

Home Seller's **HANDBOOK**



NORTH IDAHO TITLE
A MOTHER LODE COMPANY

The Choice is Yours! Demand the Best!

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North Idaho Title (NIT) provides title searches and examinations, issues title insurance policies, handles commercial and residential escrows and other real estate related services. North Idaho Title continues to extend its commercial and residential services by empowering talented, innovative people to make the decisions necessary to satisfy customers on the spot and by utilizing technology that delivers measurable improvement of service to our most valuable end user – our customer.

Mother Lode Holding Company (MLHC) provides title insurance, underwriting and transaction support services to the nation's real estate industry. With the founding of its principal subsidiary, Placer Title Company in 1973, Mother Lode has since expanded outside of its original California market to provide title and title related products and services throughout the United States. The Mother Lode family of companies includes Placer Title Company, North Idaho Title, Montana Title & Escrow, Wyoming Title & Escrow, our National Lender Services Division – PTC/National Closing Solutions and our Reverse Mortgage Division – Premier Reverse Closings. Mother Lode continues to extend its commercial and residential services by empowering talented, innovative people to make the decisions necessary to satisfy customers on the spot and by utilizing technology that delivers measurable improvement of service to the end user – our customer.

www.NorthIdahoTitle.com

*Today, tomorrow or five years from now...
We can make a difference for you.*



As President of North Idaho Title, I would like to invite you to experience peace of mind during your transfer of real property. We listen, we care and we respond!

Our outstanding team of Escrow Closers and Title Officers are qualified to handle all types of transactions from land and home sales, to business and large ranch acquisitions. It is the goal of our Customer Service and Marketing Departments to provide our customers with the most current and beneficial tools available to assist our customers in being successful, and ultimately helping others become successful as well.

At North Idaho Title, we recognize the purchase of real estate as one of the most important investments your clients will make. Therefore, we have aligned ourselves with the nation's top underwriters, most respected title insurers in the nation to assure you a worry-free transaction.

We have a saying: *"If we don't take care of the customer, someone else will."* You have my personal commitment to do all that I can to give you the very best service available in our industry. North Idaho Title will appreciate your business and we look forward to handling your next real estate transaction.

Sincerely,

Rick Brown

President
North Idaho Title

HOME SELLER'S HANDBOOK

CUSTOMER SERVICE

Welcome and thank you for choosing North Idaho Title. We understand that selling a home can be both exciting and stressful. At North Idaho Title, we have been working with sellers since 1993, but our roots go much deeper, so you can rest assured that your transaction is being handled with experience and care.

TAKE A LOOK

For your convenience, North Idaho Title has created this Home Seller's Handbook to assist you during your transaction with NIT. We suggest that you carefully read through this booklet, paying special attention to the following sections:

- The Selling Process
- Understanding the Escrow Process
- Home Inspections
- Helpful Reminders & Sources of Assistance

After the close of your transaction, we suggest that you keep this page for reference. The easiest way for our team to assist you is by knowing your escrow number.

