

Professor Thomson
Fin 3433
Chapter 14:

Contracts for
Sale
and Closing

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Contract for Sale: The Most Important Document in Real Estate

- Determines price and terms of the transaction
- Defines property interest being conveyed
- Determines the grantee
- Determines other conditions of the transaction
 - Financing
 - Date of occupancy
 - Any repairs or other conditions of the sale

Required Elements of a Contract

- Competent parties
- Legal objective
- Offer and acceptance
- Consideration
- No defects to mutual assent
- Contract for sale of real estate:
 - Written (per Statute of Frauds)
 - Proper description of property

A Closer Look at Requirements

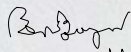
- Competent parties
 - Of legal age
 - Not incapacitated at time of signing
 - Appropriate official if representing a corporation
 - Power of attorney if acting for another person
- Lawful intent
- Offer and acceptance
- Consideration
- No defects to mutual assent
- In writing
- Legal Description should be used

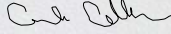
Legal vs. Equitable Title

- Legal title: Ownership of a freehold estate
- Equitable title: Right to obtain legal title
- Buyer obtains equitable title when a contract for sale of real estate is fully signed

Would This Be a Valid Contract?

I, Ben Buyer, agree to buy and pay \$20,000, and I, Cecil Celler, Agree to sell the parcel of real estate at 1013 NE Seventh Road in North Platte, Nebraska.

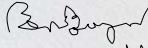
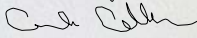
Ben Buyer: 

Cecil Celler: 

- Competent parties?
- Legal objective?
- Offer and acceptance?
- Consideration?
- Defects to mutual assent?
- In writing?
- Valid description?

Problems with This Contract?

I, Ben Buyer, agree to buy and pay \$20,000, and I, Cecil Celler, Agree to sell the parcel of real estate at 1013 NE Seventh Road In North Platte, Nebraska.

Ben Buyer: 
 Cecil Celler: 

- What are boundaries of 1013 NE Seventh Road?
- When is the closing?
- When does Ben get possession?
- Cash sale? Earnest money deposit?
- Must Cecil deliver marketable title?
- Is a quitclaim deed acceptable?
- Any fixtures (e.g., fences?)
- Is Cecil married?
- Are there structures? Condition now? Condition at closing?

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Advantages of Form Contracts

- Neutral (not prepared by opposite party)
- Ready-made treatment of details
 - Prorations
 - Inspections
 - Performance dates
 - Many others
- Local real estate boards are a good source
 - Up-to-date with current relevant law
 - Adapted to locally important issues
 - Radon risk Flood plain
 - Insulation quality Water supply
- Generally neutral between the buyer and seller

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Risks with Standard Form Contracts

- May treat some issues too lightly
 - Perpetual struggle on contract detail
 - Attorneys: More detail reduces future disputes
 - Brokers: Long contracts put a chill on negotiations
 - Resolution: Bar Assn.-Realtors jointly drafted contract form
- Inappropriate and inadequate application of a form contract:
 - Residential contract for apartment property
 - Residential contract for undeveloped land

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Components of a Form Contract

- Part I: Points particular to the deal
 - Items to be negotiated (price, date of closing, distribution of expenses)
 - Items that characterize the property (water source, zoning, flood zone status)
- Part II: Items that must be clear (the same for most transactions)
 - Provisions for survey
 - Proration procedure
 - Disbursement of funds
 - Recourses in case of default

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Handling of Funds

- Broker normally handles funds for a transaction
- Broker *must* put deposits in escrow
 - Escrow account: An account holding funds dedicated for a particular purpose
 - Must be with insured institution or title company
- At closing, money is disbursed in accordance with a closing statement

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Sales Contract - 1

Deposit receipt

DEPOSIT RECEIPT AND PURCHASE AND SALE AGREEMENT
CONVENTIONAL FINANCING

Date: May 15, 2003

Receipt is hereby acknowledged by Reden Associates Realty _____, hereinafter called REALTOR(s), of the sum of Five Thousand Dollars (\$5000.00) (by check) from George and Helen Jones _____, hereinafter called BUYER as a deposit and as a part of the purchase price on account of an offer to purchase the property of Fred and Louise Johnson _____, hereinafter called SELLER, said property being in Alachua County, Florida, and described as follows: Parcel No. 3 Block 2 of Spring Meadow Estates PB 12 Pg 28 also known as: 1823 NW 40th Avenue, Gainesville, FL _____ together with the following personal property: 2 window air conditioners, 1 picnic table, 1 Kenmore refrigerator, 1 Hot Point range

