

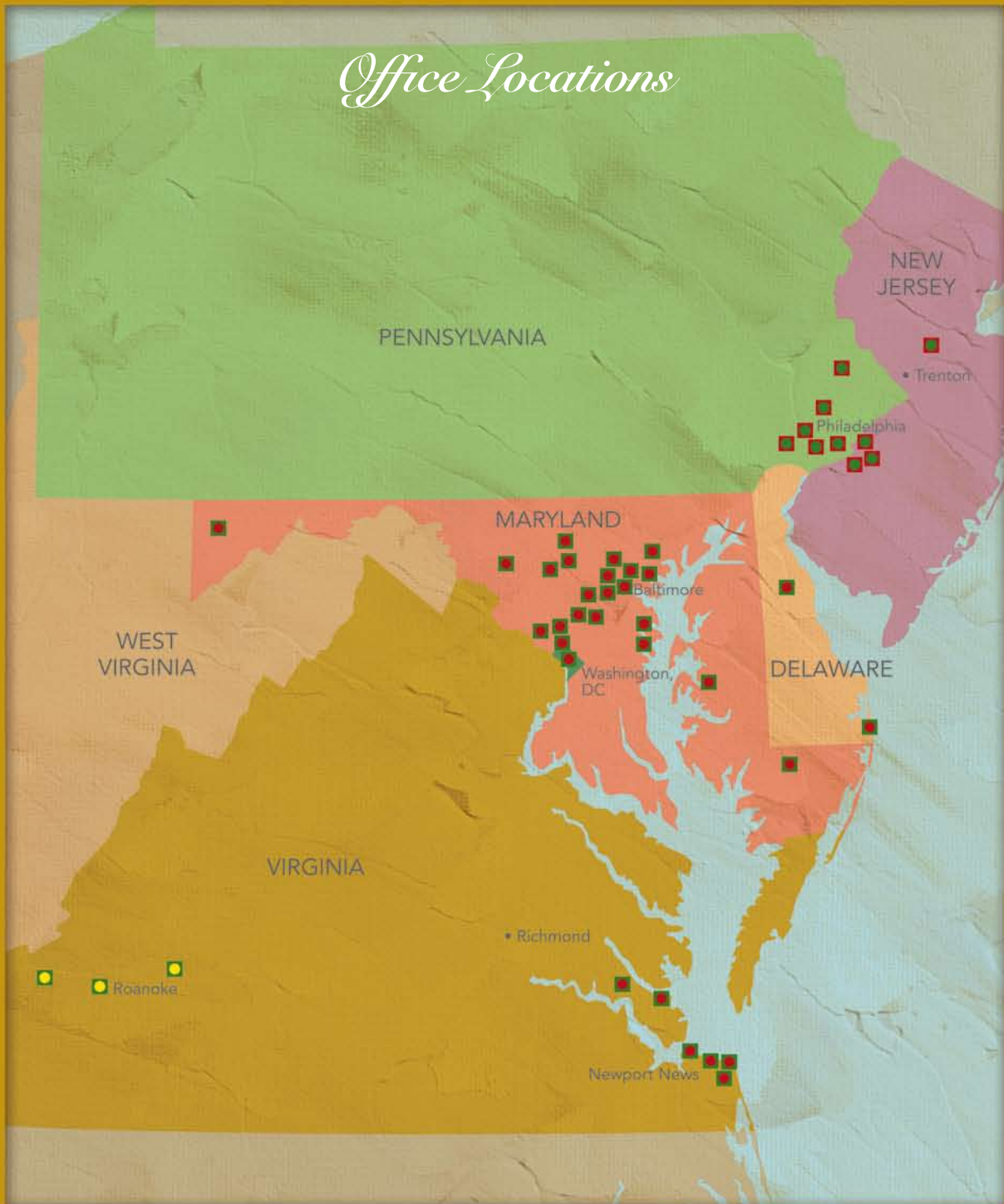
Includes  
2010  
HUD-1  
Form

*A Step-By-Step Guide To*  
**HOME BUYING  
AND SELLING**

**The Mid-Atlantic Region**



# Office Locations



■ Sage Title Group, LLC

■ Sage Title Group offices dba Mid-States Title of Southwest Virginia

■ Sage Premier Settlements, LLC



## **Our Vision and Commitment**

*We at **Sage Title Group** and **Sage Premier Settlements** are highly competent settlement service professionals, committed to providing unparalleled real estate closing services. We are dedicated to the pledge that our customers and the real estate professionals who recommend our services to them will receive satisfaction in every real estate transaction. With more than 100 years of combined experience, our knowledge sets us apart from our competition. This along with personalized professional service makes us the **“Wise Choice”** for your real estate settlements.*

**MY REALTOR'S CONTACT  
INFORMATION IS:**

**MY SAGE TITLE GROUP OR  
SAGE PREMIER SETTLEMENTS BRANCH IS:**

(Place Realtor's Business Card Here)

(Place Branch Manager's Business Card Here)



## Find Your Nearest Location

### **SAGE TITLE GROUP, LLC**

#### **MARYLAND**

##### **Annapolis, MD**

2661 Riva Rd.  
Building 400, Ste. 410-B  
Annapolis, MD 21401  
Office: 410-266-7566  
Fax: 410-266-9521

##### **Baltimore, MD**

575 South Charles St.,  
Ste. 406  
Baltimore, MD 21201  
Office: 410-752-6200  
Fax: 410-385-8206

##### **Bel Air, MD**

116 Hays St.  
Bel Air, MD 21014  
Office: 410-879-5940  
Fax: 410-893-2519

##### **Bethesda, MD**

4733 Bethesda Ave., Ste. 101  
Bethesda, MD 20814  
Office: 301-654-2560  
Fax: 301-654-0325

##### **Catonsville, MD**

300 Frederick Rd., Ste. 100  
Catonsville, MD 21228  
Office: 410-744-5252  
Fax: 410-744-5978

##### **Columbia, MD**

10805 Hickory Ridge Rd.  
Columbia, MD 21044-3612  
Office: 410-997-9300  
Fax: 410-997-9393

##### **Columbia, MD**

5457 Twin Knolls Rd.,  
Ste. 101  
Columbia, MD 21045  
Office: 410-715-7612  
Fax: 410-715-7616

##### **Deep Creek, MD**

24449 Garrett Hwy., Unit 4  
McHenry, MD 21541  
Office: 301-387-7380  
Fax: 301-387-7381

##### **Easton, MD**

111 North West St., Ste. A  
Easton, MD 21601  
Office: 410-820-9897  
Fax: 410-820-9895

##### **Eldersburg**

1425 Liberty Road,  
Eldersburg, MD 21784  
Office: 410-795-9600  
Fax: 410-549-7318

##### **Ellicott City, MD**

9171 Baltimore National  
Pike, Ste. 110  
Ellicott City, MD 21042  
Office: 410-313-8010  
Fax: 410-313-8124

##### **Frederick, MD**

5301 Buckeystown Pike  
Frederick, MD 21704  
Office: 301-663-1608  
Fax: 301-829-8757

##### **Mt. Airy, MD**

1512 Ridgeside Dr.  
Mt. Airy, MD 21771  
Office: 301-829-8757  
Fax: 301-829-1609

##### **Rockville, MD**

189 Kentlands Blvd., Ste. 205  
Gaithersburg, MD 20878  
Office: 301-670-2812  
Fax: 301-670-2827

##### **Salisbury, MD**

1315 Mt. Hermon Rd., Ste. A  
Salisbury, MD 21804  
Office: 410-341-6101  
Fax: 410-341-6799

##### **Severna Park, MD**

570 F Ritchie Hwy.,  
Park Plaza  
Severna Park, MD 21146  
Office: 410-647-0815  
Fax: 410-647-1811

##### **Timonium, MD**

16 Green Meadow Dr.,  
Ste. 200  
Timonium, MD 21093  
Office: 410-252-8211  
Fax: 410-252-1392

##### **Towson, MD**

1312 Bellona Ave., 3rd Floor  
Lutherville, MD 21093  
Office: 410-337-8856  
Fax: 410-337-9206

##### **Towson/Timonium, MD**

Office of Regional Counsel  
1104 Kenilworth Dr., Ste. 400  
Towson, MD 21204  
Office: 410-821-4510  
Fax: 410-821-4515