Real Estate Agent: _____

Phone: _____

Lender: _____

Phone: _____

Escrow Officer: _____

Email: _____

Escrow Number: _____

SELECTING AN AGENT

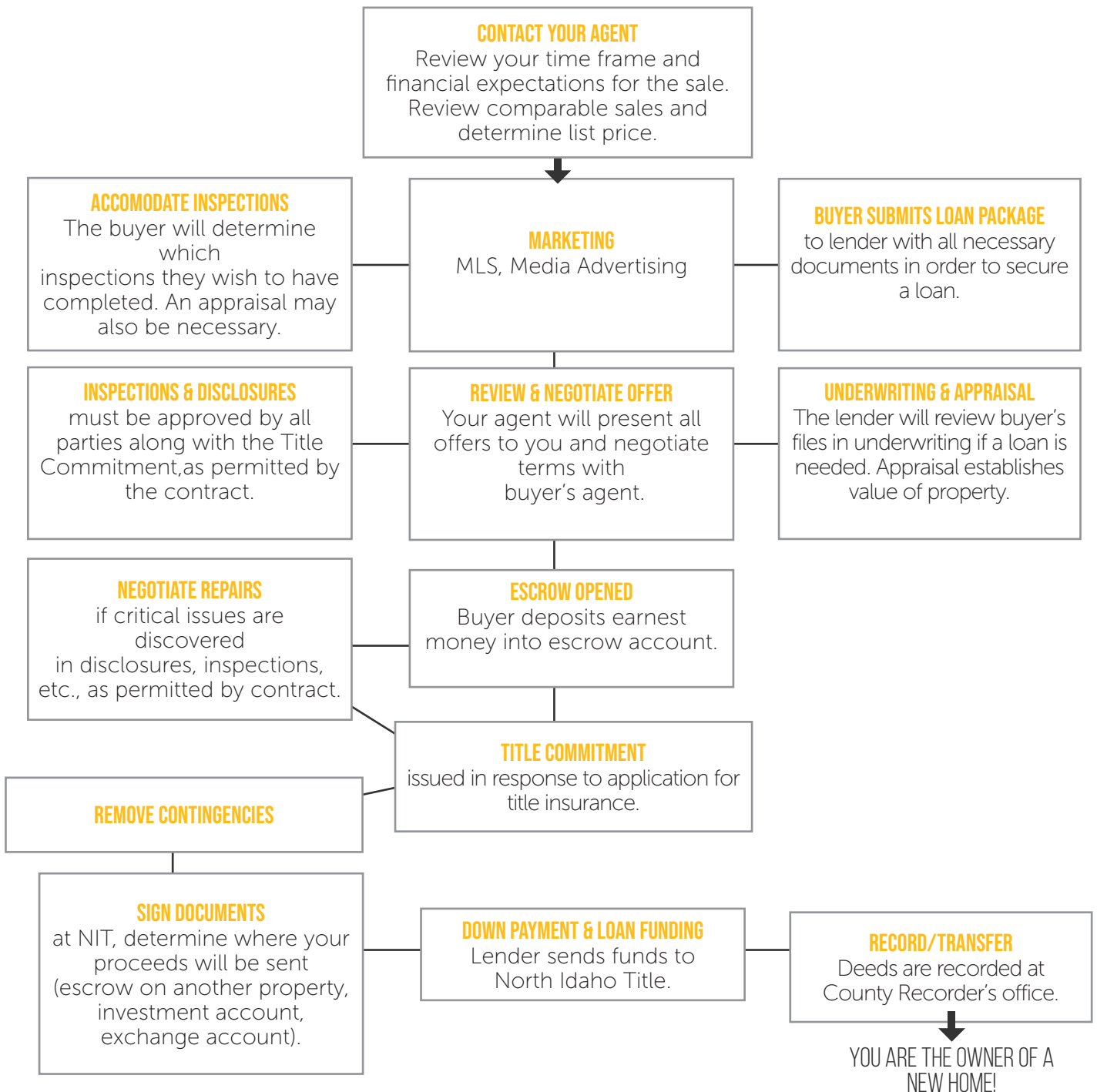
Most people do not buy or sell a home - or other real estate - without the support of a licensed real estate agent. The few who decide to sell a home on their own may not know the local market or may not have the experience required to write a contract. Real estate professionals have access to the Multiple Listing Service (MLS), a computerized listing of homes for sale. So, before you start preparing your home for sale, start shopping for a licensed real estate professional.

Your Real Estate Professional Should Be:

- Knowledgeable about your marketplace, with a reputation for honest dealings
- Associated with a reputable real estate firm
- Backed by professional marketing management
- Aware of the complicated local and state property requirements that may affect your rights of ownership
- Willing to cooperate with all agents to get the best price for you in your market
- Successful in multi-party, face-to-face negotiating
- Skilled in acting as an intermediary between you and the buyer

**This informational handbook assumes the use of a real estate professional.*

The SELLING PROCESS



Tips for Selling YOUR HOME

YOUR HOME'S EXTERIOR

Landscaping

- Before a potential buyer even stops his car, he will notice the landscaping. Pay as much attention to your garden as you do to the home's interior.
- Mow, trim and fertilize the lawn.
- Weed flower beds and replace dead plants and trees.
- Replace missing slats, stakes and posts on fences and gates.
- Repair broken hinges and paint or stain the fence if necessary.
- Clean up grease or oil spots on concrete surfaces on the driveway.
- Make sure the garage door opens freely and the automatic door opener is working.
- Provide an unobstructed view of your home from the street. Park your cars in the garage or on the street.

Front Entry

- This is the entrance to your home and, as such, it needs to make a good first impression.
- Make sure that the doorbell, porch lights and other hardware work and are cleaned and polished.
- Add welcoming touches: flowers, welcome mat, wreath on the door.

Siding, Trim, and Roof

- Take an objective look at your home's features: the trim work, rain gutters, shutters, etc.
- If the exterior needs fresh paint, do it.
- Remove debris such as tree branches and leaves from the roof.
- Make necessary repairs to worn shingles or cracked surfaces.

Patio & Deck

- This is where you entertain outdoors. Make your guests feel at home here by making

sure the area is tidy and uncluttered.

- Add flowers and outdoor furniture.
- Remove items that are untidy or in the way: gardening equipment or children's toys, for example.

Tips for Selling YOUR HOME

YOUR HOME'S INTERIOR

Doors and Windows

- Keep windows clean with no streaks. Make them sparkle. If screens are damaged, replace them, and if outdoor trees and bushes interfere with lighting or a view, prune them.
- Open the curtains. Make sure they frame the window properly and are clean and neat.
- Ensure that hinges are oiled and do not squeak.
- Keep doors clean and, if necessary, re-paint your front door.
- Make sure all door and window locks work easily.
- Stairways and hallways should be neat and clean.

