



WHAT TO EXPECT

DURING THE SETTLEMENT PROCESS



**Wollinka
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UNDERSTANDING TITLE INSURANCE



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THE TITLE INDUSTRY IN BRIEF Prior to the development of the title industry in the late 1800's, a homebuyer received a grantor's warranty, attorney's title opinion, or abstractor's certificate as assurance of home ownership. The Buyer relied on the financial integrity of the grantor, attorney, or abstractor for protection. Today, title insurance companies are regulated by state statute. They are required to post financial guarantees to ensure that any claims will be paid in a timely fashion. They also must maintain their own "title plants" which house duplicates of recorded deeds, mortgages, plats, and other pertinent county property records.

WHAT IS TITLE INSURANCE? Title insurance provides coverage for certain losses due to defects in the title that occurred prior to your ownership. The Seller can give only those rights that previously have been received with "good title." Title insurance protects against defects such as prior fraud or forgery that might go undetected until after closing and possibly jeopardize your ownership and investment.

WHY TITLE INSURANCE IS NEEDED. Title insurance assures the new Buyers that they are acquiring marketable title from the Seller. It is designed to eliminate risk or loss caused by defects in title from the past. Title insurance protects the interest of the mortgage lender as well as the equity of the Buyer for as long as they or their heirs have any interest in the property.

WHEN IS THE PREMIUM DUE? It is a one-time premium which is paid at the close of escrow. There is no specific rule as to who pays for the owner's title insurance policy; it depends on the local custom and negotiations between buyer and seller. If there is a new loan, the Buyer usually pays for the Lender's Policy. The policy has a perpetual term and provides coverage for as long as you are in a position to suffer a loss.

TIPS FOR A TIMELY CLOSING FOR THE SELLER



Selling a home can be a rewarding experience, but there may be delays in the closing due to situations that could have been avoided. At **Wollinka Wickle Title**, we understand that by keeping you informed and helping you prepare for the closing day, the more likely you will have a stress-free closing experience. Our courteous and professional staff is proactive in their communication and works diligently to ensure the orderly and efficient transfer of real estate... and we do it with a level of service and friendliness that is hard to beat in this industry.

Although closing procedures vary from state to state, having an understanding of what may be required at closing and preparing accordingly will help your settlement process go as smoothly as possible.

TITLE INSURANCE COST Providing a copy of your owner's title insurance policy to the closing agent may reduce the premium fee for the title policy provided to the purchaser.

MORTGAGES ON THE PROPERTY Please provide detailed information, including loan number and payment address, on all mortgages on the property. Home Equity lines, even if they have a zero balance, will also require detailed mortgage information in order to satisfy the original loan requirements.

BUYER PROTECTION PLAN If a home warranty product is being provided and shown on contract, please advise the closing agent of the purchase amount to be collected.

MAINTENANCE CONTRACTS If there are service contracts on equipment or appliances that the purchasers want to assume, please provide the closing agent with a copy of the service contract. They may be easily transferred and the unused portion can be credited to you on the settlement statement at closing.

JUDGMENT SEARCH Any judgments, tax liens, etc., filed against you which attach to the property, must be paid from your seller proceeds at closing.

INTERNAL REVENUE SERVICE (IRS) The closing agent is required to report the sale of the property to the IRS. Please provide your social security number(s) and forwarding address at closing.

FOREIGN INVESTMENT IN REAL PROPERTY

TAX ACT OF 1980 (FIRPTA) If you are not a United States citizen, the closing agent may be required to deduct and withhold a tax equal to 10% of amount realized (generally the amount paid for the property). Please review the FIRPTA requirements prior to closing.

POWER OF ATTORNEY The use of a power of attorney must be approved in advance of settlement by the closing agent. If you are planning to use a power of attorney, please inform the closing agent as soon as possible to allow time to properly review the document.

MARITAL STATUS Spouses may be required to sign closing documents even though they do not appear to hold title and their name does not appear on the deed. Spouses must always sign the deed when homestead property is being conveyed, even if they are not in title.

