



A Step-by-Step Guide to
**HOME BUYING
& SELLING**

SACE
TITLE GROUP

&

SACE
PREMIER SETTLEMENTS

Mid-Atlantic Region

READY, SET ...HOME!



CONGRATULATIONS ON YOUR DECISION TO ENTER THE REAL ESTATE MARKET!

The process of buying or selling a home can prove very exciting, but many also consider the process a bit intimidating and confusing at the same time.

The professionals at Sage Title Group, LLC and Sage Premier Settlements, LLC believe knowledge will empower the consumer, and your full understanding of the home buying process will greatly enhance your experience. We developed this publication to help minimize your confusion and uncertainty, allowing you to enter the real estate market with knowledge and confidence.

If you have additional questions not discussed in this guide, please do not hesitate to contact the team at Sage Title Group, LLC or Sage Premier Settlements, LLC.

Understanding the Role of the REALTOR®

The role of the real estate agent, often referred to as the Realtor®, can cause enormous confusion to home buyers and sellers, alike. With that said, a Realtor® typically assumes one of the following roles:

1. LISTING AGENT
2. COOPERATING AGENT
3. BUYER'S AGENT.

Realtors Who Represent the Seller

A seller would engage a Realtor® to “list” the seller’s property, and that Realtor would serve as the “Listing Agent.” “Listing” means that the Realtor® will register the property with a “Multiple List Service” or MLS. The MLS serves a vast database of available properties, giving 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 the services of a Realtor® to list the property.

Listing agents will also conduct a thorough comparative market analysis and use their expertise to assist the seller to establish the most appropriate initial asking price. The listing agent can provide invaluable insight to the seller on strategies to make the property as attractive as possible to potential buyers. Once interested buyers present contract offers, the listing agent will assist the seller in analyzing each offer and negotiating the final terms of sale with the selected buyer. The listing agent will help to ensure the proper submission of each offer, and, upon contract ratification, help enable the completion of settlement.

A “Cooperating Agent” or “subagent” is a Realtor® who helps the Listing Agent to find a buyer but works for a different brokerage from the Listing Agent. Many buyers wrongfully assume that a Cooperating Agent works for the buyer—not true! This misconception 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, seemingly on behalf of the buyer, the Cooperating Agent really assists the Listing Agent to sell the property for the seller and, in the eyes of the law, represents the seller. Thus, the Cooperating Agent has a primary obligation to uphold and protect the seller’s interests—not the buyer’s.

Realtors Who Represent the Buyer

A potential buyer would engage a Realtor® to act as the “selling agent” (yes, selling agent—confused yet?) to represent the buyer’s interests. If a buyer chooses to engage the services of a Buyer’s Agent, the buyer and agent, through the agent’s real estate brokerage, must formalize the relationship by executing a written Buyer Agency Agreement.

Engaging the services of a Buyer’s Agent to help find the perfect home often constitutes the single most significant decision the buyer can make to find that home at a fair price. To achieve these goals, the Buyer’s Agent will meet with the buyer to establish the characteristics of the ideal home:

1. HOW MUCH CAN THE BUYER AFFORD TO SPEND?
2. WHERE DOES THE BUYER WISH TO LIVE?
3. HOW MANY BEDROOMS AND BATHROOMS DOES THE BUYER WANT?
4. WHAT STYLE OF HOME DOES THE BUYER PREFER?
5. WHAT SCHOOLS, STORES, BUSINESSES, HOUSES OF WORSHIP, ETC., CAN THE BUYER FIND IN THE IMMEDIATE AREA?

Once the buyer and the Buyer’s Agent establishes the criteria, the Buyer’s Agent will research the MLS listings and prepare a list of available homes 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.

Upon choosing a home, the buyer submits a contract offer to the seller for consideration. The services of the Realtor® then prove even more critical. A Realtor® can easily access up-to-date contract forms. In addition, many counties adopt their own laws, requiring the use of particular localized forms, and the Realtor® will have access to these forms as well.

After the Buyer’s Agent prepares a contract offer and the buyer signs the offer, the Buyer’s Agent will submit the offer to the seller for consideration. The seller may accept, reject, or make a counter-offer. The Buyer’s Agent will assist throughout the negotiation process and provide valuable insight and advice at each stage.

When the parties agree to the final contract terms and fully sign and “ratify” the contract, the post-ratification process, begins. Realtors receive extensive training to guide the parties through this important part of the transaction.

How Will My REALTOR® Receive Payment?

While many possible compensation arrangements exist, 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 Broker's commission to other agents who find ready, willing and able buyers to purchase the seller's property. Thus, in most transactions, the seller ultimately pays the real estate broker's commission (except for customary brokerage flat fees), and the buyer will generally not pay for the Realtor's services. For this reason, we highly recommend that buyers hire a Realtor® to represent their interests. The buyer and seller should read and fully understand the terms of compensation to their respective real estate brokerage before executing a brokerage Representation Agreement.

