

DEFINITIONS ASSOCIATED WITH REAL ESTATE CLOSINGS

Appraisal Fee: Most lenders have a maximum loan they will make in relation to the purchase price of the property. To determine if the loan amount applied for is within the lender's acceptable loan to ratio, an appraisal is procured. The fee for an appraisal may vary from lender to lender. In most instances, and as in this example, this fee is paid directly to the lender at the time of application for the loan, in which case the charge would be shown on the settlement sheet as paid outside of closing. (POC)

Courier Fees: Pays for courier to take papers to appropriate places such as the courthouse, banks, etc.

Credit Report: Report detailing the credit history and current credit status of an individual that is used as a primary tool in determining credit worthiness.

Deed Stamps: State taxes on transaction are called documentary stamp taxes on the deed. Are worth .007 X Purchase Price Usually paid by the seller.

Stamp Duty History: Historically in many countries, a contract needed to have a stamp affixed to make it valid. Governments charged for this stamp. Stamping has been abolished but stamp duty remains as a type of property tax that occurs at change of ownership.

Document Preparation: Fee covers preparation of final legal papers, such as a mortgage, deed of trust, note, or deed – charged by lender.

FHA MIP: Fee paid at closing and monthly to the Federal Housing Admin, to insure a home mortgage thereby reducing the lender's risk.

Flood Certification: Fee charged by lender to determine what flood zone property is in.

Elevation Certification: A FEMA document. Form used to provide elevation information necessary to ensure compliance with applicable community floodplain management ordinances and to determine the proper insurance premium rate.

Hazard Insurance: Insurance whereby the house is insured from specified losses, fire or windstorm. Lenders usually want first year's premium at closing. The sellers need to call their Insurance Co. and inform the Co. of the need for a refund for the rest of the year.

Home Inspection: Most purchase contracts allow a buyer to have a home inspected within five days of signing the purchase contract. A home inspector performs an inspection of the home to be purchased on behalf of the buyers in the transaction. The inspector examines the home for structural soundness and identifies recommended repairs in his or her report. Depending on the area of the country where you sell, common

practice may include other types of inspections, including a termite inspection and a radon inspection.

Intangible Tax: Tax paid to state by buyer on new mortgage. Is calculated by $.002 \times$ the mortgage price.

Interest Accrued: Mortgage times % divided by 12 is equal 1 month payment. Paid by seller.

Load Origination: Fee charged by lender to cover the administrative costs of originating and processing a loan. Usually 1% of loan.

Mortgage Discount Points: Fee paid to a lender at closing to obtain a lower Interest Rate.

Note Stamps: State Documentary Taxes paid by buyer on the new note or assumed mortgages and are 35 cents per \$100.00

P&I: Principle and Interest of mortgage.

PMI (95% LTV) or (90%LTV) or (85%LTV) Private mortgage insurance required on conventional loans with a loan-to-value ratio exceeding 80% of sale price/appraised value whichever is less.

Pre-Paid Interest: Mortgage times % divided by 365 equal daily interest. Lenders usually require that borrowers pay at settlement the interest on the mortgage from the date of closing to the beginning of the period covered by the first monthly payment.

Recording fee for mortgage: Many documents must be recorded in the Clerk of Court's office in the county where the property is located. The Clerk of Court charges a recording fee for filling these documents in the public records. Usually \$10.50 first page, \$6.00 each page after.

Recording fee for satisfaction of Mortgage: Fee for recording document of satisfaction of mortgage in Clerk of Court office.

Survey FAR contract: Usually by buyers. Not on condos.

Survey FAR/BAR contract: Usually by buyers. Not on condos.

Survey NEFAR contract: Usually by sellers. Not on condos. Measurement of land, prepared by a licensed surveyor, showing a property's boundaries, elevations, improvements and relationship to surrounding tracts.

Tax Proration (Seller): Year tax divided by 12 times number months – calculate for their part of year they lived in the home. Will get refund from escrow company within 30 days of part they did not live in the home.

Tax Proration (Buyer): Purchase Price times % minus \$25,000.00 times .022 divided by 12 times number months lived in the home.

Title Endorsements: Special endorsement of an insurance policy – is extended coverage of the title insurance. If you are borrowing money to purchase, the lender may require additional endorsements to the title insurance policy issued to the bank. These endorsements typically always include an ALTA 8.1 Endorsement, which guarantees the bank that there are no environmental liens against the property from the federal government. Other endorsements may include an ALTA 5.0 (For properties having a Homeowner's Association), ALTA 6.0 (for adjustable rate mortgages), a Navigational Servitude Endorsement (for properties abutting a navigable waterway), and a Florida Form 9 Endorsement (for properties located in a platted subdivision). Typically, the ALTA endorsements are approximately \$25 each, and Navigational Servitude Endorsement and Florida Form 9 Endorsements are 10 % of the Promulgated Rate for the title insurance. (ALTA means American Land Title Association Policy).

Title Exam or Search: Detailed examination of the historical records concerning deeds, court records, property and name indexes. Clears the seller's right to transfer the property.

Title Insurance (Owner): Rate Card Times Purchase Price. Owner's policy will last for as long as you own the home. Will reimburse you for loss due to defects prior to the issue date of your policy.

Title Insurance (Mortgagee): Mortgage times 00.575. Lenders policy terminates when lender is paid off.

Title Insurance (Simultaneous): Both the Buyer's (Fee Policy) and Mortgagee's are issued at same time.

Transaction Fee: Due to Florida and Federal Government regulations and guidelines, imposed on us to better protect and benefit the consumers in a real estate transaction, documentation and the cost to complete a transaction has significantly increased. We are bound both professionally and ethically to participate in many district disclosures as well as state and federal: just a few of those being agency, lead paint, and environmental issues. We are also required to store files for audit by any governmental agency that sees fit. The offset for all of this additional maintenance is \$150.00 and becomes a closing fee charge at settlement referred to as the transaction fee. For your benefit, and possible audit of your files, documentation for the transaction will be stored for 5 years.

TRETS (Tax Service): Sometimes referred to as TRETS of Real Estate Tax Service Fee, this one-time charge pays for the establishment and maintenance of an account with your lender for the purpose of escrowing and paying property taxed. When a borrower is not required to escrow, this fee is frequently charged to pay the cost of establishing an

account with the tax service company for the purpose of confirming your payment of real estate taxes. This fee is also required to be paid by the seller in FHA and VA cases.

Underwriting Fee: The lenders decision whether to make a loan to a potential home buyer is based on credit, employment, assets. Underwriting is the matching of this risk to an appropriate rate and term or loan amount.

VA Funding Fee: A fee charged by the VA based on the loan amount.

WDO Repairs: Are repairs made according to WDO report.

WDO Report: Report prepared by person who does wood destroying organism reports.