



Successful Real Estate Marketing & Business Planning

MTE

MONTANA TITLE & ESCROW
A MOTHER LODE COMPANY

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The Choice is Yours! Demand the Best!

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Successful Real Estate Marketing & Business Planning

This packet contains information that will familiarize you with services and marketing that may be helpful during your transactions with MTE. We'll answer many of your questions about the escrow process, title insurance, farming and much more so that you'll be more comfortable every step of the way. If you have any questions along the way, we encourage you to contact us.

If you desire success, you will want to follow these principals.

1. **Get Motivated.** Experience has taught us that if you are truly motivated to achieve your goals you're far more likely to find success in whatever arena you choose.
2. **Maintain a Positive Attitude.** Developing the "right" attitude about your work means one thing – thinking positively!
3. **Be Generous.** Give freely of your time, your talents and your resources.
4. **Keep Your Integrity.** Perhaps above all else, maintain your integrity. Your conscience will help you survive the tough times and win out in the long run.
5. **Learn to Communicate Well.** You must ensure your message is received and understood. When you truly communicate, your team hears and understands; and you, in turn, hear and understand when they speak. Start with the basics: always return phone calls promptly.

We understand that you have a choice when it comes to title and escrow services, and we appreciate the opportunity to serve you!

Be a Success by Setting Goals

The most successful goals are SMART goals: Specific, Measurable, Attainable, Realistic and Tangible.

Specific: A specific goal has a much greater chance of being accomplished than a general goal. To set a specific goal you should answer the six “W” questions:

- ▶ Who is involved?
- ▶ What do I want to accomplish?
- ▶ Where is the location?
- ▶ When? Establish a timeframe.
- ▶ Which? Identify requirements and constraints.
- ▶ Why? Specific reasons, purpose or benefits of accomplishing the goal.

EXAMPLE: A general goal would be “Get in shape.” A specific goal would state “I will get in shape by joining the health club on the corner and working out three days a week so that I may run in the marathon in 4 months.”

Measurable: Establish concrete criteria for measuring progress toward the attainment of the goal. When you measure your progress: stay on track, reach target dates and determine if your goal is measurable. Ask : - How much? - How many? - How will I know when it is accomplished?

Attainable: You can attain most any goal you set when you plan your steps wisely and establish a timeframe that allows you to carry out those steps.

Realistic: To be realistic, your goal must represent an objective toward which you are both willing and able to work. A goal can be both high and realistic.

Tangible: A goal is tangible if you can experience it with one of the senses—taste, touch, smell, sight, or hearing. When your goal is tangible, or when you tie a tangible goal to an intangible goal, you have a better chance of making it specific and measurable, and thus attainable. (Intangible goals are for internal changes including personality characteristics and behavior patterns you want to develop.)

Contact MTE to discuss your goals and to see your personalized Goal & Plan Analysis that outlines objectives specific to you successfully selling real estate.

Effective Farming

For years, the benefits of consistent, repetitive marketing has proven to be a highly effective long-term business building strategy.

What size should my farm be? Hobbs/Herder suggests that 2,000 homes seems to be a good number for an effective campaign. Less than 1,000 homes is generally too small, barring extenuating circumstances such as extremely high prices.

To figure out what size farm you require, use this formula:

Closed sales needed for the year (from your Goal & Plan Analysis)	_____
Your percentage of business from farming (from goal Setting)	x _____
Annual number of closings from your farm	= _____
Double this number	x <u>2</u>
Number of homes that must sell in your farm	_____
Turnover ratio in your farm area	÷ _____
Number of homes in your farm	= _____

Expanding Your Horizons with Target Marketing

The vast majority of agents define their direct mail farm area by default of where they live. However, there may be untapped markets you're unaware of or have ignored to this point. Some niches could be condos, ranch properties, empty nesters, or gated communities for example. Nothing is too trivial to begin marketing to.

Define the areas that intrigue you by listing street names or parcel numbers. Then decide the following:

- ▶ How many homes are actually in the farm area (will it support your SMART goals)?
- ▶ What is the owner occupied to absentee ratio?
- ▶ What is the average sales price over the past two years?
- ▶ What is the average cost per square foot?

If any single agent has more than 30% market share, eliminate this area from your consideration. The costs associated with overtaking a giant like this is often too much and results are predictable (consider how many times a third cola has entered the market to take on Coke and Pepsi, for example). Look for a market that is fragmented between many agents. It is much easier to pick and choose your battles, as your competition rarely possesses the market share and resources to respond to your marketing campaign.

