpose	Purchase
Disbursement Date	4/15/2013		Anytown, ST 12345	Product	Fixed Rate
Settlement Agent	Epsilon Title Co.	Seller	Steve Cole and Amy Doe	Loan Type	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA
File #	12-3456		321 Somewhere Drive		<input type="checkbox"/> VA <input type="checkbox"/> _____
Property	456 Somewhere Ave	Lender	Anytown, ST 12345	Loan ID #	123456789
	Anytown, ST 12345		Ficus Bank	MIC #	000654321
Sale Price	\$180,000				

Loan Terms		Can this amount increase after closing?
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Prepayment Penalty	Does the loan have these features? YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments			
Payment Calculation	Years 1-7		Years 8-30
Principal & Interest	\$761.78		\$761.78
Mortgage Insurance	+	82.35	+ —
Estimated Escrow <i>Amount can increase over time</i>	+	206.13	+ 206.13
Estimated Total Monthly Payment	\$1,050.26		\$967.91
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time See page 4 for details</i>	\$356.13 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>	In escrow? YES YES NO

Costs at Closing	
Closing Costs	\$9,712.10 Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs – \$0 in Lender Credits. See page 2 for details.
Cash to Close	\$14,147.26 Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

Closing Cost Details

Loan Costs		Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges		\$1,802.00				
01	0.25 % of Loan Amount (Points)	\$405.00				
02	Application Fee	\$300.00				
03	Underwriting Fee	\$1,097.00				
04						
05						
06						
07						
08						
B. Services Borrower Did Not Shop For		\$236.55				
01	Appraisal Fee to John Smith Appraisers Inc.					\$405.00
02	Credit Report Fee to Information Inc.		\$29.80			
03	Flood Determination Fee to Info Co.	\$20.00				
04	Flood Monitoring Fee to Info Co.	\$31.75				
05	Tax Monitoring Fee to Info Co.	\$75.00				
06	Tax Status Research Fee to Info Co.	\$80.00				
07						
08						
09						
10						
C. Services Borrower Did Shop For		\$2,655.50				
01	Pest Inspection Fee to Pests Co.	\$120.50				
02	Survey Fee to Surveys Co.	\$85.00				
03	Title – Insurance Binder to Epsilon Title Co.	\$650.00				
04	Title – Lender’s Title Insurance to Epsilon Title Co.	\$500.00				
05	Title – Settlement Agent Fee to Epsilon Title Co.	\$500.00				
06	Title – Title Search to Epsilon Title Co.	\$800.00				
07						
08						
D. TOTAL LOAN COSTS (Borrower-Paid)		\$4,694.05				
Loan Costs Subtotals (A + B + C)		\$4,664.25	\$29.80			
Other Costs						
E. Taxes and Other Government Fees		\$85.00				
01	Recording Fees Deed: \$40.00 Mortgage: \$45.00	\$85.00				
02	Transfer Tax to Any State			\$950.00		
F. Prepays		\$2,120.80				
01	Homeowner’s Insurance Premium (12 mo.) to Insurance Co.	\$1,209.96				
02	Mortgage Insurance Premium (mo.)					
03	Prepaid Interest (\$17.44 per day from 4/15/13 to 5/1/13)	\$279.04				
04	Property Taxes (6 mo.) to Any County USA	\$631.80				
05						
G. Initial Escrow Payment at Closing		\$412.25				
01	Homeowner’s Insurance \$100.83 per month for 2 mo.	\$201.66				
02	Mortgage Insurance per month for mo.					
03	Property Taxes \$105.30 per month for 2 mo.	\$210.60				
04						
05						
06						
07						
08	Aggregate Adjustment	– 0.01				
H. Other		\$2,400.00				
01	HOA Capital Contribution to HOA Acre Inc.	\$500.00				
02	HOA Processing Fee to HOA Acre Inc.	\$150.00				
03	Home Inspection Fee to Engineers 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 Epsilon Title Co.	\$1,000.00				
08						
I. TOTAL OTHER COSTS (Borrower-Paid)		\$5,018.05				
Other Costs Subtotals (E + F + G + H)		\$5,018.05				
J. TOTAL CLOSING COSTS (Borrower-Paid)		\$9,712.10				
Closing Costs Subtotals (D + I)		\$9,682.30	\$29.80	\$12,800.00	\$750.00	\$405.00
Lender Credits						

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
Total Closing Costs (J)	\$8,054.00	\$9,712.10	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0	– \$29.80	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
Cash to Close	\$16,054.00	\$14,147.26	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing **\$189,762.30**

01	Sale Price of Property	\$180,000.00
02	Sale Price of Any Personal Property Included in Sale	
03	Closing Costs Paid at Closing (J)	\$9,682.30
04		

Adjustments

05		
06		
07		

Adjustments for Items Paid by Seller in Advance

08	City/Town Taxes	to	
09	County Taxes	to	
10	Assessments	to	
11	HOA Dues	4/15/13 to 4/30/13	\$80.00
12			
13			
14			
15			