Floors and Carpets

- Repair or replace missing or damaged tile, hardwood, vinyl and baseboards.
- Steam-clean or shampoo carpets.
- Secure loose carpeting and replace damaged areas.

Closets and Storage Areas

- Do your pre-moving clean up and throw out or store unnecessary items.
- Store infrequently used counter-top items.
- Keep drawers and cabinets tidy and organized.

Living Areas

- Welcome the potential buyer into your home by making sure that children's toys, paperwork and other clutter or personal items are stored away while you are showing your home.
- Dust counter tops, tabletops, and under the couch.

Bedrooms

- Bedrooms are usually private rooms in your home. It is important that potential buyers are welcome in your bedrooms and that they appear neat, tidy and inviting.
- Arrange furniture to allow a spacious atmosphere.
- Make the beds every day, and make a point of fluffing

the pillows; use a nice duvet cover.

- Walls should be clean. Touch up the paint and check the wallpaper for areas where it needs spot repairs.

Kitchen and Bathrooms

- Keep the kitchen and bathrooms clean, of course, but notice neglected areas and keep them clean as well. Go through these rooms as if you were staying in a hotel. Use that level of criticism to find and clean every nook and cranny. Keep counters free of clutter.
- Store all cleaning supplies neatly in an out of the way place.
- Hang clean, fresh towels.
- Add flowers and candles or burn essential oils to make these rooms more appealing.

Your real estate agent should be able to view your home objectively and make suggestions that will improve the appearance of your home and its saleability.

WHAT IS ESCROW?

An escrow is a deposit of funds, a deed or other instrument by one party for the delivery to another party upon completion of a specific condition or event. It is an independent neutral account by which the interests of all parties to the transaction are protected.

When opening an escrow, the buyer and seller of a piece of property establish terms and conditions for the transfer of ownership of that property. These terms and conditions are given to a third, impartial party known as the escrow holder. The escrow holder has the responsibility of seeing that the terms are carried out.

The escrow is a "storehouse" for all monies, instructions and documents necessary for the sale of your home. This includes the buyer providing funds for a down payment, and the seller depositing the deed and any other necessary papers.

Why Do I Need an Escrow?

An escrow will provide you with a guarantee that no funds or property will change hands until ALL of the terms and conditions have been followed. The escrow holder has the responsibility to watch over the funds and/or documents and then pay out the funds and/or transfer the title only when all requirements of the escrow have been completed.

How Does the Escrow Process Work?

The buyer, seller, lender and/or borrower cause escrow instructions to be created, signed and delivered to the escrow officer. The escrow officer will then process the escrow, in accordance with the escrow instructions. When all conditions required in the escrow are met, the escrow is "closed".

Prior to close of escrow, the buyer deposits the funds required with the escrow holder. The buyer instructs the escrow holder to release the money to the seller when:

- The deed records
- A policy of title insurance will be prepared and delivered to the buyer

WHAT IS ESCROW? *continued*

The escrow holder acts for both parties and protects the interests of each within the power of the escrow instructions. Escrow cannot be completed until the instructions have been fully satisfied and all parties have signed escrow documents. The escrow holder takes instructions based on the terms of the purchase agreement and the lender's requirements.

The duties of the escrow holder include:

- Managing the funds and/or documents in accordance with instructions
- Paying all bills as authorized
- Responding to requests from the principals
- Closing the escrow only when all terms and conditions have been met
- Distributing the funds accordingly

How Do I Open an Escrow?

Generally, the buyer or seller's real estate agent will open the escrow. As soon as you complete the purchase agreement, the agent will place the buyer's initial deposit, if any, into the escrow account at a title company or into the real estate broker's account.

What Do I Need to Do Before My Appointment to Sign Escrow Papers?

All parties signing the documents must bring proper identification. Bring either a valid driver's license, state identification card or current passport with you to the title company. This item is needed to verify your identity by a notary public. This is a routine, but necessary step for your protection.

WHAT IS ESCROW? *continued*

What's the Next Step After I've Signed the Closing Escrow Papers?

After both parties have signed all the necessary instructions and documents, the escrow officer will return the buyer's loan documents to the lender for final review. After the review is completed, the lender is ready to fund the buyer's loan and informs the escrow officer.

How Long is an Escrow?

The length is determined by the terms of the purchase agreement and can range from a few days to several months.

What is an "Escrow Closing"?

An escrow closing is the climax of the transaction. It signifies legal transfer of title from the seller to the buyer. Generally, the Grant Deed is recorded within one working day of the escrow holder's receipt of loan funds. This completes the transaction and signifies the "close of escrow." Once all the conditions of the escrow have been satisfied, the escrow officer informs you or your agent of the date escrow will close and takes care of the technical and financial details. The final closing papers are disbursed upon close of escrow, when the escrow officer verifies with the County Records Office that the documents have recorded and legal transfer has occurred.

