



Home Seller's Handbook

MTE

MONTANA TITLE & ESCROW
A MOTHER LODE COMPANY

WWW.MONTANATITLECOMPANY.COM

The Choice is Yours! Demand the Best!

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Montana Title and Escrow (MTE) provides title searches and examinations, issues title insurance policies, handles commercial and residential escrows and other real estate related services. Montana Title and Escrow 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, our §1031 Exchange Company – NCS Exchange Professionals, and our Short Sale Negotiation Service – Short Sale Advantage. 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.

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Homebuyer's Handbook Customer Service

Welcome and thank you for choosing Montana Title & Escrow. We understand that purchasing a home can be both exciting and stressful. At Montana Title & Escrow, we have been working with buyers since 2002, 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, Montana Title and Escrow has created this Homebuyer's Handbook to assist you during your transaction with MTE. 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: _____

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Selecting an Agent

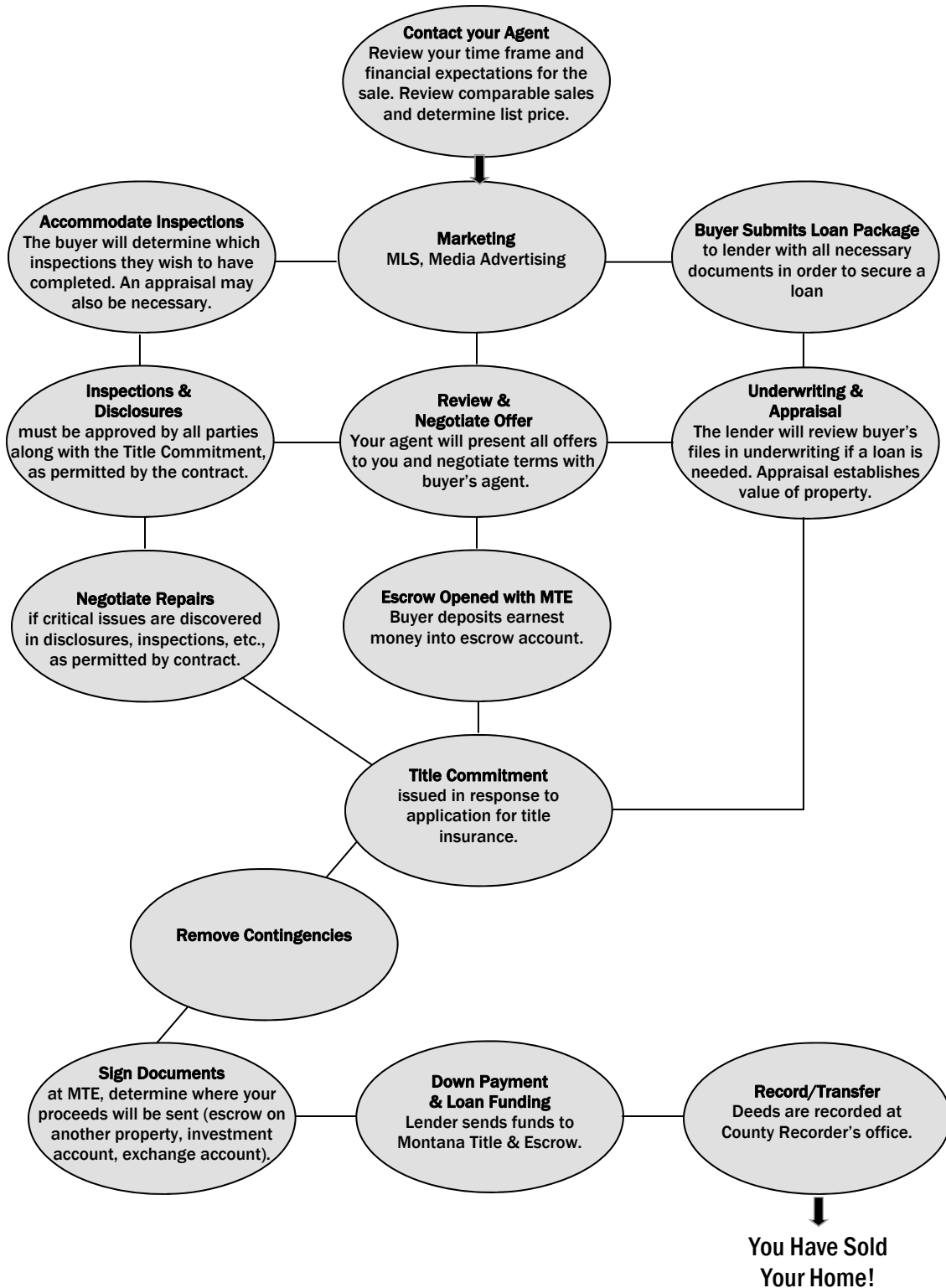
Most people do not buy or sell a home - or other real estate - without the support of a licensed real estate agent. The few who decide to sell a home on their own may not know the local market or may not have the experience required to write a contract. Real estate professionals have access to the Multiple 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