L. Paid Already by or on Behalf of Borrower at Closing **\$175,615.04**

01	Deposit	\$10,000.00
02	Loan Amount	\$162,000.00
03	Existing Loan(s) Assumed or Taken Subject to	
04		
05	Seller Credit	\$2,500.00

Other Credits

06	Rebate from Epsilon Title Co.	\$750.00
07		

Adjustments

08		
09		
10		
11		

Adjustments for Items Unpaid by Seller

12	City/Town Taxes	1/1/13 to 4/14/13	\$365.04
13	County Taxes	to	
14	Assessments	to	
15			
16			
17			

CALCULATION

Total Due from Borrower at Closing (K)	\$189,762.30
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$175,615.04

Cash to Close ☒ **From** ☐ **To Borrower** **\$14,147.26**

SELLER'S TRANSACTION

M. Due to Seller at Closing **\$180,080.00**

01	Sale Price of Property	\$180,000.00
02	Sale Price of Any Personal Property Included in Sale	
03		
04		

05		
06		
07		
08		

Adjustments for Items Paid by Seller in Advance

09	City/Town Taxes	to	
10	County Taxes	to	
11	Assessments	to	
12	HOA Dues	4/15/13 to 4/30/13	\$80.00
13			
14			
15			
16			

N. Due from Seller at Closing **\$115,665.04**

01	Excess Deposit	
02	Closing Costs Paid at Closing (J)	\$12,800.00
03	Existing Loan(s) Assumed or Taken Subject to	
04	Payoff of First Mortgage Loan	\$100,000.00
05	Payoff of Second Mortgage Loan	

06		
07		
08	Seller Credit	\$2,500.00
09		

10		
11		
12		
13		

Adjustments for Items Unpaid by Seller

14	City/Town Taxes	1/1/13 to 4/14/13	\$365.04
15	County Taxes	to	
16	Assessments	to	
17			
18			
19			

CALCULATION

Total Due to Seller at Closing (M)	\$180,080.00
Total Due from Seller at Closing (N)	– \$115,665.04

Cash ☐ **From** ☒ **To Seller** **\$64,414.96**

Additional Information About This Loan

Loan Disclosures

Assumption

- 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.
 - ☒ will not allow assumption of this loan on the original terms.

Demand Feature

- Your loan
- ☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
 - ☒ does not have a demand feature.

Late Payment

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.

Negative Amortization (Increase in Loan Amount)

- Under your loan terms, you
- ☐ 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.
 - ☐ 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.
 - ☒ do not have a negative amortization feature.

Partial Payments

- Your lender
- ☒ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
 - ☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
 - ☐ does not accept any partial payments.
- If this loan is sold, your new lender may have a different policy.

Security Interest

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.

Escrow Account

- For now,** your loan
- ☒ 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.

Escrow		
Escrowed Property Costs over Year 1	\$2,473.56	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner’s Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>Homeowner’s Association Dues</i> You may have other property costs.
Initial Escrow Payment	\$412.25	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$206.13	The amount included in your total monthly payment.

- ☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner’s insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow		
Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.
Escrow Waiver Fee		

In the future,

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.

Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	\$285,803.36
Finance Charge. The dollar amount the loan will cost you.	\$118,830.27
Amount Financed. The loan amount available after paying your upfront finance charge.	\$162,000.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.46%



Questions? 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 www.consumerfinance.gov/mortgage-closing

Other Disclosures

Appraisal

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.

Contract Details

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.

Liability after Foreclosure

If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

- ☒ 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.
- ☐ state law does not protect you from liability for the unpaid balance.

Refinance

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.

Tax Deductions

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.

Contact Information

	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name	Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.
Address	4321 Random Blvd. Somecity, ST 12340		789 Local Lane Sometown, ST 12345	987 Suburb Ct. Someplace, ST 12340	123 Commerce Pl. Somecity, ST 12344
NMLS ID					
ST License ID			Z765416	Z61456	Z61616
Contact	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
Contact NMLS ID	12345				
Contact ST License ID			P16415	P51461	PT1234
Email	joesmith@ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@epsilontitle.com
Phone	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

NOTES





YOUR PLACE INSURANCE

Your Everything Agency

Life • Medicare • Personal • Commercial • Title

The life of a real estate transaction



Find Your Family a
Real Estate Agent & Lender



Find or List
Your Home



Complete
**Property Inspections
& Needed Repairs**



"Escrow" describes the
neutral third-party handling
of funds, documents, and
tasks specific to the closing.

Sign the **Contract
& then
Title Commitment**
from Settlement Agent



Review the
**Title Commitment or
the Preliminary Report**

Promptly respond to requests for
Information & Paperwork

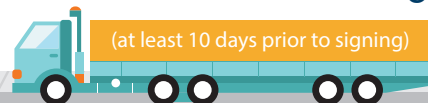


Deposit Closing Funds
via **Wire Transfer**



Deliver invoices & info to the
Lender/Settlement Agent

(at least 10 days prior to signing)



Sign the **Loan Docs
& the Closing Paperwork**



Buyer gets the **Keys**
Seller receives **Funds**