Effective Farming

Ensure Sufficient Turnover Rate

Many agents do not take into consideration the turnover rate and homes sales in their farm area before becoming frustrated that they have made little progress towards their goal. If homes are not selling in the farm area, you may wish to avoid the area altogether. Whether or not you wish to enter the area, without doing the research, you may make the mistake of entering a market with a low turnover rate and quickly become frustrated when only 12 homes sell there in a year. Though you may have sold 6 and actually have 50% market share, it may still not be sufficient to meet your SMART goals.

- ▶ To do the math, take the number of homes in the farm area and divide that number by the total number of homes in the market.
- ▶ You want a minimum 5% turnover. Any less and you will be wasting much time and effort, barring extenuating circumstances. Sometimes you may think you you've hit the jackpot if it is 10 or 20%, but beware — chances are unlikely that you've found a jackpot and there are often negative reasons why the turnover rate is so high.

Personality

One of the most crucial elements of a workable farm is personality. You have to be able to interact with your potential clients and relate to them in some way; if you don't match up personality or style, you may be entering a grueling battle.

Ask yourself the following questions when narrowing down your farm area:

- ▶ Is this an area in which I can enthusiastically sell?
Pros: _____
Cons: _____
- ▶ Will I relate well to the property owners?
Similarities: _____
Differences: _____
- ▶ Will it be convenient for me to service this farm?
Benefits: _____
Obstacles: _____

Set yourself up to be an area expert by keeping a binder with the following information:

- | | | |
|--|---------------------------|--------------------|
| ▶ All Current Listings | ▶ Area Information | ▶ Shopping |
| ▶ All Past Sales | ▶ Reports for each School | ▶ Recreation |
| ▶ All Information on Expired
and Withdrawn Listings | ▶ Transportation | ▶ Local Government |
| | ▶ Houses of Worship | |

Marketing To Your Farm

Mail Ideas

- ▶ The “I Specialize” or Introductory Letter
- ▶ Newsletter (either self-written or purchased)
- ▶ “Just Listed”
- ▶ “Just Sold”
- ▶ “Open House”
- ▶ Thank You Cards (“Thank you for the opportunity to provide information”)

Attention Grabbing Headlines

Elegant Entertaining • Ageless Beauty • Special Touches • People Pleaser • Room To Roam
Yards Of Yard • Budget Balancer • Equity Builder • Picture Perfect • Instantly Appealing
Nestled Near The Lake • Snuggled On Hillside • Designed With Distinction • Sun-Bathed
Turn Of The Century Charmer • Don't Dream A Dream - Buy One • A Place To Begin
Hassle-Free Home Buying • The Getaway • Take Time To Live • It's The Little Things
Home Without The Homework • Just For The Two Of You • A Home Memories Are Made Of
Escape From The Ordinary • Packed With Potential Old Values - Modern Comfort
For The Discriminating • Get Some Growing Room • An Escape From The Ordinary
Trade Frustration For Relaxation • Unlimited Possibilities • Snuggled In A Choice Setting Let
Nature Surround You • All The Work Is Done • Like A Picture Book • Shining & Spotless
So Much For So Little • Refreshingly Roomy • Wake Up With A Smile • Drenched In Sunshine
Swap Dreams For Reality • Roomy Rancher • Commuter's Special • A Great Entertainer
Postcard View • Artistically Landscaped • Just Far Enough Away

When Should I Prospect?

The best prospecting times are:

- ▶ 10am to Noon on weekdays
- ▶ 3-4:50pm on weekdays
- ▶ 7-8:30pm weekdays
- ▶ Noon to 5pm Saturdays
- ▶ 3-6pm on Fridays and Sundays

We recommend never prospecting at these times:

- ▶ Before 9am weekdays
- ▶ Before Noon on weekends
- ▶ 5-7pm any evening
- ▶ After 8:30pm any evening
- ▶ Whenever there is a major sports event on television or on holidays

3 Farming Ideas

- ▶ **Calendar of the Month** — designed to keep your name and face in front of prospects each day. It allows you to have an instant welcome into the house. Remember that it should be tailored to fit most of the people you plan to serve.
- ▶ **Neighborhood Service Directory** — designed to get you involved in the community. Go house to house or make calls to compile a list of neighbors who are willing to provide services: babysitting, lawn care, mechanical, plumbing, home repair, etc. Produce the directory with your name and contact information.
- ▶ **Series of Timely Home Tips** — include spring lawn care, preparing your home for Winter, Planting bulbs/plants that thrive, vacation checklist, back to school tips, etc.