Legal description **Addressing fixtures problem**

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Sales Contract - 2

Terms of the offer

The SELLER hereby agrees to sell said property to the BUYER and the BUYER hereby agrees to purchase said property from the SELLER upon the following terms and conditions:

1. PURCHASE AND SALES PRICE:
 Payable as follows:
 (a) Deposit paid herewith \$ 3,000.00
 (b) Additional Deposit within _____ days after Effective Date
 (c) Cash at Closing (US cash, certified or cashier's check)
 (d) Balance payable: see 2A
 (e) _____
 TOTAL PURCHASE AND SALES PRICE \$ 121,600.00

2. ADDITIONAL TERMS AND CONDITIONS:
 A. Contingent upon a satisfactory radon and building inspection to be made within 10 days of final acceptance of contract, to be paid for by buyers. Failure to notify sellers in writing of nonacceptance within this period will automatically remove this contingency.

Counter offer

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Offer contingent upon radon and construction inspection

Sales Contract - 3

Closing date

4. CLOSING DATE. This transaction shall be closed and the deed and other closing papers delivered on July 1, 2003 or such earlier date as may be mutually agreed upon, unless extended by other provisions of this Agreement.

5. A NEW FINANCING: If the purchase price or any part thereof is to be financed by a third party loan, this Agreement is conditioned upon the BUYER obtaining a firm commitment for said loan, within 30 days from the effective date at an interest rate not to exceed the current market interest rate of _____% BYA _____ percent _____% for the initial period of an adjustable rate mortgage term of _____ years.

6. If the BUYER fails to obtain such loan, the principal amount of not less than _____ hundred twenty one thousand and _____ dollars (\$ _____) shall be due with the late installment payment, and in any event, shall be due no later than the due date of the next installment payment. Failure to pay the late charge when due shall constitute a default under the promissory note and mortgage. Said mortgage shall require all prior liens and encumbrances to be kept in good standing and shall forbid modifications of or future advances under prior mortgages.

Deal is contingent on obtaining loan: fixed rate, 30 years, \$121,600, 6.75 percent.

Sales Contract - 4

If existing loan will remain, sale is contingent on a successful assumption

B. EXISTING FINANCING: If the purchase price or any part thereof is to be assumed by assumption of existing financing, this Agreement is contingent upon such loan being assumable without condition or BUYER qualifying to assume same within _____ days of the effective date of the mortgage. The existing mortgage (Check One) is a variable interest rate of _____ or is a fixed interest rate of _____ per annum. All _____ title transfer mortgage interest rates are subject to increase. If increased, the rate shall not exceed _____% per annum. SELLER shall, within ten (10) days from effective date, furnish a copy of the existing note and mortgage to the BUYER. BUYER shall promptly obtain all required applications and will diligently complete and return them to the Mortgagee for assumption. If the BUYER fails to obtain such loan, the principal amount of not less than _____ hundred twenty one thousand and _____ dollars (\$ _____) shall be due with the late installment payment, and in any event, shall be due no later than the due date of the next installment payment. Failure to pay the late charge when due shall constitute a default under the promissory note and mortgage. Said mortgage shall require all prior liens and encumbrances to be kept in good standing and shall forbid modifications of or future advances under prior mortgages.

If buyer wants to assume the loan, they'll get at the application quickly

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Who pays for the assumption?

A limit to the assumption fee

Seller comes up with the actual Note in 10 days

Sales Contract - 5

When does default occur?