HOME INSPECTIONS

Determining which inspections you need is generally a matter of observation and knowledge of conditions and circumstances in a particular area and neighborhood. Your real estate agent is an excellent source of information regarding the inspections appropriate for your house.

HOME INSPECTION

The physical inspection includes the roof, chimney, plumbing, heating and cooling, electrical and gas and other accessible areas. The written report includes recommendations for repair and for further inspection by a specialist in the particular field. The buyer customarily pays for this inspection; however, it is always negotiable.

OTHER COMMON INSPECTIONS

- Well and Septic
- Hazardous Materials
- Zoning & Building Permit
- Compliance
- Structural Engineering
- Energy Audit

INSPECTIONS & INVOICES IN ESCROW

Your real estate agent will notify the Escrow Officer to determine if inspections and work performed will be paid through escrow.

Consider having a home inspection at the time you list your house. Pre-inspected homes typically move faster from offer to close of escrow, an average of ten days quicker. With a home inspection in hand, you and your real estate agent can determine in advance which items you would be willing to address. In addition, you will have a better idea of the list price of your home given the overall condition.

CLOSING COSTS

Below are some typical closing costs you may incur during the home buying process. North Idaho Title will review and explain your closing statement during your signing appointment.

Title Insurance Premium

Fee paid by an individual to insure a marketable title or, in the case of a lender, to insure the lien position.

Transfer and Assumption Charges

Fees charged by a lender to allow a new purchaser to assume the seller's existing loan.

Inspection Fees

The cost for inspections performed.

Recording Fees

Fees assessed by a County Recorder's Office for recording legal documents of a real estate transaction.

Loan Fees

Fees charged by a lender in connection with the processing of a new loan. These may include points, origination fee and credit report.

Prepaid Interest

Depending upon the time of month a loan closes, the per diem charge may vary from a full month's interest to a few day's interest.

Escrow Fees

Fees charged by a title and/or escrow company for services rendered in coordinating the closing and preparing documents necessary to close a real estate transaction.

Taxes

The buyer may be required to reimburse the seller for property taxes, depending upon the month in which the transaction closes.

Real Estate Commission

Fee paid to a real estate broker for services rendered in listing, showing, selling and consummating the transfer of property.

Homeowner's Insurance

Lenders typically require the first year of fire and hazard insurance be paid by escrowing funds.

IMPORTANT *real property* TAX DATES

DECEMBER 20

First Installment Due

JANUARY 1

Calendar Year Begins

JUNE 20

Second Installment Due

TITLE INSURANCE

Why do I Need Title Insurance?

Many homeowners assume that when they purchase a piece of property that possession of a deed to the property is all they need to prove ownership, but title insurance serves as basic risk elimination. A Preliminary Report outlines the conditions under which a title will be insured. Once the new deed and loan documents are recorded, a title insurance policy is issued to the new owner and lender. This protects both parties against loss due to title defects. Any undisclosed claim (covered by the owner's policy of title insurance) that threatens ownership of the home will be dealt with or will be reimbursed exactly as the policy of title insurance provides.

What Protection is Obtained with a Title Policy?

Title insurance offers protection against claims resulting from various defects (as set out in the policy) which may exist in the title to a specific parcel of real property, effective on the issue date of the policy. For example, a person might claim to have a deed or lease giving them ownership or the right to possess your property. Or perhaps a person claims to hold an easement giving them a right of access across your land, or claims to have a lien on your property securing repayment of a debt. A title insurance policy contains provisions for the payment of the legal fees in defense of a claim against the property covered under the policy. It also contains provisions for indemnification against losses which result from a covered claim.

What does a Title Company do?

Simply put, whenever someone decides to buy or refinance property, title companies have the ability to check public records regarding the history of that property. Looking for unclear liens, claims or easements is part of what we do. Sometimes distant relatives may have a claim on the property without the seller's knowledge. People have even fraudulently sold houses that do not belong to them. A title company performs a vital, yet hidden role in guaranteeing the security of your home. Just like car insurance, you never realize how important it is until the unexpected happens. This is why lenders require title insurance – to protect the lender against loss due to unknown title defects.

Many title companies also offer escrow services. When buying, selling or refinancing real estate, a neutral third party is needed to handle all deposits of funds, documents, special reports and other important papers. It is also the Escrow Officer you will meet with to sign all the documents prior to your property closing escrow.

What Protection will I Receive from my Title Policy?

A Title Insurance Policy pays for legal fees in defense of a claim against property covered under your policy. It also contains provisions for indemnification against losses that result from a claim. The title insurance premium is paid at the close of escrow and no additional premiums are paid as long as you own the property.