Online Marketing

1. Have a blog that is geared toward your real estate marketplace, community, real estate laws, and homeownership. There are many free blogs you can get started with: Google Blogger, Wordpress.com, ActiveRain, RealTown. Once you are set up, zero in on the following:

- Write to your audience with good, interesting content
- Share interesting business and real estate events from Inman News, Realtor.org, etc. (keeping in mind that you can share your own thoughts on news items posted on other sites, but that simply cutting-and-pasting stories from them into your own blog is a violation of copyright law).
- Include links to resources, sites, points of interest, and a photo on each blog post
- Use widgets for e-mail sign-up, RSS, older posts, and links
- Use key plugins and widgets for social, optimization, and other time-saving features
- Bookmark your blog posts and others in categories to share
- Use the “Add This” button for sharing on Delicious, Digg, StumbleUpon etc.
- Share your posts on Facebook, LinkedIn, and Twitter

2. Google Tools

- Google Profile: Make it complete with links to all your other sites, blogs, and social media profiles.
- Google Reader: Wonderful for research and staying abreast of industry news, innovations, and community. Favorites include Mashable, Inman News, and RISMedia.
- Google Alerts: Set up Google Alerts on yourself, your company, your competition, your community and real estate in general. This will alert you on timely matters and news.

4. Facebook

- Profile: Use a photo and complete your profile with keywords that will relate to you, your business, and interests. Brand your page with your name. This is better than having all those numbers connected to your address.
- Business Page: You can get this page branded and customized to match your website or blog (there's a fee involved), or use some of the applications included with Facebook.
- Focus on community: Places to see, things to do, events, festivals, meetings, points of interest, and other relevant facts.
- Use RSS and share blog posts to your business page
- Marketplace: Another avenue for promoting and advertising your listings and services.

Online Marketing

4. LinkedIn

- Make sure your profile is complete.
- Participate in the Questions and Answers section.
- Applications: Forward Twitter streams to your LinkedIn; set up your blog to RSS into LinkedIn; post your recommended books.
- Build your recommendations up to 12+ from key local community business people and centers of influence.
- Complete a resume for your LinkedIn profile geared toward real estate. Remember you wake up unemployed every day. Your resume should highlight your career successes, education, and accomplishments.

5. YouTube

- Set up a profile and YouTube channel for your business.
- Use YouTube to do quick real estate market updates for your community, discuss community events, grand openings, and other items of interest that can be shared. Keep these videos to under two minutes.
- Share your updated videos on Facebook, LinkedIn, and Twitter.
- Upload appropriate videos to your blog.

6. Twitter

- This profile can only be 140 characters or less, so focus on your community, real estate, homes, services, and a link to your website or blog.
- A photo or avatar is a must.
- Share, thank, compliment often (3 to 1 rule).
- RT (retweet) others' Tweets that are interesting and informative.
- Don't sell -- provide links to further information.

Open Houses

Tips for an Effective Open House

- ▶ **Let the neighbors know what's happening.** By notifying all of the neighbors surrounding the Open House, including your database, you'll generate excitement about the open house. Do this by mail, phone, or in person. You can access this information by calling MTE.
- ▶ **Advertise for increased exposure.** Have additional advertising sponsored by affiliated lenders so that more people will be able to find the open house.
- ▶ **Hold several simultaneous viewings.** Have multiple open houses in the usual time of 12:00 - 3:00pm, so that each open house is shorter, but more people will be able to see different homes.
- ▶ **Supply valuable printed information.** Have tools for buyers and sellers available at your open houses. Make relocation packages, local school information, homebuyers/home Sellers handbooks, information on the title and escrow process, lists of others listings in the area and other items available to potential buyers.
- ▶ Follow-up with additional related campaigns.
- ▶ Lastly, implement follow-up campaigns including thank-you notes and search systems supplied to the potential buyers. This takes the usual passive open house and turns it into pro-active prospecting.

*Ask Montana Title & Escrow how to get
your Open House Survival Kit!*

Title Insurance

What is Title Insurance?

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. 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.

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. That's why you need to choose a title company like Montana Title & Escrow to protect possibly your greatest investment.

At Montana Title & Escrow, we support our clients in the pursuit of the American dream of homeownership. If you would like additional information on title or escrow, call us at any of our offices. We listen, we care and we respond... Our lifeblood is customer satisfaction!