##### **Westminster, MD**

511 Jermor Lane, Ste. 104  
The Marathon Building  
Westminster, MD 21157  
Office: 410-848-7475  
Fax: 410-848-0242

##### **White Marsh, MD**

7939 Honeygo Blvd.,  
Ste. 124  
Baltimore, MD 21236  
Office: 410-931-3500  
Fax: 410-931-3009

#### **DELAWARE**

##### **Bethany Beach, DE**

33298 Coastal Highway  
Bethany Beach, DE 19930  
Office: (301) 539-7131

##### **Smyrna, DE**

127 E. Glenwood Ave.  
Smyrna, DE 19977  
Office: 302-653-8829  
Fax: 302-653-6772

#### **WASHINGTON, DC**

##### **Washington, DC**

4201 Connecticut Ave.,  
Ste. 406  
Washington, DC 20008  
Office: 202-244-5780  
Fax: 202-244-0462

##### **Spring Valley**

4910 Mass. Ave., NW,  
Ste. 206,  
Washington, DC 20016  
Office: 202-244-5780  
Fax: 202-244-0462

#### **VIRGINIA**

##### **Chesapeake, VA**

1226 Progressive Dr.,  
Ste. 202  
Chesapeake, VA 23320  
Office: 757-673-7298  
Fax: 757-673-7328

##### **Great Neck**

3181 Shore Drive  
Virginia Beach, VA 23451  
Office: 757-673-7298  
Fax: 757-673-7328

##### **Kempsville**

963 Providence Square  
Shopping Center  
Virginia Beach, VA  
23441-4301  
Office: 757-673-7298  
Fax: 757-673-7328

##### **Newport News, VA**

10 San Jose Dr.  
Newport News, VA 23606  
Office: 757-873-8760  
Fax: 757-873-8746

##### **Williamsburg, VA**

4732 Longhill Rd., Ste. 2102  
Williamsburg, VA 23188  
Office: 757-345-6379  
Fax: 757-345-6392

##### **Yorktown, VA**

5007 Victory Blvd., Ste. E  
Yorktown, VA 23693-5606  
Office: 757-833-1028  
Fax: 757-833-1069

#### **SAGE PREMIER SETTLEMENTS, LLC**

#### **PENNSYLVANIA**

##### **Blue Bell, PA**

860 Penllyn-Blue Bell Pike  
Blue Bell, PA 19422  
Office: 215-591-5602  
Fax: 866-481-4616

##### **Devon, PA**

92 Lancaster Ave.  
Devon, PA 19333  
Office: 610-225-7436  
Fax: 855-243-1039

##### **Doylestown, PA**

511 Hyde Park Campus  
Rt. 202 & Mechanicsville Rd.  
Doylestown PA 18902  
Office: 215-340-1039  
Fax: 215-489-2780

##### **Media, PA**

1055 E. Baltimore Pike  
Media, PA 19063  
Office: 610-892-3010  
Fax: 866-885-1215

##### **West Chester, PA**

1242 West Chester Pike  
West Chester, PA 19382  
Office: 610-431-8536  
Fax: 877-644-4226

##### **Philadelphia, PA**

170 South 6th St., Ste. L-10  
Philadelphia, PA 19106  
Office: 215-409-6914  
Fax: 855-243-1040

#### **NEW JERSEY**

##### **Cherry Hill, NJ**

1415 Route 70, Ste. 106  
Cherry Hill, NJ 08034  
Office: 856-857-9440  
Fax: 856-857-9442

##### **Greater Princeton, NJ**

33 Princeton-Hightstown  
Rd.  
Princeton Junction, NJ  
08550  
Office: 609-275-5595  
Fax: 856-304-9755

##### **Haddonfield, NJ**

65 N. Haddon Ave.  
Haddonfield, NJ 08033  
Office: 856-354-9555  
Fax: 609-936-0187

##### **Moorestown, NJ**

110 Marter Ave., Ste. 501  
Moorestown, NJ 08057  
Office: 856-778-0722  
Fax: 866-481-4218

#### **SAGE TITLE GROUP OFFICES DBA MID-STATES TITLE OF SOUTHWEST VIRGINIA:**

##### **Blacksburg, VA**

3601 Holiday Ln.  
Blacksburg, VA 24060  
Office: 540-552-0888  
Fax: 540-552-0837

##### **Forest, VA**

1019 Vista Park Dr., Ste. D  
Forest, VA 24551-4253  
Office: 434-385-4707  
Fax: 434-385-4708

##### **Roanoke, VA**

3922 Electric Rd., SW  
Roanoke, VA 24018  
Office: 540-774-5554  
Fax: 866-665-7128



# Table of Contents

## **Beginning the Process**

Ready, Set...Home!.....	4
Understanding the Role of the Realtor® .....	4
How Will My Realtor® Be Paid? .....	5
The Condition of the Home and the Concept of “Buyer Beware”.....	5
Will a Home Warranty Cover Defects in My Home?.....	5
Home Buying Process Chart .....	6

## **The Sales Contract**

Contract Forms and Addenda .....	7
What Happens After Contract Acceptance? .....	7

## **Affording Your Mortgage**

Financing the Purchase .....	8
How Much Can the Buyer Afford? (Mortgage Affordability Chart) .....	9

## **The Key to Your Keys**

The Process of Settlement or Closing .....	10
Understanding the HUD-1 (Sample of the HUD-1) .....	10
Summary of the Borrower’s Transaction .....	18
Summary of the Seller’s Transaction .....	19

## **Protect Yourself; Protect Your Home**

Title Insurance: What Is It and Should I Buy It? .....	20
Insurance Comparison Chart .....	21
The Day of Settlement .....	22
Truth-in-Lending Chart.....	23
After Settlement .....	25

<b>Important Phone Numbers</b> .....	26
--------------------------------------	----

*More questions?*

*Sage Title Group, LLC and Sage Premier Settlements, LLC have the answers, call us now!*

*Or visit us on the Web at*

*[www.sagetitlegroup.com](http://www.sagetitlegroup.com)*



### Ready, Set...Home!

Congratulations on your decision to enter the real estate market! Buying or selling a home can be very exciting, but the process can be confusing and frightening, too. We at **Sage Title Group, LLC** and **Sage Premier Settlements, LLC** believe in the adage that “knowledge is power,” and that the experience will be greatly enhanced if you understand the process better. We have developed this publication to help minimize your confusion and uncertainty and empower you to enter the real estate market with knowledge and confidence.

If you have additional questions not covered by this guide, please do not hesitate to contact **Sage Title Group, LLC** or **Sage Premier Settlements, LLC**.

### Understanding the Role of the REALTOR®

One of the most misunderstood aspects of a real estate transaction is the role of the Realtor®.

A Realtor® can assume one of three possible roles:

- 1) Listing Agent;
- 2) Cooperating Agent; and
- 3) Buyer's Agent.

#### Realtors Who Represent the Seller

A Realtor® engaged by the seller to “list” the property is referred to as the “Listing Agent.” “Listing” means that the Realtor® will register the property with a “Multiple List Service” or MLS. The MLS is a vast database of available properties that gives the home the greatest possible exposure to qualified buyers. Only licensed Realtors have access to the MLS. A seller who wishes to take advantage of the MLS must engage a Realtor® to list the property.

Listing agents will also conduct a market analysis and use their expertise to assist the seller to set the most appropriate initial asking price. The listing agent can provide invaluable insight to the seller on ways to make the property as attractive as possible to potential buyers. Once interested buyers are found, the listing agent will assist the seller in analyzing contract offers and negotiates the sale. The listing agent will make sure an offer is properly submitted, and

ultimately ratified, to enable the sales transaction to be finalized.

A “Cooperating Agent” is a Realtor® who helps the Listing Agent to find a buyer. Many buyers think that a Cooperating Agent works for the buyer. This misimpression arises because Cooperating Agents spend much of their time working with the buyer to help obtain financing, prepare and submit a contract, arrange for inspections and attend the settlement. Despite all of this work on behalf of the buyer, the Cooperating Agent really is assisting the Listing Agent to sell the property for the seller and, in the eyes of the law, represents the seller. Thus, the Cooperating Agent's primary allegiance is to uphold and protect the seller's interests.

#### Realtors Who Represent the Buyer

A “Buyer's Agent” is a Realtor® engaged by the buyer to represent his or her interests. If a buyer chooses to engage the services of a Buyer's Agent, the agreement must be formalized through a written Buyer's Agency Agreement.

Engaging the services of a Buyer's Agent is the single most significant decision the buyer can make to find the perfect home at a fair price. To achieve these goals, the Buyer's Agent will meet with the buyer to establish a wish list of characteristics of the ideal home: How much can the buyer afford to spend? Where does the buyer wish to live? How many bedrooms and bathrooms does the buyer want? What style of home is desired? What schools, stores, businesses, houses of worship, etc., are in the immediate area? Once these guidelines are established, the Buyer's Agent will research the MLS listings and prepare a list of homes currently on the market that meet the buyer's needs. From that search, the buyer will select certain properties to visit, and the Buyer's Agent will work with the Listing Agent to arrange the “showing” of the residences.

Once the buyer chooses a home, he or she submits a contract offer to the seller for consideration. The services of the Realtor® then become critical. A Realtor® can easily access up-to-date contract forms. In addition, many counties have their own laws requiring the use of particular localized forms, and the Realtor® will have access to these forms as well.



Once a contract offer is prepared and signed by the buyer, it is submitted to the seller for consideration. The seller may accept, reject, or make a counter-proposal. The Buyer's Agent will assist throughout the negotiation process and provide valuable insight and advice at each stage.

Once the parties agree on the contract terms and the contract has been fully signed and "ratified," the post-contract, or settlement process, begins. Realtors are trained to guide the parties through this complicated part of the transaction.

## How Will My REALTOR® Be Paid?

While there are many possible compensation arrangements, for the majority of real estate transactions in Maryland, Virginia and the District of Columbia, the seller pays the Listing Agent an agreed-upon percentage of the sale price. The listing brokerage then offers to pay a portion of the Listing Realtor's commission to other agents who find ready, willing and able buyers to purchase the seller's property. Thus, in most transactions, the commission is fully paid by the seller, and the buyer will not pay for the Realtor's services. For this reason, it usually is wise for buyers to hire a Realtor® to represent their interests. The buyer and seller should read and fully understand the terms of compensation to be paid to their respective Realtors before signing a Listing or Buyer's Representation Agreement.

## The Condition of the Property and the Concept of "Buyer Beware"

Historically, the sale of real property has been governed by *caveat emptor*, a Latin phrase that means "let the buyer beware." Traditionally, the seller did not make any implied representations or warranties concerning the condition of the property, and it was up to the buyer to discover the condition of the property before purchase.

Today, *caveat emptor* (Buyer Beware) still controls real estate transactions except that a law passed by both the Virginia and Maryland Assemblies requires

sellers in both states to disclose to potential buyers "material latent defects" of which the sellers are aware. "*Material latent defects*" are defined by the law as defects that 1) are known by the seller; 2) cannot be discovered by the buyer upon a careful inspection of the property and 3) pose a direct impact to the life, safety and health of occupants of the property. Unless a defect qualifies as a "*material latent defect*," the seller has no affirmative legal duty to disclose it to the buyer and the maxim of *caveat emptor* still stands.

As to defects that are not "*material latent defects*," sellers must either volunteer to disclose them or tell the buyer that the property is being sold "as-is," without any implied warranties or representations. Sellers do this on a **Disclosure/Disclaimer** form that they must provide to the buyer before the buyer submits a contract of purchase.