COMPARISON OF TITLE POLICIES

Coverage: Subject to your policy's exceptions, exclusions, conditions & stipulations

	Standard	Extended	Homeowner's Policy
1 Someone else owns an interest in your property	Yes	Yes	Yes
2 A document is not properly executed	Yes	Yes	Yes
3 Forgery, fraud or duress	Yes	Yes	Yes
4 Defective recording of any document	Yes	Yes	Yes
5 There are restrictive covenants	Yes	Yes	Yes
6 There is a lien on your title because there is: <ul style="list-style-type: none"> • A deed of trust • A judgment, tax or special assessment • A charge b homeowner's association 	Yes Yes Yes	Yes Yes Yes	Yes Yes Yes
7 Title is unmarketable	Yes	Yes	Yes
8 Mechanic's lien protection	No	Yes	Yes
9 Forced removal of structure because it: <ul style="list-style-type: none"> • Extends onto other land or onto an easement • Violates a restriction in Schedule B • Violates an existing zoning law 	No No No	Yes Yes Yes	Yes Yes Yes
10 Can't use land for a single family dwelling because the use violates a restriction in Schedule B or a zoning ordinance.	No	Yes	Yes
11 Pays rent for substitute land or facilities	No	Yes	Yes
12 Unrecorded lien by a homeowner's association	No	Yes	Yes
13 Unrecorded easements	No	Yes	Yes
14 Rights under unrecorded leases	No	Yes	Yes
15 Enhanced continuing coverage	No	No	Yes
16 Building permit violations	No	No	Yes
17 Compliance with Subdivision Map Act	No	No	Yes
18 Restrictive covenant violations	No	No	Yes
19 Forgery occurring after policy date	No	No	Yes
20 Encroachment occurring after policy date	No	No	Yes
21 Damage from minerals or water extraction occurring after policy date	No	No	Yes
22 Coverage continues after transfer to your Living Trust	No	No	Yes
23 Enhanced access, vehicular and pedestrian	No	No	Yes
24 Attached map not consistent with legal description	No	No	Yes
25 Potential increase in policy limit up to 150% due to inflation	No	No	Yes
26 Adverse possession occurring after policy date	No	No	Yes
27 Cloud on title occurring after policy date	No	No	Yes
28 Prescriptive easement occurring after policy date	No	No	Yes
29 Covenant violation resulting in reversion	No	No	Yes
30 Boundary, walls and fence encroachment	No	No	Yes
31 Violations of building setbacks	No	No	Yes

The additional coverage is subject to a deductible and a maximum indemnity liability, which may be less than the policy amount. For more details on all coverages, including the coverages outlined above, please refer to the terms of the policy itself. Copies are available from your local North Idaho Title office. The Homeowner's and the Extended policies are designed for issuance on certain subdivided residential properties and are not available for all properties. Check with your title representative for availability.

METHODS OF HOLDING *Title*

	Joint Tenancy	Tenancy in Common	Partnerships	Trust Arrangements
Parties	Any number of persons, but cannot be artificial entity such as corporation, LLC or trustee of trust.	Any number of persons or entities may hold title as tenants in common.	Only partners / shareholders / members of the artificial entity.	Trustee and beneficiaries of trust may be individuals, trusts or any legally created entity.
Division	Ownership interests must be equal (can have equal interests in undivided interest).	Ownership can be divided into any number of interests, equal or unequal.	Single legal entity, partners / shareholders / members own interest in entity, not property held.	Interests in trust are personal property and are in accordance with terms of trust.
Title	Each joint tenant has separate legal title to undivided interest, subject to right of survivorship.	Each owner has a separate legal title to undivided interest.	Title is in the artificial entity.	Held in name by the trustee(s).
Possession	Equal right of possession.	Equal right of possession.	Entity has sole right of possession. Entity's organizational documents determine individual partner's / shareholder's / member's rights, if any.	In accordance with terms of trust.
Conveyance	Each owner's interest may be conveyed or encumbered individually, but conveyance or encumbrance without joinder of other joint tenants severs joint tenancy.	Each owner's interest may be conveyed separately.	Conveyance authority determined by organizational documents and applicable statutes.	Trustee has authority to convey in accordance with terms and limitations of trust agreement.
Death	On co-owner's death, interest passes to surviving joint tenants. Interest may not be disposed of by will.	Interest passes by will or interstate if no will. Interest must be probated.	Entity not capable of dying. Impact, if any, of death of partner / shareholder / member on affairs of entity determined by organizational documents and applicable statutes.	Upon death of trustee, successor trustee, if any, holds title on behalf of trust. Effect of interests in trust upon death of a beneficiary determined by terms of trust agreement.
Successor Status	Last survivor owns property.	Devise or heir becomes tenant in common with other owners.	Interest, but not management authority, of partner/shareholder/member in the entity passes by will or, if no will, by intestate succession.	Defined by terms of trust agreement.
Creditor's Rights	Involuntary lien of creditor or deed of trust terminates on death of joint tenant. If creditor executes on lien prior to death and acquires title, becomes tenant in common with remaining joint tenants.	Owner's interest may be sold on execution sale to satisfy creditor. Creditor becomes tenant in common with remaining owners.	Creditor of partner / shareholder / member may obtain order attaching interest in entity, but not property held by entity.	Creditor with lien/judgement against beneficiary may execute on beneficiary's interest in trust, not property held by trust. Lien against individual trustee may not attach to trust. However, if trustee is settler or revocable trust, lien may attach.
Presumptions	Creation of joint tenancy must be in writing.	Joint ownership presumed to be as tenants in common, unless title acquired by "husband and wife".	Property must be expressly vested in partnership.	Property must be expressly vested in trustee of trust. Trust is created by executed trust agreement.