The Condition of the Property and the Concept of “Buyer Beware”

Historically, the concept of caveat emptor, a Latin phrase meaning “let the buyer beware”, governed the sale of real estate. Traditionally, the seller did not make any implied representations or warranties concerning the condition of the property, and the buyer assumed the burden of discovering the condition of the property before purchase.

Today, caveat emptor (buyer beware) still controls real estate transactions except that Maryland, DC and Virginia laws require sellers to provide buyers with a written disclosure of “material defects” for which the sellers have actual knowledge. In Maryland and Virginia, sellers have the option to “disclaim”, thereby relieving sellers of the duty to disclose such defects, but DC does not provide sellers with the option of disclaiming. Additionally, the law in all three jurisdictions exempt certain types of real estate transactions from disclosure (e.g., estate sales, sale of bank owned property, etc.). Significantly, sellers in Virginia customarily choose to disclaim. In Maryland, even if a seller chooses to disclaim, the seller must still disclose all “material latent defects” (i.e., defects that are: **1. 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**).

Defects also may exist that remain unknown to the seller. Since a buyer has no automatic right under the law to conduct inspections of the home before purchase, buyers, through their real estate agent, should strongly consider negotiating a home inspection contingency into their contract.

The Realtor® will help the buyer use the proper contract forms to ensure that the buyer has the right to conduct inspections. The Realtor® can also help the buyer select qualified professionals to inspect the property and help oversee the inspection process.

Will a Home Warranty Cover Defects in My Home?

Unless the buyer purchases a newly constructed home from a builder, the buyer of an existing home will not enjoy the protection of a warranty against defects and/or mechanical failure.

For existing homes, buyers may consider the purchase of certain third-party home warranty plans 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 understand, however, that such warranties generally limit their scope to defects in mechanical systems such as heating and air conditioning and do not cover all defects that one may find throughout the home. Buyers should ask the Realtor® about the terms and limitations of any home warranty coverage offered.

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. The contract form and appropriate addenda will vary from jurisdiction to jurisdiction and will further differ depending upon the individual characteristics of the property. The Realtor® receives extensive training to ensure the proper utilization of the forms.

The Maryland Association of Realtors (MAR) developed a contract that remains commonly used throughout the entire state of Maryland. The Greater Capitol Association of Realtors (GCAAR) also developed a contact form for use in the District of Columbia and limited parts of Maryland, such as Southern Montgomery County. The buyer should consult with his/her Realtor® about which form to utilize for the transaction.

MAR and GCAAR, as well as all local Realtor® associations that develop forms for use by their members, review and update their forms and addenda on a regular basis 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 remain binding and enforceable.

The Northern Virginia Association of Realtors (NVAR) developed its own contract for use throughout the counties of Northern Virginia, while the Virginia Association of Realtors also developed a standard contract for use throughout much of Virginia, including the Richmond, VA region. Other contracts utilized in Virginia include the Real Estate Information Network (REIN) contract, used in the Hampton Roads Region of southeastern Virginia.

What Happens After the Contract Acceptance?

Once the seller accepts the contract offer, the clock begins to tick on certain deadlines. A buyer's failure to comply with such deadlines may negatively impact the transaction. Some of the typical deadlines found in the contract forms and addenda include:

- DEADLINE TO APPLY FOR FINANCING
- DEADLINE TO RECEIVE FINANCING COMMITMENT
- DEADLINE TO OBTAIN A PEST/TERMITE INSPECTION
- DEADLINE TO CONDUCT HOME INSPECTIONS
- DEADLINE TO REQUEST/COMPLETE REPAIRS
- DEADLINE TO CONDUCT SETTLEMENT

We strongly urge all parties to consult with their Realtor® to establish a complete list of the contract deadlines, place them on a calendar and regularly monitor the progress toward completing each contingency item.

Financing the Purchase

Most buyers finance the purchase of a home and obtain their financing through a residential mortgage lender. Irrespective of the financing source, the buyer/borrower will need to supply the lender with financial and other personal data that will enable the lender to assess the credit worthiness of the buyer/borrower.