C. PURCHASE MONEY NOTE AND MORTGAGE TO SELLER: The purchase money note and mortgage, if any, shall provide for a thirty (30) day grace period in the event of default if it is first mortgage and a fifteen (15) day grace period if it is a second mortgage, shall provide for right of prepayment in whole or in part without penalty, and shall be otherwise in form and content in accordance with covenants established by the Eight Judicial Circuit Bar Association. Said note and mortgage shall provide that in the event any installment is more than fifteen (15) days delinquent, the holder may assess a late charge of five percent (5%) of the late installment payment, or Ten Dollars (\$10) whichever is greater, which late payment shall be due with the late installment payment, and in any event, shall be due no later than the due date of the next installment payment. Failure to pay the late charge when due shall constitute a default under the promissory note and mortgage. Said mortgage shall require all prior liens and encumbrances to be kept in good standing and shall forbid modifications of or future advances under prior mortgages.

What right of prepayment?

The purchase money mortgage and note (check one)
 shall be fully assumable
 shall not be assumable, directly or indirectly, and shall include a standard buy-out clause prohibiting sale or transfer other than by deed and distribution in case of death or for a loan of three years or less not including an option to purchase.
 shall be assumable on these conditions: _____

Will this debt be assumable?

Can any earlier mortgage loans be increased?

What is the late fee?

Sales Contract - 6

What kind of Evidence of title From the seller?

6. EVIDENCE OF TITLE: The SELLER shall furnish to BUYER or his ATTORNEY or agent whose name is James Hardy (Check One)
 An abstract from earliest public records, brought current, showing title to be marketable or assignable
 ALTA Owner's Title Insurance Commitment in the amount of the purchase price. If BUYER is required to furnish a mortgage title insurance policy, SELLER agrees to select title agent approved by BUYER'S lender who can provide a continuous mortgage policy.

Title required to be furnished within (Check One)
 Ability _____ days from _____ days from _____

How quickly?

How long can the buyer review it?

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What if there is a problem?

Sales Contract - 7

What about termites or fungus?

8. TERMITES OR OTHER INFESTATION: SELLER shall furnish to BUYER or his attorney or his agent at least five (5) days prior to closing a certificate of a locally licensed entomologist dated within thirty (30) days prior to closing, showing any infestations on the premises, exclusive of fences and wood deck to be appropriately free from active infestation (other than infestation by wood-destroying fungi) or damage (including that caused by wood-deteriorating fungi) by termites or other wood-destroying organisms as required to be disclosed by Florida Law. If active infestation or damage is found to be present, the SELLER shall bear the total cost of remedying such active infestation and damage, except BUYER shall be responsible for damage caused by wood-destroying fungi where the cost of repair is less than One Thousand Dollars (\$1000). Should the cost of such treatment and repair exceed one thousand dollars (\$1,000), SELLER may elect to terminate this Agreement and all rights and liabilities of all parties shall be at an end and the deposit shall be returned to BUYER, unless the BUYER elects to proceed with the transaction having the above amount as a credit at closing.

Are any structures exempted from inspection?

9. ASSIGNABILITY: This Agreement (Check One) is assignable is not assignable.

Is this contract assignable to another person?

How much damage before the contract is upset?

Sales Contract - 8

If you are buying a house, Does this tell you what You need to know?

If you are buying a vacant lot, does this tell you what you need to know?

Why does this matter?

10. RESTRICTIONS, EASEMENTS AND LIMITATIONS. The BUYER shall take title subject to zoning, restrictions, prohibitions and other requirements imposed by governmental authority, easements and matters appearing on the plat or otherwise common to the subdivision, public utility easements of record, taxes for the year of closing and subsequent years, assumed mortgages and purchase money mortgages. If any other _____ is provided, however, that there exists at closing no violation of the foregoing and that the foregoing do not affect the marketability of title, and they do not prevent the use of the property for residential purposes.

11. UTILITIES: SELLER represents subject property is served by (check if applicable):

- Central Water system
- Well
- Central wastewater system
- Septic tank
- None of the above

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Sales Contract - 9

What does the seller pay for?

What does the buyer pay for?

12. EXPENSES: SELLER shall pay for the following expenses:

- a. Real estate commission
- b. State documentary stamps to be affixed to deed
- c. Preparation of instruments required of SELLER
- d. Abstract or title insurance
- e. Termite inspection fee
- f. SELLER'S attorney fee
- g. _____
- h. _____

BUYER shall pay for the following expenses:

- a. Title examination and title opinion, if any
- b. Recording fee
- c. All expenses relative to all notes and mortgages, or a contract for deed, including preparation, recording, documentary stamps, intangible tax, and mortgage insurance
- d. Transfer costs of any existing mortgages
- e. Survey, if any
- f. BUYER'S attorney fee
- g. _____
- h. _____

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Sales Contract - 10

What promises is the seller making about condition of the structure?