HELPFUL REMINDERS & SOURCES *of* ASSISTANCE

Paying Off Your Existing Loans

Unless the buyers assume an existing loan on the property, all loans must be paid off at the close of escrow. The seller must furnish complete debt information to the Escrow Officer and real estate agent. The seller must be prepared to provide the name, the loan number, and address and phone number of each lender. The Escrow Officer will need this information to order a loan payoff document and subsequently pay off the loan or other encumbrances.

Homeowner's Association information may also be required if you are selling a condominium, townhouse or property located in a planned unit development. All of this information will help assure a timely closing of the escrow.

Transferring Escrow Funds

If you wish to transfer or wire transfer funds to another escrow, bank or investment account, arrangements must be made in advance with your Escrow Officer.

Power of Attorney

In the event that you wish to use a Power of Attorney, arrangements must be made one to two weeks in advance with the Escrow Officer. If North Idaho Title does not draft the Power of Attorney, our legal staff must approve it. These arrangements should be made as early as possible.

Identification

Please bring appropriate identification with you to North Idaho Title so the Notary Public can verify your identity. There are several acceptable forms of identification that may be used. These include:

- A current driver's license
- Passport
- State of Idaho Department of Motor Vehicles ID Card

Tax Deferred §1031 Exchange

If the property you are selling is an investment property and the proceeds from the sale are going to be used to purchase other "Like-Kind" investment real estate, you should consider a tax-deferred exchange. Exchanging is an Internal Revenue Service (IRS) recognized approach to the deferral of capital gains taxes. The IRS recognizes the use of an Accommodator or Qualified Intermediary throughout your transaction as a Safe Harbor.

To accurately approach an exchange, become familiar with the rules and regulations underlying such a tax-deferred or tax free transaction. We suggest you see your tax lawyer or tax professional.

Before Your Move...

- Post Office: Give forwarding address
- Change accounts, credit cards
- Subscriptions: Notice requires several weeks
- Friends and relatives BANK
- Transfer funds, arrange check-cashing in a new city
- Obtain cashier's check necessary for closing real estate transactions; be sure to ask your bank if this check is drawn on an Idaho institution
- Arrange credit references INSURANCE
- Notify company of new location for coverages: Life, Health, Fire and Auto UTILITY COMPANIES
- Gas, light, water, telephone, fuel
- Get refunds on any deposits made DELIVERY SERVICE
- Laundry, newspaper, milk: changeover of services MEDICAL HISTORIES
- Ask doctor and dentist for referrals; transfer needed prescription, eyeglasses, X-rays.
- Obtain birth records, medical records, etc. CHURCH, CLUB, CIVIC ORGANIZATION

- Transfer memberships; get letters of introduction PETS
- Ask about regulations for licenses, vaccinations, tags, etc.

More Helpful Dos...

- Empty freezer; plan use of foods
- Defrost freezer and clean refrigerator; place charcoal to dispel odors
- Have appliances serviced for moving
- Remember arrangements for TV and antenna
- Clean rugs or clothing before moving; have them moving wrapped
- Check with your Moving Counselor: insurance coverage, packing and unpacking labor, arrival day, various shipping papers, method and time of expected payment
- Plan for special care needs of infants

The Big Day...

- Carry enough cash or traveler's checks to cover cost of moving services and expenses until you make banking connections in new city
- Carry jewelry and documents yourself, or use registered mail
- Plan for transporting pets; they are poor traveling

- companions if unhappy
- Carry traveler's checks for quick available funds
- Let close friend or relative know route and schedule you will travel, including overnight stops
- Double check closets, drawers, shelves to be sure they are empty
- Leave all old keys needed by new tenant or owner with real estate agent

Then, At Your New Home

- Check on service of telephone, gas electricity, and water
- Check pilot light on stove, hot water heater, incinerator, and furnace
- Have appliances checked
- Ask Mailman for mail he may be holding for your arrival
- Have new address recorded on driver's license
- Visit city offices and register for voting
- Register car within five days after arrival in state or a penalty may have to be paid when getting new license
- Register family in your new place of worship
- Register children in school
- Arrange for medical services: doctor, dentist, etc.

GLOSSARY

These definitions are to acquaint the homebuyer with terms commonly used in real estate transactions. The terms are intended to be general and brief and are not complete and wholly accurate when applied to all possible uses of the term. Please consult your real estate agent for more information or questions regarding specific terms.