The following list of items identifies some of the most commonly requested information throughout the mortgage loan approval (i.e., underwriting) process. The buyer's failure to provide such information in a timely manner may result in a denial of financing and possible default of the contract:

- COMPLETE, LEGIBLE AND FULLY EXECUTED COPY OF THE SALES CONTRACT
- 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 TWENTY-FOUR (24) MONTHS
- NAME, ADDRESS, AND INCOME EARNED FROM ALL EMPLOYERS FOR THE PAST TWENTY-FOUR (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, AUTO LOANS, AND OTHER DEBT
- 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 AND/OR CANCELED CHECKS SHOWING RECEIPT OF PAYMENT.**

... applies 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.**

... is self-employed or paid by commission:

- **PREVIOUS TWO (2) YEARS OF FEDERAL INCOME TAX RETURNS WITH ALL SCHEDULES AND A YEAR-TO-DATE PROFIT AND LOSS STATEMENT.**

... owns other properties:

- **ADDRESS OF PROPERTIES AND CURRENT MARKET VALUE;**
- **ANY DEBT OWED ON PROPERTIES, INCLUDING LENDER'S NAME, ADDRESS, ACCOUNTS NUMBER, MONTHLY PAYMENT, AND CURRENT BALANCE;**
- **COPIES OF FEDERAL INCOME TAX RETURNS WITH ALL SCHEDULES FOR PREVIOUS TWO (2) TAX YEARS; AND**
- **IF RENTED, A COPY OF ANY LEASE(S).**

... 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, we strongly recommend that the buyer gathers the above documentation prior to submission of the contract. Buyers can also expedite the process by working with a qualified loan officer in advance to obtain a “pre-approval” letter. While a pre-approval letter does not constitute a final commitment to make a loan, it allows a potential seller know that the buyer already met with a lender who reviewed basic financial information indicating that the buyer would likely qualify for a loan. Your Realtor® can recommend a qualified mortgage lender if you do not already have one.

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. Most mortgage loans require the borrower to repay the loan over a thirty (30) year period, 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 to ensure that the total amount of debt repayments (both mortgage and non-mortgage) do not exceed the bank’s internal underwriting guidelines. The buyer should work with the loan officer to find which program best suits the buyer’s needs. After reviewing the buyer’s preliminary financial information, the loan officer should have the necessary information 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 annual property tax bill and hazard (i.e., property) insurance costs, which the buyer pays into a special escrow account maintained by the lender. Adding the escrow items to the monthly loan repayment will provide the total monthly payment obligation and provide the buyer with an initial determination of how the mortgage will fit into their budget.

The following chart provides an approximate monthly mortgage payment based upon the amount of the loan, the interest rate, and the number of years of repayment, without, of course, taking into consideration annual property taxes, homeowner’s insurance and applicable homeowner’s and/or condominium association dues.

ESTIMATE YOUR MORTGAGE PAYMENT
 Multiply your monthly payment per 1000 by the number of thousands you plan to borrow

INTEREST RATE	MONTHLY PAYMENTS PER THOUSAND DOLLARS		
	15 Years	20 Years	30 Years
3.00%	6.91	5.55	4.22
3.25%	7.03	5.67	4.35
3.50%	7.15	5.80	4.49
3.75%	7.27	5.93	4.63
4.00%	7.40	6.06	4.77
4.25%	7.52	6.19	4.91
4.50%	7.65	6.33	5.07
4.75%	7.78	6.46	5.22
5.00%	7.91	6.60	5.37
5.25%	8.04	6.74	5.52
5.50%	8.17	6.89	5.68
5.75%	8.30	7.02	5.84
6.00%	8.44	7.16	6.00
6.25%	8.57	7.31	6.16
6.50%	8.71	7.46	6.32
6.75%	8.85	7.60	6.49
7.00%	8.99	7.75	6.65

The Process of Settlement or Closing

Once the buyer receives a commitment for financing and completed all required inspections, the parties may then proceed to closing. The terms “Closing” and “settlement” both describe the process of transferring title of real property from the seller to the buyer. Title companies (i.e., settlement companies) such as Sage Title Group, LLC or Sage Premier Settlements, LLC generally oversee this process.

The buyers have the right to select which title company to conduct the closing—often based on the recommendation of the buyers’ Realtor®. Buyers will usually make this choice at the time of contract acceptance in order to afford the title company sufficient time to perform the title analysis and resolve any potential title issues and coordinate with the buyer’s mortgage lender. The title company does not exclusively represent the interests of the buyer or seller but serves the role of the: 1) escrow agent (responsible for proper disbursement of all funds); 2) settlement agent (the party conducting the actual settlement); and 3) title insurance agent (responsible for issuing the lender and owner’s title insurance policy). Thus, the title company has a fiduciary duty to all parties involved in the transaction, including, but not limited to, the buyer, the seller and the buyer’s mortgage lender.

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 have the option of ordering: a) a “location drawing”—a simple and inexpensive rendering of the property showing the locations of improvements; or b) a “boundary (or staked) survey”—a more involved (and expensive) process requiring the surveyor to actually place stakes at the corners of the property lines.
3. **REVIEW THE TITLE ABSTRACT AND SURVEY** to determine the marketability and insurability of the title to the property.
4. **CONTACT THE MORTGAGE LENDER** (if applicable) to schedule settlement and prepare any required documents.
5. **CONTACT THE SELLER’S MORTGAGE 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 AND/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 ALTA Closing Statement and Closing Disclosure Statement.