MAIL-AWAY If you are unable to attend the closing, please provide the address where the closing documents should be mailed and a contact phone number. Your signature on certain affidavits, real estate deeds and other documents may require the services of a notary.

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AMENDMENTS A change – either to alter, add to, or correct – part of an agreement without changing the principal idea or essence.

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

ASSUMPTION Taking over another person's financial obligation; taking title to a parcel of real property with the Buyer assuming liability for paying an existing note secured by a deed of trust against the real property.

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

CLOSE OF ESCROW Generally the date the documents are recorded and title passes from Seller to Buyer. On this date, the Buyer becomes the legal owner, and title insurance becomes effective.

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

DEED OF TRUST An instrument used in many states in place of a mortgage.

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

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

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

HAZARD INSURANCE Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyer often adds liability insurance and extended coverage for personal property.

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

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

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

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

PITI A payment that combines Principal, Interest, Taxes, and Insurance.

POWER OF ATTORNEY A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an "Attorney-in-Fact."

PURCHASE AGREEMENT The purchase contract between the Buyer and Seller. It is usually completed by the real estate agent and signed by the Buyer and Seller.

QUITCLAIM DEED A deed operating as a release, intending to pass any title, interest, or claim which the grantor may have in the property, but not containing any warranty of a valid interest or title by the grantor.

RECORDING Filing documents affecting real property with the County Recorder as a matter of public record.

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PROMISSORY NOTE Your lender may request that you sign the Promissory Note which is a written promise to pay a debt under the specified terms. The Note usually provides for interest and is secured by a mortgage or trust deed.

MORTGAGE/DEED OF TRUST The mortgage is the legal document that secures the note and provides your lender a legal claim against the property if you default under the terms of the Promissory Note. The mortgage restates the basic information found in the note and states your responsibilities to pay the principal and interest payments, maintain homeowner/hazard insurance on the property, adequately maintain the property and the lender's rights in the event that you fail to meet these requirements.

HUD-1 This statement discloses the financial terms of your real estate transaction. The term "settlement statement" is often used to reference the HUD-1. Your First American Title Representative will review this document with you in detail. If this is a cash sale, a simplified form of Settlement Statement may be used. It may look slightly different, but will also disclose the financial terms of your transaction.

DEED Written document by which an interest in real property is transferred from one person to another. The person who transfers the interest is called the "grantor." The one who acquires the interest is called the "grantee." You will execute a deed at the time of settlement which will transfer your ownership in the property to the new buyer. This document will include the names of the buyer, the seller and a legal description of the property.

OWNER'S TITLE POLICY A policy of title insurance insuring an owner of real estate against loss occasioned by defects in, liens against or unmarketability of the owner's title..



TITLE THREATS

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There are many title issues that could cause you to lose your property or your mortgage investment. Even the most careful search of public records may not disclose the most dangerous threat: hidden risks. These issues may not be uncovered until years later. Without title insurance from a reputable and financially solvent company, your title could be worthless. With the proper insurance, your rights will be defended in court. Here are some of the issues that occur most frequently.

- Deeds by persons supposedly single, but secretly married
- Deeds delivered after death of grantor/grantee, without consent of grantor
- Deeds in lieu of foreclosure given under duress
- Marital rights of spouse purportedly, but not legally, divorced
- Impersonation of the true owner of the land
- Deeds by minors
- Deeds by persons of unsound mind
- Deeds to or from defunct corporations
- Defective acknowledgments by notaries
- Discovery of will of apparent intestate
- Duress in execution of instruments
- Erroneous reports furnished by tax officials
Forged deeds, releases, etc.
- Misrepresentation of will
- Mistakes in recording legal documents
- Surviving children omitted from will
- Administration of estate of persons absent but not deceased
- Birth or adoption of children after date of will
- Claims of creditors against property sold by heirs or devisees
- Deed of community property recited to be separate property
- Deeds by foreign parties