About systems and appliances?

How much repair cost before the contract is in question?

Who is qualified to inspect and repair the property?

13. INSPECTION, REPAIR AND MAINTENANCE: Unless otherwise stated in this Agreement, SELLER warrants that (a) the ceiling, roof (including fascia and soffits), and exterior and interior walls do not have any some evidence of leaks, water damage or structural damage. In the event repairs or replacements are required, SELLER shall pay up to _____ Dollars (\$2,000.00) for each repairs or replacements; (b) SELLER further warrants that _____ (specify tank, pool, all major appliances, heating, cooling, electrical, plumbing systems and machinery set in good working condition). In the event repairs or replacements are required, SELLER shall pay up to _____ Dollars (\$2,000.00) for such repairs or replacements. However, if the cost for such repairs or replacements for either (a) or (b) above exceeds the stated amount, BUYER or SELLER may elect to pay such excess, failing which either party may cancel this Agreement. BUYER may, at BUYER'S expense, have inspectors made of the roof and tied items and shall report in writing to SELLER such items that do not meet the above warranty within _____ days prior to possession or not less than ten (10) calendar days prior to closing, whichever date first occurs. All such inspections shall be at BUYER'S expense, including any utility meter charges and costs of electricity and gas if these utilities are not currently on the property. Notwithstanding the provisions hereof, between the effective date of the Agreement and the closing, SELLER shall maintain the real and personal property in the condition herein warranted, reasonable wear and tear excepted, and shall maintain the lawn and shrubbery in substantially the same condition as of the effective date of this Agreement. BUYER'S designees shall be permitted reasonable access for inspection prior to closing in order to ensure the compliance with the maintenance requirements. For the purpose of this provision, all inspections, repairs and replacements shall be made by an appropriately licensed firm or individual, or by a firm or individual specializing in home inspections and holding an appropriate license if required, or other mutually acceptable persons. The items listed above are the only repair items covered by this Agreement unless otherwise specifically provided for in the Agreement. SELLER makes no warranties as to conformity with current applicable code requirements.

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Sales Contract - 11

What kind of deed is acceptable?

When does the buyer get possession?

How long does the seller have to respond to this offer?

14. CONVEYANCE: SELLER shall convey title to the property by statutory warranty, power, personal representative or guardian deed, as appropriate to the status of SELLER. Fee and cost of all encumbrances and liens of whatever nature, except taxes for the current year, and except as herein otherwise provided, the SELLER shall also deliver to the BUYER a full and possession affidavit at closing, sufficient to remove liens and possession exceptions from title insurance coverage. Conveyance of title shall be by General and Special Deed.

15. DATE OF POSSESSION: BUYER shall be given possession _____ date of closing.

16. TIME FOR ACCEPTANCE-FACSIMILE: If this Agreement is not executed by all parties hereto, or FACT OF EXECUTION communicated in writing between the parties, on or before May 15, 2003, the aforesaid deposit(s) shall, at the option of the BUYER, be returned to BUYER and this Agreement shall be null and void. A facsimile copy of this Agreement and any signatures hereon shall be considered for all purposes as originals.

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Sales Contract - 12

Is the property in a Flood zone?

Buyer is to receive estimate of closing costs.

What if it is, and the seller did not indicate it?

What if there is a Homeowner's association?

17. FLOOD ZONE REPRESENTATION: Flood Zone "A" is the designation for property that may be subject to more than a minimal risk of flooding. SELLER represents that the improvements (or the specific building area of unimproved property) are: (Check One of the following)

- within Flood zone "A"
- not within Flood zone "A"
- Flood zone status is unknown to SELLER

IF SELLER has not represented the improvements for effective buildable area to be within Flood Zone "A", and the BUYER produces evidence prior to closing of title that Flood Zone "A" is in fact applicable, the BUYER shall have the option to declare the Agreement terminated and shall thereupon be entitled to a refund of all deposits. Should BUYER close title without obtaining evidence of Flood zone status, the BUYER shall be deemed to have waived all objections as to Flood zone regardless of the representations set forth in this paragraph.