Sage will also contact all parties and schedule a time and place to conduct settlement.

Understanding the ALTA Closing Statement and Closing Disclosure

On settlement day, the documents that Sage will review with the parties include the ALTA Closing Statement and Closing Disclosure Statements. Both documents detail all of the costs and credits of the transaction.

Aside from an exchange of paperwork and title to real property in the form of a deed, a real estate transaction involves a series of monetary exchanges, not only between the buyer and seller, but also with lenders, real estate brokers, and state and local governments. Both the ALTA Closing Statement and Closing Disclosure Statement reduce all these monetary exchanges to a written “ledger” format, accounting for all the credits and debits to buyer and seller. The ALTA Closing Statement and Closing Disclosure Statement itemize all the charges and credits to the buyer and seller in a simple, easy to understand format to remove much of the mystery of the financial terms of the real estate transaction.

On the following pages, you will find a sample ALTA Form and Closing Disclosure for your review.

American Land Title Association

ALTA Settlement Statement - Combined
Adopted 05-01-2015

File No./Escrow No.:

Title Company Name

Title Company

Print Date & Time:

ALTA Universal ID

Logo

Officer/Escrow Officer:

Title Company Address

Settlement Location:

Property Address:

Buyer:

Seller:

Lender:

Settlement Date:

Disbursement Date:

Additional dates per state requirements:

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
		Financial		
		Sales Price of Property		
		Personal Property		
		Deposit including earnest money		
		Loan Amount		
		Existing Loan(s) Assumed or Taken Subject to _____		
		Seller Credit		
		Excess Deposit		
		Prorations/Adjustments		
		School Taxes from (date) to (date)		
		County Taxes from (date) to (date)		
		HOA dues from (date) to (date)		
		Seller Credit		
		Loan Charges to (lender co.)		
		Points		
		Application Fee		
		Origination Fee		
		Underwriting Fee		
		Mortgage Insurance Premium		
		Prepaid Interest		

American Land Title Association

ALTA Settlement Statement - Combined
Adopted 05-01-2015

File No./Escrow No.:
Print Date & Time:
Officer/Escrow Officer:
Settlement Location:

Title Company Name
ALTA Universal ID
Title Company Address

Title Company
Logo

Property Address:
Buyer:
Seller:
Lender:

Settlement Date:
Disbursement Date:
Additional dates per state requirements:

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
		Financial		
		Sales Price of Property		
		Personal Property		
		Deposit including earnest money		
		Loan Amount		
		Existing Loan(s) Assumed or Taken Subject to _____		
		Seller Credit		
		Excess Deposit		
		Prorations/Adjustments		
		School Taxes from (date) to (date)		
		County Taxes from (date) to (date)		
		HOA dues from (date) to (date)		
		Seller Credit		
		Loan Charges to (lender co.)		
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Logo

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Title Company Address

Settlement Location:

Property Address:

Buyer:

Seller:

Lender:

Settlement Date:

Disbursement Date:

Additional dates per state requirements:

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
		Financial		
		Sales Price of Property		
		Personal Property		
		Deposit including earnest money		
		Loan Amount		
		Existing Loan(s) Assumed or Taken Subject to _____		
		Seller Credit		
		Excess Deposit		
		Prorations/Adjustments		
		School Taxes from (date) to (date)		
		County Taxes from (date) to (date)		
		HOA dues from (date) to (date)		
		Seller Credit		
		Loan Charges to (lender co.)		
		Points		
		Application Fee		
		Origination Fee		
		Underwriting Fee		
		Mortgage Insurance Premium		
		Prepaid Interest		

Closing Disclosure

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

Closing Information

Date Issued
 Closing Date
 Disbursement Date
 Settlement Agent
 File #
 Property
 Sale Price

Transaction Information

Borrower
 Seller
 Lender

Loan Information

Loan Term
 Purpose
 Product
 Loan Type Conventional FHA
 VA _____
 Loan ID #
 MIC #

Loan Terms

Can this amount increase after closing?

Loan Amount

Interest Rate

Monthly Principal & Interest

See Projected Payments below for your
 Estimated Total Monthly Payment

Does the loan have these features?

Prepayment Penalty

Balloon Payment

Projected Payments

Payment Calculation

Principal & Interest

Mortgage Insurance

Estimated Escrow
 Amount can increase over time

**Estimated Total
 Monthly Payment**

Estimated Taxes, Insurance & Assessments

Amount can increase over time
 See page 4 for details

This estimate includes

- Property Taxes
- Homeowner's Insurance
- Other:

In escrow?