Adjustable Rate Mortgage (ARM) – A mortgage instrument with an interest rate that is periodically adjusted to follow a pre-selected published index. The interest rate is adjusted at certain intervals during the loan period.

Adjustment Period – The length of time between interest rate changes on an ARM. For example, in the case of an ARM loan with a one-year adjustment period, the interest rate may change once each year.

Agency – Any relationship in which one party (agent) acts for or represents another (principal) under the authority of the principal. Agency involving real property should be in writing, such as listing, trust, powers of attorney, etc.

American Land Title Association (ALTA) – A national association of title insurance companies, abstractors, and agents. The association adopts standard policy forms.

Amortization – Repayment of a mortgage debt with periodic payments of both principal and interest, calculated to retire the obligation at the end of a fixed period of time.

Annual Percentage Rate (APR) – A term defined in section 106 of the Federal Truth in Lending Act (15 USC 1606), which expresses on an annualized basis the charges imposed on the borrower to obtain a loan (defined in the Act as "finance charges"), including interest, discounts and other costs.

Appraisal – An opinion or estimate of value. Also refers to the process by which a value estimate is obtained.

Assignment – The transfer of ownership, rights, or interests in property, as in a mortgage, lease, or deed of trust. Mortgages and other security instruments are regularly assigned from one investor to another and commitments by HUD/FHA to insure mortgages may be assigned by one originating lender to another before insurance.

Beneficiary – The person who is entitled to receive funds or property under the terms and provisions of a will, trust, insurance policy or security instrument. In the case of a mortgage loan, the beneficiary is the lender.

Broker or Agent – One who is licensed by the state to carry on the business of dealing in real estate. A broker/agent is employed on a fee or commission basis to bring together buyers and sellers, landlord and tenant, or parties to an exchange, and assist in negotiating contracts between them.

Cap – The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.

Certificate of Reasonable Value (CRV) – A document that establishes the maximum value and loan amount for a VA guaranteed loan.

Closing Costs – The costs incurred to purchase real estate. These may include loan fees, title fees, appraisal fees, etc.

Closing Statement – The financial disclosure statement that accounts for all of the funds received and expected at the closing, including deposits for taxes, hazard insurance, and mortgage insurance.

Commission – An agent's compensation for negotiating a real estate or loan transaction, often expressed as a percentage of the selling price.

Contingency Clause – A provision in some ARMs to a fixed rate loan, usually after the first adjustment period. The new fixed rate is generally set at the prevailing interest rate for fixed rate mortgages. This conversion feature may cost extra.

Deed – The document by which title to real property is transferred or conveyed from one party to another.

GLOSSARY

Deed of Trust – Type of security instrument in which the borrower conveys title to real property to a third party (trustee) to be held in trust as security for the lender, with the provision that the trustee shall reconvey the title upon the payment of the debt, and, conversely, will sell the land and pay the debt in the event of a default by the borrower.

Deposit – A sum of money given to (1) bind a sale of real estate, or (2) assure payment or an advance of funds in the processing of a loan. Also called Earnest Money.

Discount Points – A negotiable fee paid to the lender to secure financing for the buyer. Discount points are up front interest charges to reduce the interest rate on the loan over the life, or a portion, of the loan's term. One discount point equals one percent of the loan amount.

Due on Sale Clause – An acceleration clause that requires full payment of a mortgage or deed of trust when the secured property changes ownership.

Earnest Money – A deposit made to bind the conditions of a sale of real estate.

Easement – A limited right of interest in land of another that entitles the holder of the right to some use, privilege or benefit over the land.

Escrow – The process in which a neutral third party holds money and documents for delivery to the respective parties in a transaction on performance or established conditions.

Federal National Mortgage Association – Commonly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by VA, as well as conventional home mortgages.

Finance Charge – The total cost a borrower must pay, directly or indirectly, to obtain credit according to Regulation Z.

Foreclosure – The legal process by which property is sold to satisfy an unpaid debt in the event of default on terms or payments of a mortgage.

Good Faith Estimate (GFE) – A document that tells borrowers the approximate costs they will pay at or before settlement, based on common practice in the locality. Under requirements of the Real Estate Settlement Procedures Act (RESPA), the mortgage banker or mortgage broker, if any, must deliver or mail the GFE to the applicant within three business days after the application is received.

Graduated Payment Mortgage – A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

Grant Deed – One of many types of deeds used to transfer real property.

Hazard Insurance – Real estate insurance protecting against loss caused by fire, some natural causes, vandalism, etc., depending upon the terms of the policy.

Homeowner's Association – (1) An association of people who own homes in a given area, formed for the purpose of improving or maintaining the quality of the area. (2) An association formed by the builder of condominiums or planned developments and required by statute in some states.

Impound Account – An account held by a lender for the payment of taxes, insurance or other periodic debts against real property.