18. DISCLOSURES: BUYER acknowledges that it does not acknowledge receipt of agency and estimated closing costs disclosure. BUYER'S INITIALS: BTB

19. HOMEOWNER'S ASSOCIATION DISCLOSURE: If the property subject to this Agreement lies within a development served by a homeowner's association requiring owners of property in the development to join the association, a Homeowner's Disclosure Summary is attached hereto and by reference incorporated in and made a part of this Agreement. The BUYER ACKNOWLEDGES having received and read the attached Disclosure Summary required by Section 489.26, Florida Statute, prior to signing this Agreement. BUYER'S INITIALS: BTB

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Sales Contract - 13

What if the survey reveals an encroachment?

What is the seller's responsibility for latent defects?

How long does the buyer have to obtain a survey?

How long does a seller have to repair damage occurring after the contract is signed?

STANDARDS FOR REAL ESTATE TRANSACTIONS

C. SURVEY: If the BUYER desires a survey of the property, he may have the property surveyed at his expense at least 15 days prior to closing date. If the survey shows an encroachment on the land herein described, or that the improvements located on the land herein described encroach on other lands, or any shortages, written notice in the effect aforesaid shall be given to the SELLER and the same shall be treated as defects in title to be eliminated by SELLER with copies of existing surveys he has. If any, within 15 days from the effective date.

D. PREPARATIONS: All taxes for the current year, rental, apartment premiums, association assessment and interest on existing mortgages, if any, shall be prorated as of the date of closing with BUYER paying for the day of closing. If part of the purchase price is to be evidenced by the assumption of a mortgage requiring deposit of funds, in order for payment of taxes, insurance or other charges, the BUYER agrees to reimburse the SELLER for amounts herein advanced to BUYER at closing. All mortgage payments shall be current as the time of closing.

E. WARRANTIES: SELLER warrants that there are no facts or defects known to SELLER materially affecting the value of the real property which are not readily observable by BUYER or which have not been disclosed to BUYER in writing.

F. DEDUCTION OF DEFECTS: If any improvements, located on the above described premises at the time of execution of this Agreement are damaged by fire or other casualty prior to closing and can be substantially restored within a period not to exceed 45 days after the anticipated closing date, SELLER shall so restore the improvements and the closing date shall be extended accordingly. If such restoration cannot be completed within said period of time, this Agreement, at the option of the BUYER, shall terminate and all deposits shall be returned to BUYER. All risk of loss due to closing shall be borne by the SELLER.

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Sales Contract - 14

What are the remedies of the buyer?

What are the remedies of the seller?

How do you modify this contract?

I. FAILURE OF PERFORMANCE: If BUYER fails to perform under this Agreement within the time specified (including payment of all deposits hereunder), the deposits paid by BUYER may be retained for the account of SELLER as agreed upon. In liquidated damages, consideration for the execution of this Agreement and the full settlement of any claims, whereupon BUYER and SELLER shall be relieved of all obligations under this Agreement; or SELLER, at SELLER'S option, may proceed in equity to enforce SELLER'S right under this Agreement. If, for any reason other than failure of SELLER to make SELLER'S title marketable after diligent effort, SELLER fails, neglects or refuses to perform this Agreement, the BUYER may seek specific performance or effect to receive the return of BUYER'S deposit(s) without thereby waiving any action for damages resulting from SELLER'S breach.

J. OTHER AGREEMENTS: This Agreement constitutes the entire agreement between the parties, and any changes, amendments or modifications hereof shall be null and void unless now are reduced in writing and signed by parties hereto.

M. PROVISIONS: Typewritten or handwritten provisions inserted in this form shall control all printed provisions in conflict therewith.

Sales Contract - 15

Is time "of the essence," i.e., does ANY breach of a deadline constitute default?

What must seller provide concerning any leases?