See Escrow Account on page 4 for details. You must pay for other property costs separately.

Costs at Closing

Closing Costs

Includes _____ in Loan Costs + _____ in Other Costs –
 in Lender Credits. See page 2 for details.

Cash to Close

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					
01 % of Loan Amount (Points)					
02					
03					
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For					
01					
02					
03					
04					
05					
06					
07					
08					
09					
10					
C. Services Borrower Did Shop For					
01					
02					
03					
04					
05					
06					
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)					
Loan Costs Subtotals (A + B + C)					
Other Costs					
E. Taxes and Other Government Fees					
01 Recording Fees	Deed:	Mortgage:			
02					
F. Prepays					
01 Homeowner's Insurance Premium (mo.)					
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest (per day from to)					
04 Property Taxes (mo.)					
05					
G. Initial Escrow Payment at Closing					
01 Homeowner's Insurance	per month for	mo.			
02 Mortgage Insurance	per month for	mo.			
03 Property Taxes	per month for	mo.			
04					
05					
06					
07					
08 Aggregate Adjustment					
H. Other					
01					
02					
03					
04					
05					
06					
07					
08					
I. TOTAL OTHER COSTS (Borrower-Paid)					
Other Costs Subtotals (E + F + G + H)					
J. TOTAL CLOSING COSTS (Borrower-Paid)					
Closing Costs Subtotals (D + I)					
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)			
Closing Costs Paid Before Closing			
Closing Costs Financed (Paid from your Loan Amount)			
Down Payment/Funds from Borrower			
Deposit			
Funds for Borrower			
Seller Credits			
Adjustments and Other Credits			
Cash to Close			

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION**K. Due from Borrower at Closing**

01 Sale Price of Property	
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	
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		
12		
13		
14		
15		

L. Paid Already by or on Behalf of Borrower at Closing

01 Deposit	
02 Loan Amount	
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	

Other Credits

06	
07	

Adjustments

08	
09	
10	
11	

Adjustments for Items Unpaid by Seller

12 City/Town Taxes	to	
13 County Taxes	to	
14 Assessments	to	
15		
16		
17		

CALCULATION

Total Due from Borrower at Closing (K)	
Total Paid Already by or on Behalf of Borrower at Closing (L)	

Cash to Close From To Borrower**SELLER'S TRANSACTION****M. Due to Seller at Closing**

01 Sale Price of Property	
02 Sale Price of Any Personal Property Included in Sale	
03	
04	

Adjustments

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		
13		
14		
15		
16		

N. Due from Seller at Closing

01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	
05 Payoff of Second Mortgage Loan	

Other Credits

06	
07	
08 Seller Credit	
09	

Adjustments

10	
11	
12	
13	

Adjustments for Items Unpaid by Seller

14 City/Town Taxes	to	
15 County Taxes	to	
16 Assessments	to	
17		
18		
19		

CALCULATION

Total Due to Seller at Closing (M)	
Total Due from Seller at Closing (N)	

Cash From To Seller

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 ___ days late, your lender will charge a late fee of _____.

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 _____

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		Estimated total amount over year 1 for your escrowed property costs:
Non-Escrowed Property Costs over Year 1		Estimated total amount over year 1 for your non-escrowed property costs: You may have other property costs.
Initial Escrow Payment		A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment		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.	
Finance Charge. The dollar amount the loan will cost you.	
Amount Financed. The loan amount available after paying your upfront finance charge.	
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	

 **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					
Address					
NMLS ID					
___ License ID					
Contact					
Contact NMLS ID					
Contact ___ License ID					
Email					
Phone					

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 _____

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

As one of the initial tasks, the title company must determine whether seller has the ability to deliver title to the property free and clear of title defects. To do so, the title company will order and review a “title abstract” or “title search” of the property. An abstract provides 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 negatively affect the title to the property.

Unfortunately, no matter how competently one performs and reviews the title search, no amount of due diligence will guarantee that the seller will deliver title to the property free and clear from defects. For example, the system for indexing and recording all real-property related documents at the courthouse remains inherently subject to flaws and inconsistencies that even the title company’s most thorough investigation will not uncover. In most jurisdictions, the researcher does not have the ability to discover improperly recorded or unrecorded documents and liens, improperly probated estates, or forged documents. The researcher also cannot obtain real time property information at the courthouse because of the lapse of time that exists in the recording process. It may take weeks or even months for the local recording offices to index an otherwise properly recorded document. This “gap” varies from jurisdiction to jurisdiction and season to season (some seasons, such as spring, are busier times for document recording).

The lack of a meaningful “statute of limitations” period that would prevent a party from asserting a claim against title proves one of the most problematic and frightening aspects of unknown title defects. A defect that may have gone unnoticed for 50 years or more may nonetheless form the basis for a title challenge against a current owner.