Index – A measure of interest rate changes used to determine changes in an ARM's interest rate over the term of the loan.

Joint Tenancy – A means of ownership in which two or more persons own equal shares in real property. Upon the death of one tenant, his/her share passes to the remaining tenant(s) until title is vested in the last survivor.

GLOSSARY

Legal Description – A description by which real property can be definitely located by reference to surveys or recorded maps. Sometimes referred to simply as “the legal.”

Lien – A legal hold or claim on property as security for a debt or charge.

Loan Commitment – A written promise to make a loan for a specified amount on specific terms.

Loan to Value Ratio – The relationship between the amount of the appraised value of the property and the loan, expressed as a percentage of the appraised value.

Lock-in – A guarantee by the lender of a particular loan rate. The loan must fund before the lock expiration in order to receive the guaranteed or “locked” rate.

Margin – The number of percentage points the lender adds to the index rate to calculate the ARM’s interest rate at each adjustment.

Market Value – An appraisal term denoting the highest price that a buyer, willing but not compelled to buy, would pay, and the lowest a seller, willing but not compelled to sell, would accept.

Mortgage Payment – A payment that is owed to the bank/lender each month toward repayment of the loan. The amount is determined by the terms of the loan: principal, interest rate, length of the loan, and periodic adjustments, if applicable.

Multiple Listing Service – An exclusive listing, submitted to all members of an association, so that each may have the opportunity to sell the property.

Negative Amortization – Occurs when monthly payments fail to cover the interest cost. The interest that isn’t covered is added to the unpaid principal balance, which means that even after several payments you may owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that aren’t high enough to cover the interest.

Note – A unilateral agreement containing an express and absolute promise of the signer to pay to a named person, order, or bearer a definite sum of money at a specified date or on demand. Usually provides for interest and, concerning real property, is secured by a mortgage or trust deed.

Origination Fee – A fee made by a lender for making a real estate loan. Usually a percentage of the amount loaned, such as one percent.

PITI (Principal, Interest, Taxes and Insurance) – The four major components of a usual monthly mortgage payment.

Point – An amount equal to 1% of the principal amount of the investment or note. The lender assesses loan discount points at closing to increase the yield on the mortgage to a position competitive with other types of investments.

Power of Attorney – An authority by which one person (principal) enables another (attorney-in-fact) to act for him.

(1) General power – authorizes sale, mortgaging, etc., of all property of the principal. Invalid in some jurisdictions.

(2) Special power specifies property, buyers, price and terms.

Prepayment Penalty – A penalty under a note, mortgage, or deed of trust imposed when the loan is paid before it is due.

Pre-Qualification Letter – A letter that states a potential borrower’s financial status to determine the size and type of mortgage available to him/her.

Principal – (1) The amount of debt, not including interest. (2) The person who is served by an agent or attorney.

GLOSSARY

Private Mortgage Insurance (PMI) – Insurance written by a private mortgage insurance company protecting the mortgage lender against loss occasioned by a mortgage default and foreclosure. The premium is paid by the borrower and is included in the mortgage payment. Typically required if down payment is less than 20% of purchase price.

Processing (or Origination) Fees – Fees that cover the administrative cost of processing the loan. These charges vary from lender to lender.

Promissory Note – A promise in writing and executed by the maker to pay a specified amount during a limited time, on demand or at sight to a named person, or on order to bearer.

Proration – The method used in dividing charges into that portion which applies only to a party's ownership up to a particular date.

Quitclaim Deed – A deed operating as a release; intended 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 in the grantor.

Reconveyance – The conveyance to the landowner of the title, held by a trustee under deed of trust, when the performance of the debt is satisfied.

Recordation – Involves filing for record in the office of the County Recorder for the purpose of giving constructive notice of title, claim or interest in real property.

Right of Survivorship – The right of a survivor of a deceased person to the property of said deceased. A distinguishing characteristic of a joint tenancy relationship.

Statement of Information (SI) – A confidential form filled out by buyer and seller to help a title company determine if any liens are recorded against either party. It is necessary to differentiate between parties with similar names. Also called a Statement of Identity.

Tenancy in Common – An undivided ownership in real estate by two or more persons. The interests need not be equal. In the event of the death of one of the owners, no right of survivorship in the other owner exists.

Title Commitment – A report prepared prior to issuing a policy of title insurance that shows the ownership of a specific parcel of land, together with the liens and encumbrances thereon which will not be covered under a subsequent Title Insurance Policy.

Title Insurance Policy – A policy that protects the purchasers, mortgagee or other parties against losses.

Uniform Settlement Statement – The Standard HUD Form 1 required to be given to the borrower, lender and seller at, or prior to, settlement.

VA Loan – A loan that is guaranteed by the Veteran's Administration and made by a private lender.

Vesting – Denotes the manner in which title is held. Examples of common vestings are: Community Property, Joint Tenancy, Tenancy in Common, and Community Property with Right of Survivorship.

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