Defects also may exist that are unknown to the seller. Since a buyer has no automatic right under the law to conduct inspections of the home before purchase, it is **critically important** for the buyer to specify in the contract any desire to inspect the property.

The Realtor® can help the buyer use the proper forms to ensure that the right to conduct inspections is properly established. The Realtor® can also help the buyer select qualified professionals to conduct the inspections.

## Will a Home Warranty Cover Defects in My Home?

Unless the home to be purchased is newly constructed and being bought directly from the builder, it will not be warranted by the seller against defects.

For homes that are not newly constructed, certain home warranty plans can be purchased as part of the settlement process. Often sellers will offer to purchase a home warranty for the buyer as part of the terms of the contract. Buyers should be cautioned that such warranties generally are limited to defects in mechanical systems such as heating and air conditioning and do not cover all defects that may be found throughout the home. Buyers should ask the Realtor® about the terms and limitations of any home warranty coverage offered.

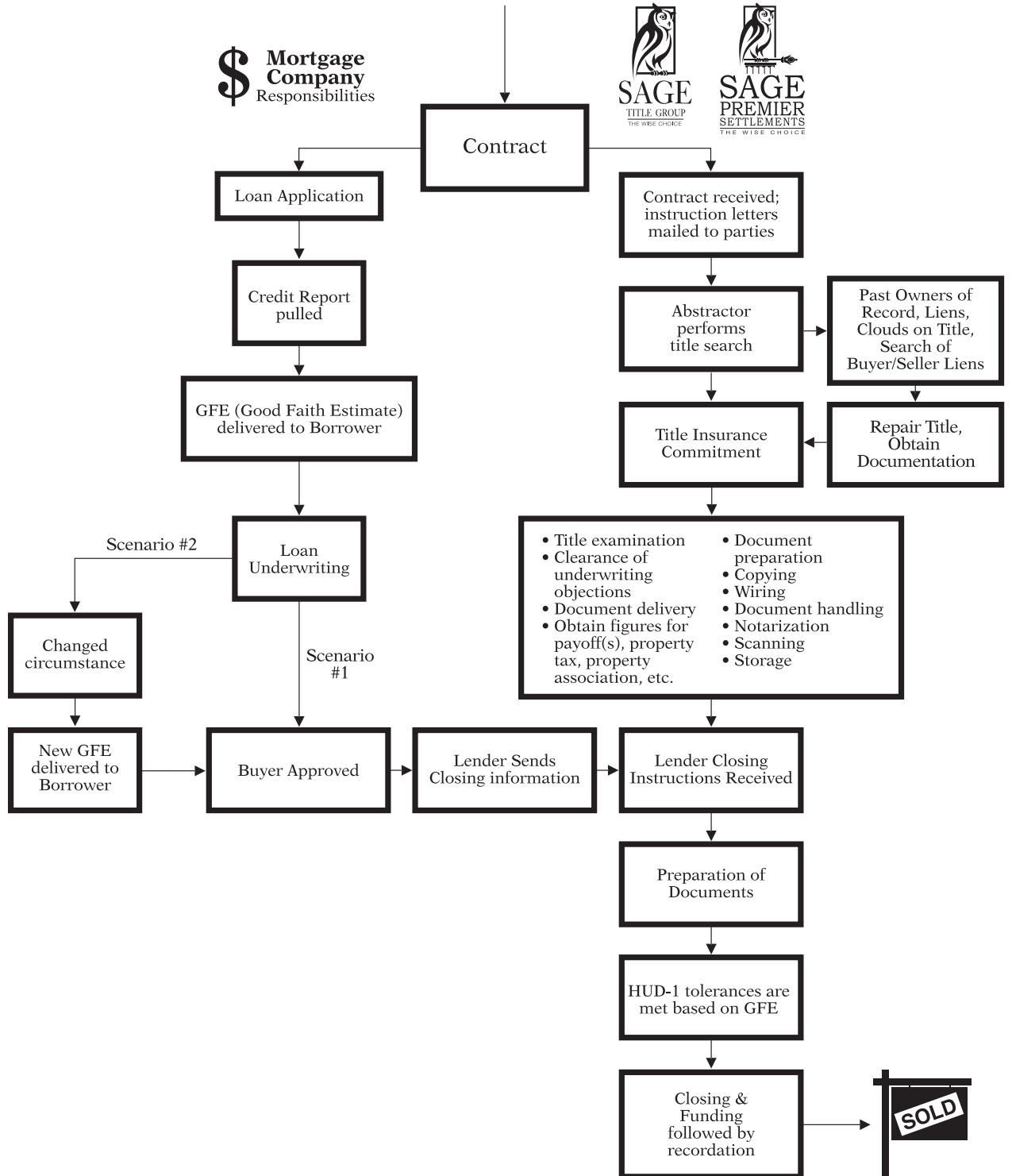


# BEGINNING THE PROCESS



## YOUR HOME BUYING PROCESS

Starts Here





## Contract Forms and Addenda

Once a buyer decides to purchase a home, he or she must prepare and submit a contract offer to the seller. Most Realtors are not lawyers and, therefore, cannot draft a legal document such as a contract. Fortunately, however, The Maryland Association of Realtors, Virginia Association of Realtors and most local Realtor® organizations have developed up-to-date contract forms and additional legal papers known as addenda. The contract form and addenda will vary from jurisdiction to jurisdiction and will further be different depending upon the individual characteristics of the property. The Realtor® has been trained to make sure that the proper contract form and addenda are used.

The contract form developed by Maryland Association of Realtors (MAR) is commonly used in many counties throughout Maryland and in Baltimore City. The Greater Capitol Association of Realtors (GCAAR) has also developed a contract form that is commonly used in the District of Columbia and Maryland. The buyer should consult with his/her Realtor® about which form is most appropriate for the transaction.

MAR and GCAAR, as well as all local Realtor® associations that develop forms for use by their members, review their forms and addenda yearly to ensure compliance with changes in the law or local practice. Thus, by using such standardized forms, the parties ensure that the transaction will comply with the law and be binding and enforceable.

The contract developed by the Virginia Association of Realtors (VAR) is most commonly used in the western outer counties of Northern Virginia and the Richmond, VA region. The Real Estate Information Network (REIN) contract is used in the Hampton Roads Region of southeastern Virginia and the Regional Sales Contract (which mirrors Maryland's GCAAR contract) is commonly used in Northern Virginia.

**Sage Title Group, LLC** and **Sage Premier Settlements, LLC** have prepared a paragraph-by-paragraph analysis of the most recent versions of the MAR and GCARR contracts. VAR and REIN contracts are located on Sage's Web site also. The entire contract and analysis can be downloaded from our Web site at [www.sagetitlegroup.com](http://www.sagetitlegroup.com).

## What Happens After the Contract Acceptance?

Once the contract offer is "accepted" by the seller, the clock begins to tick on certain deadlines. A buyer's failure to comply with such deadlines may have a significant impact on the transaction. Some of the typical deadlines found in the contract forms and addenda are:

- Deadline to apply for financing.
- Deadline to receive financing.
- Deadline to obtain a termite inspection.
- Deadline to conduct inspections allowed by the contract.
- Deadline to request repairs.
- Deadline to conduct settlement.

All parties are strongly urged to consult with their Realtors to establish a complete list of the contract deadlines, place them on a calendar and regularly monitor progress toward completing them.



### Financing the Purchase

Most buyers obtain financing to purchase a home. The most common sources of home financing are banks, mortgage lenders and mortgage loan brokers. Regardless of the source of financing, the borrower will be asked to supply the lender with financial and other personal data that will enable the lender to assess the credit worthiness of the borrower.

Below is a list of information commonly required by lenders. The buyer's failure to provide such information in a timely manner will result in a denial of financing:

- Legible copy of the sales contract, including all addenda signed by buyer and seller
- Social Security numbers of all applicants
- Complete list of the buyer's addresses for the past seven (7) years and the complete name and address of landlords for the past 24 months
- Name, address, and income earned from all employers for the past 24 months
- Copies of W-2 forms for the last two (2) years
- Copy of most recent year-to-date pay stub
- Name, address, account number, monthly payment, and current balance for installment loans, revolving charge accounts, student loans, mortgage loans, and auto loans
- Name, address, account number and balance of all deposit accounts, including: checking account, savings account, stocks, bonds, etc.
- Three (3) months of the most recent statements for deposit accounts, stocks, etc.

#### **If the buyer chooses to include income from child support/alimony:**

- Court records or cancelled checks showing receipt of payment

#### **If the buyer is applying for a Veterans Administration (VA) Loan, additional required documents may include:**

- DD-214, Certificate of Eligibility, or statement from buyer's Commanding Officer, if on active duty

#### **If the buyer is self-employed or paid by commission:**

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

#### **If the buyer owns other properties:**

- Address of properties and current market value
- Any debt owed on properties; lender's name, address, accounts number, monthly payment, and current balance.
- Copy of Federal Income Tax Returns with all schedules for previous two (2) tax years
- If rented, a copy of any lease(s)

#### **If the buyer has filed bankruptcy in the last seven years:**

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

Since the buyer faces a deadline by which to apply for and obtain financing, it is strongly recommended that the buyer gathers the above documentation in advance of submission of the contract. Buyers can also expedite the process by working with a loan office *in advance* to obtain a "pre-approval" letter. While a pre-approval letter is not a final commitment to make a loan, it lets a potential seller know that the buyer already has met with a lender who has reviewed basic financial information which indicates that the buyer would qualify for a loan.