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?

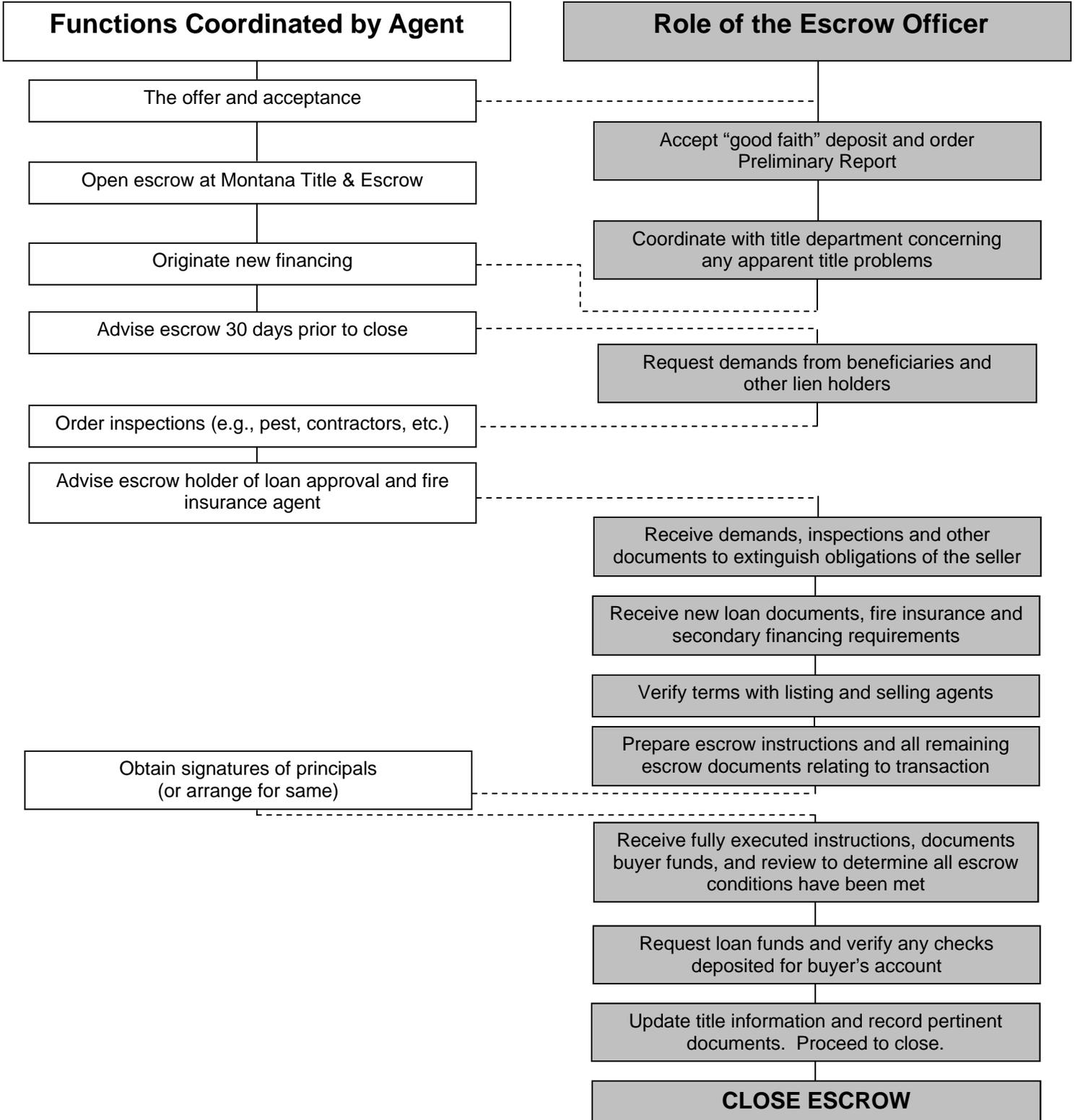
The buyer or seller may be asked to complete a Statement of Identity as part of the paperwork. Because many people have similar last names, the Statement of Identity is used to identify the specific person in the transaction through such information as date of birth, social security number, etc. This 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 lender to schedule a signing appointment.

Life of an Escrow



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
*Subject to a deductible and maximum dollar limit liability			
** Does not include any protrusions beyond the drip edge of the dwelling or garage (if not used commercially)			

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.

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

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.