The buyer’s mortgage lender recognizes and understands the imperfections in the title process and further realizes that an unknown title defect could result in a catastrophic loss to the bank’s secured interest (i.e., collateral) in the property. Thus, as a condition to making the loan to the buyer, the lender will require the buyer to purchase “Lender’s Title Insurance.” Unfortunately, this coverage will only protect the lender in the event of a title defect.

Though nothing mandates the prospective homebuyer to purchase an “Owner’s Title Insurance” policy, buyers very rarely decline owner’s title insurance coverage. The closing costs, which the buyer pays at settlement, include the policy premium and, unlike virtually any other type of insurance (e.g., homeowner’s insurance, life insurance, auto insurance, etc.), the owner’s title insurance premium generally remains in effect for the entire time the buyer owns the property. Thus, the buyer will not receive an annual renewal notice.

All title insurers offer two types of Owner’s policies. By default, title companies will typically issue the “enhanced” title insurance policy, which offers far more comprehensive protections to the buyer for title related losses. This additional protection may include appreciation to the value of the property in the event of the loss of title, mechanic’s liens coverage and forced removal of improperly erected structures (e.g., structures that violate zoning or permitting laws).

Alternatively, a buyer may decide to proceed with the limited protections of the “basic” policy, which generally only covers the simple loss of title. An owner who only purchases a basic policy will only recover the policy value (i.e., the original purchase price of the home) in the event of the loss of title. Since most homes increase in value over the time of ownership, many consumers recognize the importance of the inflationary feature of the enhanced policy. The enhanced policy offers many other additional features, and you may contact one of our offices for additional information about title insurance coverage and the costs thereof.

Comparison of Standard & Enhanced Owners Coverage Policies		
COMMON COVERAGE	STANDARD	ENHANCED
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
ADDITIONAL COVERAGE PROVIDED BY ENHANCED POLICY	STANDARD	ENHANCED
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 a neighbors land, if boundary wall or fence*	No	Yes
Land cannot be used for a single family dwelling under zoning ordinance	No	Yes
<i>*Subject to deductible and maximum coverage. NOTE: Actual coverage will be determined by the policy as written and all policies are subject to certain stipulations and conditions.</i>		

This checklist is available to help you prepare for your closing in advance, so you can be confident and prepared on your big day. We are available for any questions you have along the way, and want you to feel comfortable with every step of the process.

WHAT DO YOU NEED TO LET YOUR TITLE COMPANY KNOW BEFORE CLOSING?

- ☑ Title insurance coverage – Basic or ALTA Homeowner's?
- ☑ Power of Attorney – it is important that all parties be present at the closing. If for any reason all parties required to sign documents are not able to attend closing, let us know as soon as possible. We can arrange for a Power of Attorney to be prepared, or discuss options for a mail-away closing. Any POA used must be approved by us as well as your lender.
- ☑ Ownership – how you would like to take title to your property.
- ☑ Lender – contact information for your lender.
- ☑ Home Warranty – confirm that 1) you are planning to purchase a warranty; 2) which company you have selected to provide your warranty coverage.
- ☑ Homeowners Insurance (Hazard Insurance) – provide either the invoice or the paid receipt.
- ☑ Survey – confirm that 1) you want a survey; 2) which type of survey you want.
- ☑ Termite – a copy of the termite or wood destroying insect report.
- ☑ Miscellaneous – please contact your settlement agent to find out exactly what is needed if there is anything unique to your transaction. *For example: if the property is to be held by an LLC or in a Trust, we will need the LLC or Trust documents.*

WHAT WILL YOU NEED AT CLOSING?

- ☑ A current government issued photo ID (driver's license, passport). Some lenders may require you to provide two forms of identification.
- ☑ Arrange to have your closing costs wired to us a minimum of 24 hours prior to closing. Wired funds allow prompt recording and disbursement. *Beware of wire fraud. We will NEVER send wiring instructions via e-mail. Please use the secure online portal to access our wiring instructions and confirm with a phone call prior to wiring your funds at a trusted Sage Title Group number.*

WHAT YOU NEED TO REMEMBER AFTER CLOSING?

- ☑ Place your important documents from closing in a safe place.
 - Pay careful attention to:
 - Settlement statement/Closing Disclosure (you will need this again at tax time)
 - Owner's title insurance policy (you will need this in the event you have to file a claim on your title insurance)
- ☑ Deed (this is the document that transfers property ownership)
- ☑ Homeowner's Insurance (Hazard Insurance) – Keep a copy of this readily accessible.
- ☑ Complete your change of address with the US Postal Service, DMV, bank accounts, investment accounts, insurance (car, health, life), cell phone, credit card companies, and with your other bills.
- ☑ Contact Utilities to transfer your existing utilities to your new home, or establish fresh accounts.
- ☑ Keep contact information for us and your agent handy should you have any questions after closing.