## How Much Can the Buyer Afford?

The affordability of a mortgage often depends upon the terms of the loan, especially the interest rate and the number of years that the buyer has to repay the loan. The typical repayment period is 30 years, but some lenders have loan products that extend the repayment period further, thereby reducing the buyer's monthly mortgage payment. The lender will also take into account the buyer's current non-mortgage debts and make sure that the total amount of debt repayments (both mortgage and non-mortgage) does not exceed the bank's internal underwriting guidelines. The buyer should work with the loan officer or loan broker to find which program best suits the buyer's needs. After reviewing the buyer's preliminary financial information, the loan officer should be able to tell the buyer the approximate amount of mortgage that the buyer could afford and the ultimate sales price range.

Keep in mind that a buyer generally adds to the loan repayment 1/12th of the yearly property tax bill and hazard insurance costs, which are paid into a special escrow account maintained by the lender (Commonly referred to as PITI). Adding the escrow items to the monthly loan repayment will provide the total monthly payment obligation and give the buyer an initial determination of how the mortgage will fit into their budget.

To the right is a chart that provides an approximate monthly mortgage payment based upon the amount of the loan, the interest rate, and the number of years of repayment.

<b>ESTIMATE YOUR MORTGAGE PAYMENT</b>			
Multiply your monthly payment per 1000 by the number of thousands you plan to borrow			
Interest Rate	Monthly Payment Per Thousand Dollars		
	15 Years	20 Years	30 Years
4.25%	7.53	6.21	4.93
4.50%	7.65	6.34	5.08
4.75%	7.78	6.48	5.22
5.00%	7.91	6.60	5.37
5.25%	8.04	6.74	5.53
5.50%	8.18	6.89	5.69
5.75%	8.31	7.03	5.84
6.00%	8.44	7.17	6.00
6.25%	8.58	7.32	6.16
6.50%	8.72	7.46	6.33
6.75%	8.85	7.61	6.49
7.00%	8.99	7.75	6.65
7.25%	9.13	7.90	6.82
7.50%	9.27	8.06	6.99
7.75%	9.41	8.21	7.16
8.00%	9.56	8.36	7.34
8.25%	9.70	8.52	7.51
8.50%	9.85	8.68	7.69
8.75%	9.99	8.84	7.87
9.00%	10.14	9.00	8.05
9.25%	10.29	9.16	8.23
9.50%	10.44	9.32	8.41
9.75%	10.60	9.49	8.60
10.00%	10.75	9.66	8.78
10.25%	10.91	9.82	8.97
10.50%	11.06	9.99	9.15
10.75%	11.22	10.16	9.34
11.00%	11.37	10.33	9.53
11.25%	11.53	10.50	9.72
11.50%	11.69	10.67	9.91
11.75%	11.85	10.84	10.10



### The Process of Settlement or Closing

Once the buyer receives a commitment for financing, and all required inspections are completed, the parties are ready to proceed to closing. “Closing” and “settlement” are terms that describe the process of the title transfer of real property from the seller to the buyer. This process generally is conducted by a title or settlement company such as **Sage Title Group, LLC** or **Sage Premier Settlements, LLC**. (The phrases “settlement company” and “title company” are used inter-changeably throughout this publication.)

The *buyer* has the right to select which title company will close the transaction. The selection of the title company usually is made right after the contract is accepted by the seller in order to give the title company sufficient time to perform the title analysis and resolve any potential title issues.

When your **Sage** office receives the ratified contracts from your real estate agent, it will do the following:

1. Order a title abstract.
2. Coordinate with the buyer to order a survey. The buyer will be given the option of ordering: A) a “location drawing,” which is a simple and inexpensive drawing of the property showing the locations of improvements; or B) a “staked survey,” which is a much more involved process requiring the surveyor to actually place stakes at the property boundaries. If the transaction is a “cash deal” involving no bank financing, then neither survey is required. If a lender is involved, then, at a minimum, a location survey may be required.
3. Review the title abstract and survey to determine marketability and insurability of the title to the property.
4. Contact the Lender to schedule settlement and prepare any required documents.
5. Contact the seller’s Lender to obtain the amount needed to pay off the seller’s existing loan(s).
6. Prepare the title insurance commitment/binder according to the Lender’s requirements.
7. Contact the local taxing authority to verify the payment and amount of property taxes and determine allocations between the buyer and seller;
8. Contact the Homeowner’s or Condominium Association to verify the amount of homeowner’s

dues, and determine the allocations between the buyer and seller.

9. Obtain the loan documents and loan funding check or wire from the Lender;
  10. Prepare the deed and all other required documents, including the settlement sheet (which is explained in detail in the following section).
- Sage** will also contact all parties and schedule a time and place to conduct settlement.

### Understanding the HUD-1 Settlement Statement

On the day of settlement, one of the many documents that will be reviewed is the Settlement Statement or HUD-1, a form developed by the federal Department of Housing and Urban Development (HUD) that details all of the costs and credits of the transaction. The HUD-1 form is in use throughout the country for residential real estate transactions. Unfortunately, for most parties, the HUD-1 is the most confusing document reviewed at settlement.

A real estate transaction involves a series of exchanges, not only between the buyer and seller, but also with lenders, brokers, and state and local governments. The settlement statement accounts for all these exchanges, totaling the credits and debits to buyer and seller. *It is designed to make a complex series of steps as simple and clear as possible.* This form details all the charges and credits to the buyer and seller. The buyer’s figures are on the left-hand side of the page, the seller’s on the right.

#### On the next three pages, we have provided a blank HUD-1 statement:

The HUD-1 is read in reverse, starting with page 2, which is intended to summarize the incidental closing costs being charged to the buyer and the seller. Once the costs are added up on page 2, these totals are brought over to page one and applied to the purchase price. Adjustments for taxes, water and other fees then are made. For the buyer, the loan and other credits are applied to arrive at a total needed by the buyer to complete the closing. For the seller, the balances of any current mortgages are subtracted to arrive at a total to be paid to the seller.



# A. Settlement Statement (HUD-1)

<b>B. Type of Loan</b>			
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv Unins	6. File Number
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv Ins.	6. <input type="checkbox"/> Seller Fin	7. Loan Number
7. <input type="checkbox"/> Cash Sale.	8. Mortgage Ins Case Number		
<b>C. Note:</b> This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.			
D. Name & Address of Borrower		E. Name & Address of Seller	
G. Property Location		I. Settlement Date	
		Fund:	
		Place of Settlement	

<b>J. Summary of Borrower's Transaction</b>		<b>K. Summary of Seller's Transaction</b>	
<b>100. Gross Amount Due from Borrower</b>		<b>400. Gross Amount Due to Seller</b>	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower		403.	
104.		404.	
105.		405.	
<b>Adjustments for items paid by seller in advance</b>		<b>Adjustments for items paid by seller in advance</b>	
106. City property taxes		406. City property taxes	
107. County property taxes		407. County property taxes	
108. Assessment Taxes		408. Assessment Taxes	
109. School property taxes		409. School property taxes	
110. Ground Rent Taxes		410. Ground Rent Taxes	
111. Front Foot Benefit Taxes		411. Front Foot Benefit Taxes	
112.		412.	
113.		413.	
114.		414.	
115.		415.	
116.		416.	
<b>120. Gross Amount Due From Borrower</b>		<b>420. Gross Amount Due to Seller</b>	
<b>200. Amounts Paid By Or in Behalf Of Borrower</b>		<b>500. Reductions in Amount Due to Seller</b>	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207. Closing Cost Credit		507.	
208.		508.	
209.		509.	
<b>Adjustments for items unpaid by seller</b>		<b>Adjustments for items unpaid by seller</b>	
210. City property taxes		510. City property taxes	
211. County property taxes to		511. County property taxes to	
212. Assessment Taxes		512. Assessment Taxes	
213. School property taxes		513. School property taxes	
214. Ground Rent Taxes		514. Ground Rent Taxes	
215. Front Foot Benefit Taxes		515. Front Foot Benefit Taxes	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
<b>220. Total Paid By/For Borrower</b>		<b>520. Total Reduction Amount Due Seller</b>	
<b>300. Cash At Settlement From/To Borrower</b>		<b>600. Cash At Settlement To/From Seller</b>	
301. Gross Amount due from borrower (line 120)		601. Gross Amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)		602. Less reductions in amt. due seller (line 520)	
<b>303. Cash From Borrower</b>		<b>603. Cash To Seller</b>	



# THE KEY TO YOUR KEYS

L. Settlement Charges				Paid From	Paid From
700. Total Real Estate Broker Fees				Borrower's	Seller's
Division of Commission (line 700) as follows:				Funds at	Funds at
701	to	Listing Agent Company		Settlement	Settlement
702	to	Selling Agent Company			
703. Commission Paid at Settlement					
<b>800. Items Payable in Connection with Loan</b>					
801.	Our origination charge		(from GFE #1)		
802.	Your credit or charge (points) for the specific interest rate chosen		(from GFE #2)		
803.	Your adjusted origination charges	to	(from GFE A)		
804.	Appraisal Fee	to	(from GFE #3)		
805.	Credit report	to	(from GFE #3)		
806.	Tax service	to	(from GFE #3)		
807.	Flood certification	to	(from GFE #3)		
<b>900. Items Required by Lender To Be Paid in Advance</b>					
901.	Daily interest charges from	to @	(from GFE #10)		
902.	Mortgage Insurance Premium for	months to	(from GFE #3)		
903.	Homeowner's insurance for	years to	(from GFE #11)		
<b>1000. Reserves Deposited With Lender</b>					
1001.	Initial Deposit for your escrow account		(from GFE #9)		
1002.	Homeowner's insurance	months @	per month		
1003.	Mortgage insurance	months @	per month		
1004.	City property taxes	months @	per month		
1005.	County property taxes	months @	per month		
1006.	Assessment Taxes	months @	per month		
1007.	School property taxes	months @	per month		
1008.	Ground Rent Taxes	months @	per month		
1009.	Front Foot Benefit Taxes	months @			
1010.	Other taxes	months @			
1011.	Aggregate Adjustment				
<b>1100. Title Charges</b>					
1101.	Title services and lender's title insurance	to	(from GFE #4)		
1102.	Settlement or closing fee	to			
1103.	Owner's title insurance	to	(from GFE #5)		
1104.	Lender's title insurance	to			
1105.	Lender's title policy limit				
1106.	Owner's title policy limit				
1107.	Agent's portion of the total title insurance premium	to			
1108.	Underwriter's portion of the total title insurance premium	to			
1109.	Accommodation Fee	to	(from GFE #4)		
1110.	Document Preparation	to			
1111.	Additional Release Service Fee	to			
<b>1200. Government Recording and Transfer Charges</b>					
1201.	Government recording charges		(from GFE #7)		
1202.	Deed ; Mortgage ; Release		to Clerk of the Court		
1203.	Transfer taxes		(from GFE #8)		
1204.	City/County tax/stamps	Deed ; Mortgage			
1205.	State tax/stamps	Deed ; Mortgage			
1206.	MD Cty Transfer Tax	to	(from GFE #8)		
<b>1300. Additional Settlement Charges</b>					
1301.	Required services you can shop for		(from GFE #6)		
1302.	Survey Fee	to			
1303.	Pest Inspection	to			
1304.	Transfer Fee	to			
<b>1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)</b>					