Q. TIME: Time periods herein of less than six (6) months shall, in the computation, exclude Saturdays, Sundays and state or national legal holidays, and any time period provided for possession shall end on a Saturday, Sunday, or legal holiday, shall extend to 5:00 p.m. of the next business day. Failure of any party to perform and covenant of this Agreement within the time limits set forth for performance of such covenant shall not be considered a material breach existing performance unless such failure results in a material loss to the aggrieved party.

R. LEASES: SELLER shall, not less than 15 days before closing, furnish to BUYER copies of all written leases and estoppel letters from each tenant specifying the nature and duration of the tenant's occupancy, rental rates, and advanced rent and security deposits paid by tenant. If SELLER is unable to obtain such letter from each tenant, the same information shall be furnished by SELLER to BUYER within this time period in the form of a SELLER'S affidavit and BUYER may thereafter contact tenants to confirm such information. SELLER shall, at closing, deliver and assign all original leases to BUYER.

S. SPECIAL ASSESSMENTS:

1. UNIMPROVED PROPERTY: SELLER shall be responsible for payment of all special assessments for improvements whether in place or under construction as of the effective date of this Agreement. BUYER agrees to be responsible for all water and wastewater flow base and connection charges, if any, associated with placing any improvements upon the property.
2. IMPROVED PROPERTY: SELLER shall be responsible for payment of all special assessments for improvements whether in place or under construction as of the effective date of this Agreement. SELLER shall pay (or has paid) all water and wastewater flow base and connection charges.

Who pays unpaid assessments for utility or street improvements begun prior to the "effective date"?

Contract Terminology

- **Contingent contract:** Obligation of a party to perform depends on one or more conditions being met
- **Assignment:** One party's contractual rights and obligations are transferred to someone else
 - Does not relieve assignor of liability
 - Can be explicitly prohibited

Contract Terminology (continued)

- **Escrow agent:** Third party who holds moneys or documents on behalf of contract parties
 - Distributes items in accordance with contract
 - Can be attorney, financial institution, or title company

Remedies of Buyer and Seller

- **Suit for damages:** Always an option to both parties
- **Specific performance:** Buyer can force seller to convey title
- **Liquidated damages (seller):** Seller can retain deposit if buyer backs out
- **Rescission:** Mutual agreement to cancel

Roles of Brokers and Lender in the Transaction

- **Selling broker:** No legal role after contract is signed; facilitator for buyer
- **Listing broker:**
 - May handle closing if no lender is involved
 - May assist in retaining services for seller
- **Lender:**
 - Requirements
 - Often handles closing

Real Estate Settlement Procedures Act

- Applies to virtually every home loan:
 - Loans from federally chartered or insured institutions
 - FHA and VA loans
 - Loans to be sold to Fannie Mae or Freddie Mac
- Requirements:
 - Borrower to be provided information booklet
 - Borrower receives good faith estimate of closing costs
 - Closing statement must be HUD-1 form
 - Closing statement available 24 hours before closing
 - Kickbacks to closing-related vendors are prohibited
 - Limit to lender escrow deposit requirement

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Financial Items in a Closing

- | | |
|-----------------------------|--------------------------------|
| 1. Purchase price | ▪ Buyer pays |
| 2. Earnest money deposit | ▪ Buyer has prepaid |
| 3. Assumed mortgage | ▪ Buyer takes over from seller |
| 4. Purchase money mtg. | ▪ Seller loans to buyer |
| Prorated Items | |
| 5. Interest on assumed mtg. | ▪ Buyer pays, receives credit |
| 6. Existing insurance | ▪ Seller paid, receives credit |
| 7. Property taxes | ▪ Buyer pays, receives credit |

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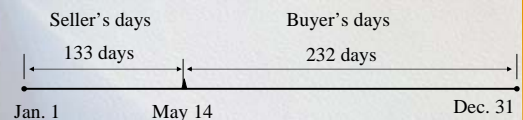
Financial Items in a Closing (continued)

- | | |
|------------------------------|----------------------------|
| ▪ Title insurance – owner's | ▪ Paid by seller |
| ▪ Title insurance – lender's | ▪ Paid by buyer |
| ▪ Attorney – buyer | ▪ Paid by buyer |
| ▪ Attorney – seller | ▪ Paid by seller |
| ▪ State doc. tax – Mtg. | ▪ Paid by buyer |
| ▪ State doc. tax – Deed | ▪ Generally paid by seller |
| ▪ Intangibles tax – Mtg. | ▪ Paid by buyer |
| ▪ Recording of new mtg. | ▪ Paid by buyer |
| ▪ Recording of deed | ▪ Paid by buyer |
| ▪ Brokerage commission | ▪ Paid by seller |