Prior to Settlement

In the days leading up to settlement, the buyer's mortgage lender will deliver the Final Closing Disclosure to the buyer which will detail the costs associated with closing and summarize the terms of the mortgage loan. Most importantly, it will inform the buyer of how much money, if any, the buyer will need in order to complete the settlement and purchase the new home.

Prior to closing, the title company will confirm that it received all the funds needed at the time of settlement. Due to federal mortgage lending legislation that took effect in October 2015 (commonly referred to as "TRID"), industry best practices now dictate that title companies must receive all closing funds in advance of settlement in the form of a wire transfer—not cashier's check or certified check and not by way of an ACH (Automated Clearing House) transfer. Many consumers (and bank employees) confuse an ACH transfer with a wire transfer, but title companies will automatically reject ACH transfers as it essentially constitutes a form of electronic payment (thus reversible) as opposed to an actual transfer of funds. We recommend that the buyer coordinate with his/her mortgage lender, banking institution and title company at least forty-eight (48) business hours prior to settlement to arrange for the wire transfer to the title company escrow account.

Most contracts provide that the subject property conveys both "as is" and in substantially the same condition as of an agreed upon date—often times the date of home inspection. In addition, unless otherwise agreed upon, the seller must typically leave the property in "broom clean" condition and free and clear of all trash and debris. As the day of settlement approaches, the buyer will generally perform a final "walk through" to ensure that the seller delivers the property in the condition agreed upon under the contract.

The Day of Settlement

Once the buyer completes the final walk through, the parties can proceed to settlement—usually at the selected title company. An attorney or settlement officer from the title company will conduct the settlement and explain to the parties the meaning and purpose of each document presented at closing. This includes the Closing Disclosure and ALTA Closing Statement, which itemizes the closing costs, along with the deed and standard loan documents related to the borrower's financing. One can expect that the entire process typically lasts no more than one hour.

All parties signing documents at settlement must provide the settlement officer with an acceptable form of government-issued, photo identification. Acceptable forms of identification may include a driver's license or similar identification card issued by a state's motor vehicle administration. Title companies can also accept valid passports. If the parties have questions as to what constitutes an acceptable form of identification, they should contact the title company prior to settlement.

Buyers often ask if they “should read all of the settlement documents prior to signing?” While the buyer ultimately decides whether to read all the closing papers, the buyer must keep in mind some general observations:

FIRST, all institutional lenders in a residential real estate closing require the buyers/borrowers to sign the same highly standardized, government/industry mandated documents. The use of these standardized forms allow lenders to sell the loan on a secondary market to investors, such as Fannie Mae or Freddie Mac, after closing, and the standardization of the loan documents helps to ensure that the loan meets the investor’s underwriting standards.

SECOND, since the borrowers/buyers execute industry forms to allow resale of the loan on the secondary market to investors, any attempts to alter or failure to execute the forms would prevent the transfer of the loan, threatening the stability of the entire mortgage lending industry.

The limited amount of time allotted for settlement (usually no more than an hour) does not afford an individual with a sufficient amount of time to read, line-by-line, the complete closing package, including the loan documents. Because we provide a detailed explanation of each document signed at closing and because of the “standardization” of all loan documents (i.e., each borrower executes the same exact paperwork at settlement, irrespective of the lender and/or title company), we generally recommend, that buyers read the paperwork after completion of settlement in the comfort of their new home. That said, if a buyer would like to review the entire closing package in advance of settlement, the buyer should make that desire known to the lender and your contact at the title company, so they can make special arrangements to obtain and forward the closing package to the buyer in advance.

THE FOLLOWING ARE DESCRIPTIONS OF DOCUMENTS GENERALLY REVIEWED AND EXECUTED AT SETTLEMENT.

Closing Disclosure (CD)/ ALTA Closing Statement

These two documents each detail the itemized costs associated with closing for the purchase of the new home. The CD provides additional details such as loan terms (e.g., interest rate, monthly payment, loan amortization, etc.). Buyers will receive the final CD directly from the lender in the days leading up to settlement.

Closing Disclosure (CD)/ ALTA Closing Statement

This document discloses the total amount of the borrower’s monthly payment, which typically will include principal and interest, as well as any escrow amount for property taxes and insurance (e.g., property insurance, mortgage insurance and/or flood insurance, etc.).

Promissory Note

The Promissory Note represents the buyer's/borrower's promise to repay the borrowed funds to the Lender. This document will detail the terms and conditions of the loan, including loan amount, interest rate, maturity date and amount of the monthly payment (without reflecting any escrows for property taxes and property insurance). The buyer should verify the accuracy of the aforementioned loan terms set forth in the Note.