\*HUD-1 provided by The Department of Housing and Urban Development





## THE KEY TO YOUR KEYS

The following pages show a breakdown of the primary sections of **PAGE 2** of the HUD-1:

L. Settlement Charges			
<b>700. Total Real Estate Broker Fees</b>		Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of Commission (line 700) as follows:			
701	to <b>Listing Agent Company</b>		
702	to <b>Selling Agent Company</b>		
<b>703. Commission Paid at Settlement</b>			
<b>800. Items Payable in Connection with Loan</b>			
801. Our origination charge		(from GFE #1)	
802. Your credit or charge (points) for the specific interest rate chosen		(from GFE #2)	
803. Your adjusted origination charges	to	(from GFE A)	
804. Appraisal Fee	to	(from GFE #3)	
805. Credit report	to	(from GFE #3)	
806. Tax service	to	(from GFE #3)	
807. Flood certification	to	(from GFE #3)	

### Real Estate Broker Commission/Fees (Section 700)

If real estate agents are employed in the transaction, the cost of the agent's services can be paid in one of two ways. Generally, the seller pays a "commission," which usually is a percentage of the sales price. The commission then is divided between the agents per the offer made by the Listing Agent via the Multiple List Service. Thus, in many cases, the buyer does not pay the Realtor® for the services rendered. In some cases, however, buyers who have engaged their own "buyer's broker or agent" may have agreed to pay all or a portion of the commission. This may occur, for instance, if the home is purchased through a "For Sale by Owner" and the seller refuses to pay a commission. If so, this commission charge will be placed in the buyer's column.

### Loan Fees—Direct Loan Costs (Section 800)

Most buyers require a mortgage loan to fund the purchase price of the home. When the buyer meets with a loan officer he/she will be given a "Good Faith Estimate" which will detail the lender's costs of the loan. These fees ultimately will appear in Section 800 of the HUD-1. Fees payable to third-party loan originators (typically Mortgage Brokers) are also shown in this section of the HUD-1. The following is a description of the typical fees found in Section 800:

- **Origination Fee**—This fee covers the lender's cost of obtaining financing and administration for the loan. The fee usually is calculated as a percentage of the loan amount but can also be in a flat dollar

amount. It has become common for an "application" fee (stated as a flat dollar amount) and, possibly, other up-front charges, such as an "underwriting" fee (also usually in flat dollar terms), either to take the place of, or be in addition to, an origination fee. Each lender and each loan program a lender offers will have different front-end charges. The buyer should shop carefully and examine all the fees and terms prior to closing. It generally is too late to change those fees and terms at closing.

- **Discount (sometimes referred to as "points")**—This is a one-time fee charged by the lender in order to give the borrower a lower interest rate on the loan. Each point is 1% of the mortgage amount. Points paid upfront can reduce the interest rate on the loan. Whether the upfront payment of points is beneficial to the buyer depends on whether the buyer wants to have a lower monthly payment throughout the life of the loan and is willing to bring extra cash to settlement to pay of that benefit.

- **Appraisal Fee**—To approve the loan, the lender obtains an appraisal of the home's value. The appraisal is prepared by an independent, certified, licensed appraiser.

- **Credit Report Fee**—Mortgage lenders require a credit report to determine whether or not the buyer is "credit worthy." Credit Reports usually provide the lender a numerical "credit score," which is an indicator of the buyer's "credit worthiness." The higher the credit score, the better risk a buyer is deemed to be and, correspondingly, the lower the interest rate that will be charged.



900. Items Required by Lender To Be Paid in Advance					
901. Daily interest charges from	to	@	(from GFE #10)		
902. Mortgage Insurance Premium for months	to		(from GFE #3)		
903. Homeowner's insurance for years	to		(from GFE #11)		

• **Lender Inspection Fees**—If the lender requires certain inspections to take place before closing (particularly for residences in which new construction or recent repairs are involved), such inspection fees, payable to the lender or its designee, will appear in this section of the HUD-1.

• **Mortgage Insurance Application Fee**—Often fees are associated with processing an application for mortgage insurance. Some private mortgage insurers waive the application fee. This line of the HUD-1 may be used for other fees when the borrower is seeking a Federal Housing Administration (FHA)-insured or VA-guaranteed loan.

• **Mortgage Broker Fee**—This fee covers the cost of a mortgage broker, if one was engaged by the borrower to obtain mortgage financing. Mortgage brokers typically present the borrower's application to a variety of funding sources to “shop” for the most beneficial financing terms.

**Items Required by the Lender to be Paid in Advance (Section 900)**

There are certain items that are not considered to be Lender Charges, but the lender nevertheless may require the buyer to pay them at the time of closing or in advance of the actual closing date. These could include:

• **Interest**—Lenders usually require payment of loan interest from and including the day of closing through the end of the month of closing. After that, interest is accrued and paid as part of the monthly loan installments.

• **Mortgage Insurance Premium**—At the settlement, the buyer may be required to pay the first year's mortgage insurance premium, or a lump sum that covers the life of the loan. This fee is payable to a private mortgage insurance company. If the loan is being federally insured (FHA) or guaranteed (VA), the mortgage insurance or funding fees for those government loan programs would be charged here.

• **Hazard Insurance Premium**—Lenders require payment of one year's hazard insurance, commonly referred to as homeowner's insurance, against fire, windstorms and natural hazards. In order to ensure such cover-age, the premium often is paid in advance of closing or collected on the HUD-1 and paid by the title company.

**Escrows/Impounds/Reserves (Section 1000)**

Many lenders require borrowers to add to their monthly payment of principal and interest, an amount necessary to cover property, taxes, mortgage insurance (if any), hazard and flood insurance, as those bills come due throughout the year. This money will be placed in a special escrow/impound account which the lender will use to pay such bills on behalf of the buyer. Escrow accounts often can be a good way for borrowers to budget rather than have to pay these large sums out-of-pocket when they come due. Be sure to ask the lender in advance of closing if an escrow account will be required, since this will affect the amount of money that will be needed by the buyer at settlement.



# THE KEY TO YOUR KEYS

1000. Reserves Deposited With Lender			
1001. Initial Deposit for your escrow account			(from GFE #9)
1002. Homeowner's insurance	months @	per month	
1003. Mortgage insurance	months @	per month	
1004. City property taxes	months @	per month	
1005. County property taxes	months @	per month	
1006. Assessment Taxes	months @	per month	
1007. School property taxes	months @	per month	
1008. Ground Rent Taxes	months @	per month	
1009. Front Foot Benefit Taxes	months @		
1010. Other taxes	months @		
1011. Aggregate Adjustment			

1100. Title Charges			
1101. Title services and lender's title insurance	to		(from GFE #4)
1102. Settlement or closing fee	to		
1103. Owner's title insurance	to		(from GFE #5)
1104. Lender's title insurance	to		
1105. Lender's title policy limit			
1106. Owner's title policy limit			
1107. Agent's portion of the total title insurance premium	to		
1108. Underwriter's portion of the total title insurance premium	to		
1109. Accommodation Fee	to		(from GFE #4)
1110. Document Preparation	to		
1111. Additional Release Service Fee	to		

## Title and Closing Charges (Section 1100)

These fees cover the administrative costs of a title search, title examination, issuance of the title commitment/binder and final title insurance policies. Also included would be charges for conducting the closing/settlement/escrow.

- **Settlement/Closing Fee**—A fee must be paid to the settlement agent who has prepared documents, calculated figures, and overseen proper execution of closing documents. Depending upon the form of contract used, and the practice within the locality where the home is purchased, this fee sometimes is split between buyer and seller.

- **Abstract of Title, Search, Title Examination, Title Insurance Commitment or Binder**—In order to ensure that there are no pre-existing problems with the property's ownership, a title insurance professional will perform a title search and produce documentation on the home's "chain" of ownership. In some areas, one or more of these charges will appear separately on the HUD-1, and in other locations they may be included within the title insurance premium. When a mortgage loan is involved, there may also be added charges for special endorsements that will accompany the lender's title policy.

- **Document Preparation**—Some settlement agents charge for the cost of preparing documents such as the deed and/or other loan and title documentation. If a lender charges a document preparation fee, it typically will appear in the Loan Fees/Direct Loan Costs section (Section 800) of the HUD-1.

- **Notary Fee**—Because legal documents are executed at settlement, a person who is a licensed notary is required to acknowledge the fact that the proper people signed these official documents.

Notaries often charge a fee for their services.

- **Attorney Fees**—If an attorney was engaged to provide a legal service in connection with the closing, any fees charged by the attorney will be reflected in this section. The party who engaged the attorney will usually be responsible to pay such fees, but the fees can be allocated to any party in accordance with the contract.