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Proration – Property Tax: Example

- Closing date: May 14 (365-day year)
 - Annual property tax: \$500

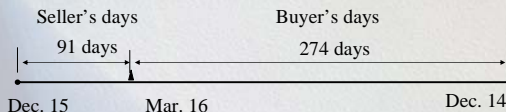


Seller's share of tax: $\frac{133}{365} \times \$500 = \182.19

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Proration of Insurance: Example

- Closing date: March 16 (365 day year)
 - Prepaid Insurance: Dec. 15 to Dec. 14, \$250 per year



Buyer's share of insurance: $\frac{274}{365} \times \$250 = \187.67

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Good Faith Estimate of Buyer's Closing Costs

Good Faith Estimate of Buyer's Closing Costs

Buyer: George and Helen Jones Seller: Fred and Louise Johnson

Property: 1822 N.W. 40th Avenue Date: September 15

Address: Gainesville, FL Loan: \$123,000, at 7.0%, 30-year fixed rate

Estimated Costs

Item	Item Description	Pay By	Amount
900	ITEMS PAYABLE IN CONNECTION WITH LOAN		
901	Origination Fee		\$2,250.00
902	Document Fee		1,275.00
903	Appraisal Fee		275.00
904	Credit Report		55.00
907	Topographic Fee		85.00
911	Document Return		305.00
912	Final Certification Fee		18.00
900	ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE		
901	Interest for 31 days @ \$22.00 per day		697.12
902	First Year Mortgage Insurance Premium		114.00
903	First Year Flood Insurance Premium		684.00
1000	ITEMS REPORTED WITH LENDER		
1001	Hazard Insurance: 2 months @ \$17.00 per month		114.00
1002	Mortgage Insurance: 2 months @ 1.00 per month		20.00
1003	City Property Taxes: 3 Months @ 1.00 per month		300.00
1004	County Property Taxes: 3 Months @ \$233.33 per month		699.99
1100	TITLE CHARGES		
1102	Title Search		42.00
1103	Document Preparation Fee		250.00
1107	Attorney's Fee		200.00
1108	Title Insurance Premium		200.00
1109	Lender's Coverage		150.00
1110	Owner's Coverage		150.00
1111	Endorsement Fees		150.00
1200	GOVERNMENT RECORDING AND TRANSFER CHARGES		
1201	Recording Fee		95.00
1202	City County Tax Stamps		242.50
1203	State Tax Stamps: Dual \$	May \$425.00	425.00
1204	Intangible Tax		242.50
1300	ADDITIONAL SETTLEMENT CHARGES		
1301	Survey		275.00
1302	Post Inspection		15.00
1400	TOTAL ESTIMATED CLOSING COSTS		\$7,072.61

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Good Faith Estimate of Buyer's Closing Costs

Good Faith Estimate of Buyer's Closing Costs			
Buyer:	George and Helen Jones	Seller:	Fred and Louise Johnson
Property:	1822 N.W. 40th Avenue	Date:	September 15,
Address:	Gainesville, FL	Loan:	\$121,600, 6.75% 30-year fixed rate
			Paid By
			Borrower
Estimated Costs			
800.	ITEMS PAYABLE IN CONNECTION WITH LOAN		
801.	Origination Fee		\$1,216.00
802.	Discount Fee		1,216.00
803.	Appraisal Fee		275.00
804.	Credit Report		16.50
807.	Tax Service Fee		59.00
811.	Document Review		395.00
812.	Flood Certification Fee		18.00
900.	ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE		
901.	Interest for 31 days @ \$22.49 per day		697.12
902.	First Year Mortgage Insurance Premium		
903.	First Year Hazard Insurance Premium		684.00

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Good Faith Estimate of Buyer's Closing Costs (continued)