As a seller, you can play an important part in the timely sale of your property. When you take the following steps, you'll help your real estate agent sell your home faster, at the best possible price. **Make the most of that first impression.**

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 and 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

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.

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.

The Escrow Process

The Escrow Holder's Duties

- ▶ Serves as a neutral third party and the liaison between all parties involved
- ▶ Requests a Preliminary Report to determine the status of the title to the property
- ▶ Prepares the escrow instructions
- ▶ Complies with lender's conditions and prepares necessary documentation
- ▶ Requests payoff demands for anything to be paid through escrow
- ▶ Records the Deed and other related documents
- ▶ Receives closing instructions, documents, borrower's funds and reviews file to determine that all conditions have been met
- ▶ Closes the escrow
- ▶ Disburses funds as authorized by the instructions, including charges for title insurance, recording fees, lender fees and loan payoff
- ▶ Issues the Title Insurance Policy for the borrower and the lender

What do I Need to Provide?

You may be asked to complete a Statement of Identity as part of the paperwork. Because many people have similar last names, the Statement of Identity is used to identify the specific person in the transaction through such information as date of birth, social security number, etc. This information is considered highly confidential.



When do I Sign Escrow Instructions?

Approximately 4-6 days before closing, Montana Title & Escrow will contact you or your agent to schedule a signing appointment.

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. Montana Title & Escrow 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. (See page 10 for chart.)

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

November 30

First Installment Due (January through June)

December 1

First Installment Becomes Delinquent

January 1

Calendar Year Begins

May 31

Second Installment Due (July Through December)

June 1

Second Installment Becomes Delinquent

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.

Title Insurance Product Comparison

	Standard Coverage Owner's Policy	Extended Coverage Policy	ALTA Homeowner's 1-4 family Policy
Shows:			
Vested Owner	Yes	Yes	Yes
Legal Description	Yes	Yes	Yes
Access	Yes	Yes	Yes
Deeds of Trust	Yes	Yes	Yes
Judgments & Liens	Yes	Yes	Yes
Assessments	Yes	Yes	Yes
CC&Rs	Yes	Yes	Yes
Shows Unrecorded Docs:			
Parties in Possession		Yes	Yes
Easements		Yes	Yes
Encroachments		Yes	Yes
Mechanic's Liens		Yes	Yes
Expanded Coverage:			
You are forced to correct or remove an existing violation of any Covenant or Restriction (even if shown as an exception)			Yes
Lost title caused by violation of Covenants			Yes
*1. Because of violation of subdivision law or regulation:			
A. You are unable to obtain a building permit			Yes
B. You are required to correct/remove violation			Yes
C. Someone else refuses to perform a contract to purchase the land or make a mortgage			Yes
**2. Forced removal of existing structures			
A. Because it was built without a building permit			Yes
B. Violation of zoning law or regulation			Yes
C. Encroachment onto adjoining lands or easements			Yes
Supplemental Taxes or Assessments			
Neighbor builds a structure that encroaches onto your property after policy date			Yes
The map attached to the policy does not show the correct location			Yes
<i>*Subject to a deductible and maximum dollar limit liability</i>			
<i>** Does not include any protrusions beyond the drip edge of the dwelling or garage (if not used commercially)</i>			

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 demand 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 Montana Title & Escrow 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 Montana Title & Escrow 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 Montana
- ▶ Department of Motor
- ▶ Vehicles ID Card

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. For further information contact NCS Exchange Professionals at (866) 873-1031 or on the internet at www.NCS1031.com.

Tax Deferred §1031

Helpful Reminders & Sources of Assistance

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 a Montana 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 Organizations

- 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.

Montana Land Title Association (MLTA) – A Montana statewide association of title insurers and underwritten title companies. The association adopts standard title policy forms.

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.