- **Release Fees**—If the seller has a mortgage on the property, that loan will be paid off from the seller's proceeds. In addition, since a lien instrument (Deed of Trust or Mortgage) has been recorded at the courthouse, that lien must be released by the filing of a release document at the courthouse. Most title com-



1200. Government Recording and Transfer Charges			
1201. Government recording charges		(from GFE #7)	
1202. Deed ; Mortgage , Release		to Clerk of the Court	
1203. Transfer taxes		(from GFE #8)	
1204. City/County tax/stamps Deed ; Mortgage			
1205. State tax/stamps Deed ; Mortgage			
1206. MD Cty Transfer Tax		to (from GFE #8)	

1300. Additional Settlement Charges			
1301. Required services you can shop for		(from GFE #6)	
1302. Survey Fee		to	
1303. Pest Inspection		to	
1304. Transfer Fee		to	

panies charge a fee to ensure that the lien instrument is properly released.

- **Title Insurance**—As explained in the section entitled “Title Insurance: What Is It And Should I Buy It?” there are two kinds of title insurance policies: Loan and Owner’s policies. The cost for the Loan Policy is based on the loan amount and the cost for the Owner’s Policy is based on the sale price of the home. In some circumstances, discounts may be available (such as a “reissue rate” or “reissue credit”) when the property has recently been insured by a title insurer. Buyers should ask the title agent if they are entitled to any discounts.

**Recording/Government Filing Fees (Section 1200)**

Buying a home is not only a big investment, it is also a matter of public record. The deed and security instrument (Deed of Trust or Mortgage) are required to be filed at the local courthouse or other government recording office.

- **Recording Fees**—The recording fee is paid to a government body, which enters an official record of the change of ownership.

- **Transfer Taxes, Document or Transaction Stamps**—These are government charges based on the transfer amount and/or mortgage amount. Depending on the location of the home, there may be a city, county or state tax involved, or some combination of these.

**Other, Miscellaneous Charges (Section 1300)**

- **Survey Fee**—Lenders and title insurers often require a surveyor to conduct a survey of the property’s lot lines to determine if any part of the building or other improvements are “encroaching” on a neighbor’s property—or the other way around. They are also looking to see if there are any other material matters that might impact the title to the property.

- **Inspection Fees**—There are several inspections that a buyer might request and/or a lender might require.

These could include pest inspections (termites and other wood-destroying organisms), lead paint inspections (for structures built before 1978), roof inspections, water/well certifications, structural or mechanical inspections, or additional specific inspections based on the property type and location. If the charges for such inspections are not paid before settlement, then they often are collected in section 1300 and payment is made by the title company after settlement.

**Once total costs are calculated on Page 2 of the HUD-1, the totals are carried over to Page 1 to determine the final numbers of the parties’ transaction.**



# THE KEY TO YOUR KEYS

The following pages show a breakdown of the primary sections of **PAGE 1** of the HUD-1:

<b>J. Summary of Borrower's Transaction</b>	
<b>100. Gross Amount Due from Borrower</b>	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower	
104.	
105.	
<b>Adjustments for items paid by seller in advance</b>	
106. City property taxes	
107. County property taxes	
108. Assessment Taxes	
109. School property taxes	
110. Ground Rent Taxes	
111. Front Foot Benefit Taxes	
112.	
113.	
114.	
115.	
116.	
<b>120. Gross Amount Due From Borrower</b>	
<b>200. Amounts Paid By Or in Behalf Of Borrower</b>	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207. Closing Cost Credit	
208.	
209.	
<b>Adjustments for items unpaid by seller</b>	
210. City property taxes	
211. County property taxes	
212. Assessment Taxes	
213. School property taxes	
214. Ground Rent Taxes	
215. Front Foot Benefit Taxes	
216.	
217.	
218.	
219.	
<b>220. Total Paid By/For Borrower</b>	
<b>300. Cash At Settlement From/To Borrower</b>	
301. Gross Amount due from borrower (line 120)	
302. Less amounts paid by/for borrower (line 220)	
<b>303. Cash From Borrower</b>	

## Summary of the Borrower's Transaction (Sections 100, 200 and 300 )

- Section 100 calculates the “Gross Amount” needed by the buyer at settlement. To arrive at this number, the purchase price of the home is added to any adjustments that may be due to the seller for items that have been “paid forward” past the settlement date. In other words, items such as property taxes, condo and homeowner association fees may have been paid for by the seller to a date after settlement. If so, the amount attributable to the period after settlement is collected from the buyer and returned to the seller.

- Once the total sum for which the buyer is responsible is determined, Section 200 sets forth the credits to the buyer, such as the loan amount, deposit, seller contributions and any adjustments by the seller for items not paid to the date of settlement. In some jurisdictions, the title company will also adjust for water usage by the seller up to the date of settlement.

- Section 300 sets forth the final amount needed by the buyer to close the transaction by taking the gross amount due and subtracting the total amount of credits.



<b>K. Summary of Seller's Transaction</b>	
<b>400. Gross Amount Due to Seller</b>	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
<b>Adjustments for items paid by seller in advance</b>	
406. City property taxes	
407. County property taxes	
408. Assessment Taxes	
409. School property taxes	
410. Ground Rent Taxes	
411. Front Foot Benefit Taxes	
412.	
413.	
414.	
415.	
416.	
<b>420. Gross Amount Due to Seller</b>	
<b>500. Reductions in Amount Due to Seller</b>	
501. Excess deposit (see instructions)	
502. Settlement charges to seller (line 1400)	
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
<b>Adjustments for items unpaid by seller</b>	
510. City property taxes	
511. County property taxes to	
512. Assessment Taxes	
513. School property taxes	
514. Ground Rent Taxes	
515. Front Foot Benefit Taxes	
516.	
517.	
518.	
519.	
<b>520. Total Reduction Amount Due Seller</b>	
<b>600. Cash At Settlement To/From Seller</b>	
601. Gross Amount due to seller (line 420)	
602. Less reductions in amt. due seller (line 520)	
<b>603. Cash To Seller</b>	

### Summary of the Seller's Transaction (Sections 400, 500 and 600 )

- Section 400 calculates the “Gross Amount” due to the seller from the transaction by taking the purchase price and adding to it any adjustments for taxes and other items paid by the seller past the date of settlement.
- Section 500 calculates the subtractions to the amount due to the seller for the closing costs, open mortgages, seller credits and adjustments for unpaid items such as property taxes, condo fees and Home-owners Association (HOA) fees that were assessed prior to settlement. If appropriate, adjustments for water are also made in this section.
- Section 600 calculates the final amount that the seller will receive from the sale of the home.



### Title Insurance: What Is It and Why Should I Buy It?

During the review of the HUD-1, the settlement professional will ask the buyer if he/she would like to purchase Owner's Title Insurance coverage in addition to the Lenders Title Insurance Coverage (which the buyer must purchase for the Lender to satisfy loan requirements). This section is intended to give the buyer guidelines for making that decision.

One of the initial tasks of the title company is to determine whether the property is free and clear of title defects. To do that, an "abstract" of the property is reviewed. An **abstract** is simply a detailed history of the property from records maintained at the local court-house. These records include deeds, lien instruments and judgment searches, as well as other documents. The title company will also check with the local government to uncover any governmental liens or other issues that might affect the title to the property.

Unfortunately, no matter how competently the title search is performed and analyzed, there is no guarantee that the title to the property is free and clear from defects. The reason for this is that the system for indexing and recording all real-property related documents at the courthouse is subject to flaws and inconsistencies that cannot be uncovered by the title company's investigation. **For instance** in Maryland, the researcher cannot spot improperly recorded documents and liens, unrecorded documents and liens, heirs that were not taken care of in an estate administration, or forged documents. The researcher also cannot obtain real time property information at the courthouse because of the time lag that exists in the recording process. It may take weeks or months for a document to be fully indexed and recorded by the court-house staff. This "**gap**" varies from courthouse to courthouse and season to season (some seasons, such as spring, are busier times for document recording).

In Virginia, the title abstracter will do a "title bring down" before the Deed and Deed of Trust are recorded to ensure no new clouds, liens or judgments have been placed on the title from the time the title search was performed until the day of settlement. Virginia is a wet settlement act state, therefore all money needs to be received by the title company at the time

of settlement. The recording documents are recorded at the courthouse within 48 hours of settlement occurring.

One of the most problematic and frightening aspects of unknown title defects is that often no meaningful "**statute of limitations**" exists (or one specified) that would prevent a potential claim after a specific date. A defect that may have gone unnoticed for 50 years or more may nonetheless be a basis for a title challenge against a current owner.

The buyer's lender recognizes and understands the imperfections in the title process, and further realizes that an unknown title defect could be catastrophic to the bank's secured interest in the property.

Thus, as a condition to making the loan to the buyer, the lender will require the buyer to purchase for the lender a policy of "Lender's Title Insurance." Unfortunately, this coverage will only provide coverage to the lender in the event of a title defect.

The purchase of "*Owner's Title Insurance*" is *not* required, but buyers generally elect to purchase coverage. The policy is fully paid at settlement and no future premium needs to be paid. The coverage is in force as long as the buyer owns the property.

All title insurers offer two types of Owner's policies. The one purchased most often by home buyers is known by various names (depending on the insurance company that issues the policy), such as "**The Homeowner's Policy**," "**The Eagle Policy**," and "**The Enhanced Policy**." Regardless of the name, these policies are offered at identical rates with the same or similar coverage. The second type of owner's coverage is known as the **ALTA** or "**Basic Policy**." As with the Homeowner's policy, Basic policies are offered at identical rates with the same or similar coverage.

The Homeowner's policy offers features not available in a Basic policy, such as inflation coverage. An owner who purchases a Basic policy will only be able to recover the policy value, which is the original purchase price of the home. Since most homes increase in value over the time of ownership, many consumers recognize the importance of the inflationary feature of the Home-owner's policy. Many other additional features provided by the Homeowner's policy are not found in the Basic coverage, and you may contact one of our offices for additional information about title insurance coverage and the costs thereof.