Deed of Trust/Mortgage

When financing the purchase of a home, the property, itself, serves as collateral for the loan to secure repayment. Upon completion of settlement, the title company will record the deed of trust/mortgage at the local 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 law, in order to recoup the loan balance, interest and any other fees due to the lender.

W-9 and 4506

The lender will require the borrower to execute a W-9 and Form 4506, both IRS forms, at settlement. The lender uses the W-9 to verify the borrower's social security/tax ID number, thus allowing the borrower to obtain the possible benefit of the mortgage interest deduction on the borrower's income taxes. The Form 4506, though often signed prior to settlement as well (sometimes more than once), allows the lender to obtain a copy of the borrower's income tax returns or tax transcripts directly from the Internal Revenue Service to verify the income reported when the borrower applied for the loan.

Compliance Agreement/ Limited Power of Attorney

The lender and the title company will require the borrower to execute both a compliance agreement and limited power of attorney. The compliance agreement specifies that if the lender or title company requires the borrower to take any further action to complete settlement (e.g., sign additional supporting documentation), the borrower will agree to do so. The limited power of attorney allows the lender and/or title company to make corrections to typographical or clerical mistakes, such as the misspelling of a name, without having the borrower re-execute the document.

Initial Escrow Disclosure

If the mortgage lender established an escrow for property taxes and applicable insurance, the Initial Escrow Disclosure will show the projected balance in the escrow account for the first twelve (12) months of the loan along with any disbursements during that period.

Final Loan Approval or Commitment

The final loan commitment letter provides evidence that the mortgage lender completed the loan underwriting process, agreeing to finance the purchase of the property. The letter will state the terms of the loan (e.g., loan amount, interest rate, length of the loan, etc.), along with any additional requirements (e.g., property insurance policy naming the Lender as mortgagee, final verification of employment and/or credit, final review of title/survey, etc.).

Flood Insurance

If the flood certificate indicates that the subject property is located within a flood plain, the mortgage lender will require the borrower to obtain flood insurance for the life of the loan, which the lender will escrow as part of the total monthly mortgage payment.

Tax Authorization Form

The tax authorization form allows the lender to obtain a copy of the property tax bill from the local taxing authority and verify account status.

Other Supporting Documents

The lender may have the borrower execute additional supporting documentation such as an occupancy affidavit (confirming borrower's intent with respect to use of property), name/identity affidavit (verifying borrower's identity), employment/debt/income verification (to confirm that employment and/or debt/income status has not changed from original loan application), etc.

Loan Application or "Form 1003"

The mortgage lender will require the borrower to review and sign a typed copy of the final loan application (i.e., Form 1003) at settlement. The execution of the final loan application at settlement confirms that the information the borrower provided to the lender at the initial loan application has not changed in any material way (e.g., incur new debt, change of employment, etc.).

House Location Survey

To ensure that all physical improvements to the property appear within all applicable boundary/setback lines, we obtain a house location survey. Although the house location survey crew does not "stake" the boundaries, a proper house location drawing will provide enough detail and accuracy to allow us to remove the "survey exception" on the lender's title insurance policy, a loan underwriting requirement, unless an actual encroachment does exist. Buyers may decide to obtain a "boundary" survey, which requires the survey crew to "stake" the boundary corners, but such a survey costs significantly more and requires additional time. Typically, to satisfy title insurance requirements, a house location survey will suffice.

After the parties executed all of the closing documents, 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.

After Settlement

Upon conclusion of settlement, the title company will continue its efforts on behalf of the parties for another three to six months before completing all of its work. In order to finalize the transaction, 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;
- PAY OFF OUTSTANDING LOANS OF THE SELLER, IF ANY, AND OBTAIN, PREPARE AND RECORD THE RELEASE OF THE SELLER'S DEED(S) OF TRUST;
- AUDIT THE DISBURSEMENT SHEET;
- DISBURSE ANY FUNDS HELD IN ESCROW AT CLOSING; AND
- DISBURSE ALL FUNDS AND PROCEEDS;
- ISSUE THE TITLE INSURANCE POLICIES TO THE LENDER AND NEW HOME OWNER—OFTEN IMMEDIATELY UPON COMPLETION OF SETTLEMENT.
- SEND THE LENDER THE REQUIRED PACKAGE OF ALL SIGNED AND COPIED DOCUMENTS;

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 addressed this guide, please do not hesitate to contact one of our outstanding attorneys or settlement professionals.

To find an office near you
Visit Our Website: www.SageTitleGroup.com



MAKE US "THE WISE CHOICE" FOR YOUR REAL ESTATE SETTLEMENT