## COMPARISON OF STANDARD AND ENHANCED OWNERS COVERAGE POLICIES

Comparison of Standard and Enhanced Coverage Policies	Standard	Enhanced
<b>Common Coverage:</b>		
Defective Recording of Documents	YES	YES
Improperly executed documents	YES	YES
Third party claims an interest in the title	YES	YES
Pre-policy forgery, fraud or duress	YES	YES
Unrecorded restrictive covenants or easements	YES	YES
Prior recorded liens not listed in the policy	YES	YES
Unmarketability of title	YES	YES
Policy benefits anyone who inherits the property from insured	YES	YES
Legal right of access distinguished from actual right of access	YES	YES
<b>Additional Coverage Provided by Enhanced Policy</b>		
Insures the trustee of your estate-planning trust	NO	YES
Insures the beneficiaries of your trust upon your death	NO	YES
Automatic increase in coverage up to 150% not based on inflation	NO	YES
Post policy forgery	NO	YES
Post policy encroachment onto insured property	NO	YES
Right to actual vehicular and pedestrian access	NO	YES
Up to \$25,000 coverage for certain losses due to building permit violations*	NO	YES
Up to \$10,000 coverage for certain losses due to existing violation of subdivision law**	NO	YES
Post policy structural damage for third party mineral extraction	NO	YES
Violation of restrictive covenants identified in the policy:		
Resulting in loss from correction or removal	NO	YES
Resulting in loss of title	NO	YES
Resulting in loss of use where single family dwelling is prohibited	NO	YES
Forced removal of existing structures that:		
Encroach onto an easement identified in the policy	NO	YES
Violate a building restriction line identified in the policy	NO	YES
Encroach onto neighbors land ** If boundary wall or fence ***	NO	YES
Land cannot be used for a single family dwelling under zoning ordinance	NO	YES
* Deductible of 1% of policy amount or \$5,000, whichever is less		
** Deductible of 1% of policy amount or \$2,500 whichever is less		
***Maximum coverage of \$5,000		

If the seller has a policy of title insurance that is less than 10 years old, then the title company may be able to offer the new buyer a discount on purchasing the Owner's title insurance policy.

There may be future savings for a buyer who decides to purchase owner's coverage at settlement. If the buyer decides to refinance a mortgage covering the home and the owner has an Owner's Policy that is less than 10 years old, the title company can offer

the owner a "reissue," or discounted rate, on the *lender's* policy that covers the new refinance loan.

Information provided by Title Resources Guaranty Company on behalf of **Sage Title Group, LLC** and **Sage Premier Settlements, LLC**.

If you have additional questions regarding title insurance, please contact one of **Sage Title Group, LLC's** or **Sage Premier Settlements, LLC's** settlement professionals.



## The Day of Settlement

According to most form contracts, on the date the property transfers to the buyer, it must be in the same condition as it was on the date the contract was ratified. In addition, the seller must leave the property “broom clean” and all of the mechanical systems must be in working order. On the day of settlement, the buyer generally will perform a final “walk through” to ensure that the condition of the property meets these contract requirements.

Once the walk through is completed, the parties will meet in a conference room to conclude the settlement. An attorney or settlement officer from the title company will sit at the head of the table, usually behind a formidable stack of documents that will need to be signed before the settlement is finished.

Usually, the attorney or settlement officer will provide a general explanation of each document prior to it being signed. The entire process typically lasts about one hour.

The most common question from the buyer at settlement is: “Should I read all of the settlement documents prior to signing?” While the decision to read or not is up to the individual buyer, three general observations are important:

**First**, lender documents in a residential real estate closing tend to be standardized, “industry” forms. In other words, they were not specifically prepared for use by the buyer’s lending bank. The reason that lenders use industry forms is that loans often are sold to investors on a secondary market after closing, and the loan purchaser doesn’t want to read the loan documents to ensure that the loan meets their purchase standards. If the buyer went to 50 different banks for the same loan, chances are the documents would be almost identical.

**Second**, since the documents are industry forms, it is extremely unlikely that a lender will be willing to make changes to the documents to satisfy an individual buyer. To do so would destroy the salability of the loan on the secondary market.

A one-hour time frame allocated for most real estate settlements is not a sufficient period of time for the buyer to read line-by-line through the entire stack of lender and other documents.

If a buyer wants sufficient time for a line-by-line analysis of the loan documents without feeling

rushed or hurried, the best option is to make that desire known in advance to the title company and/or lender so arrangements can be made to provide copies of documents for an early review.

What follows are descriptions of documents generally reviewed and executed at settlement.

### HUD 1 Settlement Statement

The first document reviewed and signed is the HUD-1 Settlement Statement. As explained earlier, this form details all the charges and credits to the buyer and seller.

### Note

The Note is the borrower’s promise to repay the borrowed funds to the Lender. This document will detail the terms and conditions of the loan and the manner and form of repayment of the borrowed funds. The buyer is urged to *carefully* review the loan terms set forth in the Note to ensure that they are correct.

### Deed of Trust/Mortgage

This document is the security instrument that will be filed at the courthouse to establish the Lender’s lien on the property for the original principal amount of the loan. The Deed of Trust provides that in the event of default or non-payment, the Lender may foreclose on the property, as provided by local law, in order to recoup the loan balance, interest and any other fees due to the Lender.

### Truth-in-Lending Disclosure Statement

Federal law requires that Truth-in-Lending disclosures be provided to the borrowers to make certain facts about the loan known to them. For instance, this document discloses the total of all payments to be made by the buyer for the full term of the loan; the total finance charges to be made by the buyer for the full term of the loan; a calculation of the total loan amount minus finance charges paid by the borrower; and an interest rate known as the Annual Percentage Rate (APR.), which is the actual cost of credit expressed as a percentage. The APR is not the same as the interest rate stated in the Note.

*(See explanation of document on page 23)*



### TRUTH-IN-LENDING

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

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

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

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

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

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

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

\$514.31 (principal and interest). Since the A.P.R. is based on the Amount Financed (\$48,000), while the payment is based on the actual loan amount given (\$50,000), the A.P.R. (12.553%) is higher than the interest rate.

**Q. What is the finance charge? (Box B.)**

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

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

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



## PROTECT YOURSELF; PROTECT YOUR HOME

### **First Payment Letter**

This document calculates the total amount of the borrower's monthly payment, which typically will include principal and interest, as well as any escrow amount for taxes, hazard insurance or mortgage insurance.

### **Aggregate Escrow Analysis**

At settlement, the Lender will provide a ledger that will show the monthly payment in and out of the escrow account for taxes, hazard insurance, and/or mortgage insurance.

### **Loan Approval or Commitment**

This document is a letter from the Lender that confirms that the loan was approved on certain terms and subject to certain requirements. The letter will state the terms of the loan (i.e., loan amount, interest rate, length of the loan). The Lender will also list any additional requirements, such as a hazard insurance policy naming the Lender as mortgagee, a survey or a termite report necessary to complete the loan.

### **Loan Application or "Form 1003"**

The buyer will be asked to review and sign a typed copy of the loan application. This typed form is a confirmation of the form the loan officer filled out during the initial loan application. The borrower verifies that the information is correct and that there have been no material changes in the borrower's employment, marital or financial status.

### **Flood Insurance**

This document will inform the borrower whether the home is located in a flood zone as determined by the Department of Housing and Urban Development. If the property is located (or later determined to be located) in a flood zone, the Lender will require the borrower to obtain flood insurance on the property.

### **Tax Authorization Form**

Some lenders have the borrower sign written instructions to the local real estate taxing authority to authorize the county or city to send a copy of the tax bill directly to the Lender who is holding money in escrow for payment of the bill.

### **House Location Survey**

If the home being purchased is a single-family, detached home or a townhouse, the Lender generally will require a House Location Survey. This document is prepared by a licensed surveyor for the purpose of showing the location of the improvements (structures) within the boundaries of the property. If desired, the borrower can request a boundary survey, which certifies the exact locations of the property lines. This type of survey is considerably more expensive but a borrower may elect to order this type of survey if there is concern about the exact location of boundary lines or if construction is contemplated. Since the boundary surveys are more expensive, **Sage** will require the borrower to put in writing their desire to have this type of survey and will most likely request that your borrower provide payment in advance. Prior to settlement, your **Sage** office will send a survey order form to be signed and returned by the buyer.

### **Inspection Report**

This report indicates whether or not any evidence of infestation by wood destroying insects and/or damage has been discovered by the inspector. The buyer may be asked to acknowledge receipt of a copy of the termite inspection report.

After all of the documents have been signed, the settlement officer will collect evidence that the borrower purchased homeowner's insurance and any other documents required by the lender as a condition of making the loan.

The settlement officer will collect the funds needed to conclude settlement. These funds must be in the form of a *cashier's or certified check*. The check should be made payable to the buyer, then signed over to the title company.

Lastly, all parties who sign documents are required to provide the settlement officer with an acceptable form of identification. Acceptable identification usually is a driver's license or similar identification card issued by a state's motor vehicle administration. Valid passports are also acceptable. If the parties have questions as to what forms of identification are acceptable, they should contact the title company prior to settlement.



## After Settlement

After the settlement concludes, the title company will continue its efforts for another 3 to 6 months before its work is done. In order to complete the process, **Sage** will undertake the following steps to conclude the transfer of the property:

- Record the deed, deed of trust or assumption documents in the land records office of the courthouse of the jurisdiction in which the property is located;
- Audit the disbursement sheet;
- Disburse all funds and proceeds;
- Send the Lender the required package of all signed and copied documents;
- Pay off outstanding loans of the seller, if any, and obtain, prepare and record the release of the seller's deed (s) of trust;
- Disburse any funds required to be escrowed at closing and;
- Issue the title insurance policies to the owner and lender.

## For More Information

We at **Sage Title Group, LLC** and **Sage Premier Settlements, LLC** hope that this guide will help to remove the uncertainties and confusion inherent in the complicated process of buying and selling a home. If you have questions not covered by this guide, please do not hesitate to contact one of our attorneys or settlement professionals.



# PROTECT YOURSELF; PROTECT YOUR HOME

## Utilities

### ELECTRIC

- Allegheny Power.....(800) 255-3443
- BG&E .....(410) 685-0123
- PEPCO .....(202) 833-7500
- Northern Virginia Electric.....(703) 335-0500  
Cooperative (NOVEC)
- Virginia Power .....(888) 667-3000

### GAS

- BG&E .....(410) 685-0123
- Frederick City & County.....(301) 662-2151
- Washington Gas .....(800) 752-7520

### PHONE

- Verizon.....(703) 954-6222

### WATER & SEWER

- Alexandria.....(703) 549-7080
- American Water Co.....(410) 838-8403
- Annapolis City .....(410) 263-7953
- Anne Arundel County .....(410) 222-1144
- Arlington .....(703) 228-3636
- Baltimore City & County .....(410) 396-3988  
or .....(410) 396-4352
- Carroll County .....(410) 848-9000
- CPRA .....(410) 715-3000
- DC .....(202) 354-3600
- Fairfax County .....(703) 698-5800
- Falls Church.....(703) 248-5071
- Frederick City .....(301) 694-1421
- Frederick County .....(301) 694-1126
- Harford County .....(410) 638-3311
- Herndon.....(703) 435-6814
- Howard County.....(410) 313-2058
- Mt. Airy Water & Sewer.....(410) 795-6012
- Queen Anne’s County .....(410) 758-0414
- Queenstown .....(410) 827-7646
- Rockville .....(240) 314-8420
- Utilities, Inc.....(800) 838-8403
- Vienna .....(703) 255-6385
- WSSC.....(301) 206-4001







# Find Your Nearest Location

## **SAGE TITLE GROUP, LLC** **MARYLAND**

**Annapolis, MD**  
2661 Riva Rd.  
Building 400, Ste. 410-B  
Annapolis, MD 21401  
Office: 410-266-7566  
Fax: 410-266-9521

**Baltimore, MD**  
575 South Charles St.,  
Ste. 406  
Baltimore, MD 21201  
Office: 410-752-6200  
Fax: 410-385-8206

**Bel Air, MD**  
116 Hays St.  
Bel Air, MD 21014  
Office: 410-879-5940  
Fax: 410-893-2519

**Bethesda, MD**  
4733 Bethesda Ave.,  
Ste. 101  
Bethesda, MD 20814  
Office: 301-654-2560  
Fax: 301-654-0325

**Catonsville, MD**  
300 Frederick Rd.,  
Ste. 100  
Catonsville, MD 21228  
Office: 410-744-5252  
Fax: 410-744-5978

**Columbia, MD**  
10805 Hickory Ridge Rd.  
Columbia, MD  
21044-3612  
Office: 410-997-9300  
Fax: 410-997-9393

**Columbia, MD**  
5457 Twin Knolls Rd.,  
Ste. 101  
Columbia, MD 21045  
Office: 410-715-7612  
Fax: 410-715-7616

**Deep Creek, MD**  
24449 Garrett Hwy.,  
Unit 4  
McHenry, MD 21541  
Office: 301-387-7380  
Fax: 301-387-7381

**Easton, MD**  
111 North West St.,  
Ste. A  
Easton, MD 21601  
Office: 410-820-9897  
Fax: 410-820-9895

**Eldersburg**  
1425 Liberty Road,  
Eldersburg, MD 21784  
Office: 410-795-9600  
Fax: 410-549-7318

**Ellicott City, MD**  
9171 Baltimore National  
Pike, Ste. 110  
Ellicott City, MD 21042  
Office: 410-313-8010  
Fax: 410-313-8124

**Frederick, MD**  
5301 Buckeystown Pike  
Frederick, MD 21704  
Office: 301-663-1608  
Fax: 301-829-8757

**Mt. Airy, MD**  
1512 Ridgeside Dr.  
Mt. Airy, MD 21771  
Office: 301-829-8757  
Fax: 301-829-1609

**Rockville, MD**  
189 Kentlands Blvd.,  
Ste. 205  
Gaithersburg, MD 20878  
Office: 301-670-2812  
Fax: 301-670-2827

**Salisbury, MD**  
1315 Mt. Hermon Rd.,  
Ste. A  
Salisbury, MD 21804  
Office: 410-341-6101  
Fax: 410-341-6799

**Severna Park, MD**  
570 F Ritchie Hwy.,  
Park Plaza  
Severna Park, MD 21146  
Office: 410-647-0815  
Fax: 410-647-181

**Timonium, MD**  
16 Green Meadow Dr.,  
Ste. 200  
Timonium, MD 21093  
Office: 410-252-8211  
Fax: 410-252-1392

**Towson, MD**  
1312 Bellona Ave.,  
3rd Floor  
Lutherville, MD 21093  
Office: 410-337-8856  
Fax: 410-337-9206

**Towson/Timonium, MD**  
Office of Regional  
Counsel  
1104 Kenilworth Dr.,  
Ste. 400  
Towson, MD 21204  
Office: 410-821-4510  
Fax: 410-821-4515

**Westminster, MD**  
511 Jermor Lane,  
Ste. 104  
The Marathon Building  
Westminster, MD 21157  
Office: 410-848-7475  
Fax: 410-848-0242

**White Marsh, MD**  
7939 Honeygo Blvd.,  
Ste. 124  
Baltimore, MD 21236  
Office: 410-931-3500  
Fax: 410-931-3009

**DELAWARE**  
**Bethany Beach, DE**  
33298 Coastal Highway  
Bethany Beach, DE 19930  
Office: 301-539-7131

**Smyrna, DE**  
127 E. Glenwood Ave.  
Smyrna, DE 19977  
Office: 302-653-8829  
Fax: 302-653-6772

**WASHINGTON, DC**  
**Washington, DC**  
4201 Connecticut Ave.,  
Ste. 406  
Washington, DC 20008  
Office: 202-244-5780  
Fax: 202-244-0462

**Spring Valley**  
4910 Mass. Ave., NW,  
Ste. 206,  
Washington, DC 20016  
Office: 202-244-5780  
Fax: 202-244-0462

**VIRGINIA**  
**Chesapeake, VA**  
1226 Progressive Dr.,  
Ste. 202  
Chesapeake, VA 23320  
Office: 757-673-7298  
Fax: 757-673-7328

**Great Neck**  
3181 Shore Drive  
Virginia Beach,  
VA 23451  
Office: 757-673-7298  
Fax: 757-673-7328

**Kempsville**  
963 Providence Square  
Shopping Center  
Virginia Beach, VA  
23441-4301  
Office: 757-673-7298  
Fax: 757-673-7328

**Newport News, VA**  
10 San Jose Dr.  
Newport News,  
VA 23606  
Office: 757-873-8760  
Fax: 757-873-8746

**Williamsburg, VA**  
4732 Longhill Rd.,  
Ste. 2102  
Williamsburg, VA 23188  
Office: 757-345-6379  
Fax: 757-345-6392

**Yorktown, VA**  
5007 Victory Blvd., Ste. E  
Yorktown, VA  
23693-5606  
Office: 757-833-1028  
Fax: 757-833-1069

**SAGE PREMIER  
SETTLEMENTS, LLC**  
**PENNSYLVANIA**  
**Blue Bell, PA**  
860 Penllyn-Blue Bell Pike  
Blue Bell, PA 19422  
Office: 215-591-5602  
Fax: 866-481-4616

**Devon, PA**  
92 Lancaster Ave.  
Devon, PA 19333  
Office: 610-225-7436  
Fax: 855-243-1039

**Doylestown, PA**  
511 Hyde Park Campus  
Rt. 202 &  
Mechanicsville Rd.  
Doylestown PA 18902  
Office: 215-340-1039  
Fax: 215-489-2780

**Media, PA**  
1055 E. Baltimore Pike  
Media, PA 19063  
Office: 610-892-3010  
Fax: 866-885-1215

**West Chester, PA**  
1242 West Chester Pike  
West Chester, PA 19382  
Office: 610-431-8536  
Fax: 877-644-4226

**Philadelphia, PA**  
170 South 6th St.,  
Ste. L-10  
Philadelphia, PA 19106  
Office: 215-409-6914  
Fax: 855-243-1040

**NEW JERSEY**  
**Cherry Hill, NJ**  
1415 Route 70, Ste. 106  
Cherry Hill, NJ 08034  
Office: 856-857-9440  
Fax: 856-857-9442

**Greater Princeton, NJ**  
33 Princeton-Hightstown  
Rd.  
Princeton Junction, NJ  
08550  
Office: 609-275-5595  
Fax: 856-304-9755

**Haddonfield, NJ**  
65 N. Haddon Ave.  
Haddonfield, NJ 08033  
Office: 856-354-9555  
Fax: 609-936-0187

**Moorestown, NJ**  
110 Marter Ave., Ste. 501  
Moorestown, NJ 08057  
Office: 856-778-0722  
Fax: 866-481-4218

**SAGE TITLE GROUP  
OFFICES DBA  
MID-STATES TITLE  
OF SOUTHWEST  
VIRGINIA:**

**Blacksburg, VA**  
3601 Holiday Ln.  
Blacksburg, VA 24060  
Office: 540-552-0888  
Fax: 540-552-0837

**Forest, VA**  
1019 Vista Park Dr.,  
Ste. D  
Forest, VA 24551-4253  
Office: 434-385-4707  
Fax: 434-385-4708

**Roanoke, VA**  
3922 Electric Rd., SW  
Roanoke, VA 24018  
Office: 540-774-5554  
Fax: 866-665-7128