1000.	RESERVES DEPOSITED WITH LENDER		
1001.	Hazard Insurance: 2 months @ \$57.00 per month		114.00
1002.	Mortgage Insurance: 2 months @ per month		
1003.	City Property Taxes: 3 Months @ per month		
1004.	County Property Taxes: 3 Months @ \$233.33 per month		699.99
1100.	TITLE CHARGES		
1102.	Title Search		
1105.	Document Preparation Fee		42.00
1107.	Attorney's Fees		250.00
1108.	Title Insurance Premium:		
1109.	Lender's Coverage		200.00
1110.	Owner's Coverage		
1111.	Endorsement Fees		153.00
1200.	GOVERNMENT RECORDING AND TRANSFER CHARGES		
1201.	Recording Fees		93.00
1202.	City County Tax Stamps		
1203.	State Tax Stamps: Deed \$ Mig \$425.60		425.60
1204.	Intangible Tax		243.20
1300.	ADDITIONAL SETTLEMENT CHARGES		
1301.	Survey		275.00
1302.	Pest Inspection		
1400.	TOTAL ESTIMATED CLOSING COSTS		\$7,072.41

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Preclosing Steps of Buyers (Joneses)

- Had property surveyed for encroachments
- Reviewed private restrictions for violations
- Reviewed zoning for neighborhood
- Examined estimated closing costs
- Ordered lenders title insurance
- Had property inspected
- Verified that seller has performed required tasks
- Arranged utility service transfers

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Preclosing Steps of Sellers (Johnsons)

- Order owner's title policy
- Order termite inspection
- Order discontinuation of hazard insurance and utilities

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Preclosing Steps of Closing Agent (Lender)

- Prepare or obtain general warranty deed
- Prepare mortgage and note
- Prepare check from lender to the seller
- Prepare HUD-1 closing statement
- Obtain satisfaction of mortgage from sellers' mortgagee confirming balance

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Settlement Statement

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Settlement Statement (continued)

U.S. Department of Housing and Urban Development OMB Approval No. 2502-0085

A. Settlement Statement

B. Type of Loan: FHA FVA FedtA Gen. Unlt'd VA Con. Ins.

C. Seller: This form is completed to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "To B" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Seller's Name or Borrower's Name: George and Helen Jones
E. Seller's Address: 1228 Omega Avenue, Cincinnati, Ohio
F. Buyer's Name or Borrower's Name: Fred and Louise Johnson
G. Buyer's Address: 1822 NW 40th Avenue, Gainesville, FL
H. Seller's Agent: DownTrust Bank
I. Settlement Date: July 1, 2003

J. Summary of Borrower's Transaction:

100. Gross Amount Due From Borrower	159,072.41	400. Gross Amount Due To Seller	152,000.00
101. Contract sales price	152,000.00	401. Contract sales price	152,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	7072.41	403.	
104.		404.	
105.		405.	
106. Adjustments for items paid by seller in advance		406. Adjustments for items paid by seller in advance	
107. City/town taxes		407. City/town taxes	
108. County taxes		408. County taxes	
109. Assessments		409. Assessments	
110.		410.	
111.		411.	
112.		412.	
113.		413.	
114.		414.	
115.		415.	
116.		416.	
117.		417.	
118.		418.	
119.		419.	
120. Total Paid By/For Borrower	159,072.41	420. Total Reduction Amount Due Seller	94,820.00
121. Cash At Settlement From/To Borrower		421. Cash At Settlement To/From Seller	
122. Gross amount due from borrower (line 120)	159,072.41	422. Gross amount due to seller (line 420)	152,000.00
123. Less amounts paid by/for borrower (line 200)	128,000.00	423. Less reductions to and from seller (line 200)	94,820.00
124. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	31,072.41	424. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Seller	57,180.00

Settlement Statement (continued)

130. Gross Amount Due From Borrower	159,072.41	425. Gross Amount Due To Seller	152,000.00
200. Amounts Paid By Or In Behalf Of Borrower	5,000.00	426. Reductions in Amount Due To Seller	
201. Deposit or escrow money		427. Gross deposit (see instructions)	
202. Principal amount of new loan(s)	121,600.00	428. Settlement charges to seller (line 1400)	11,420.00
203. Existing loan(s) taken subject to		429. Existing loan(s) taken subject to	
204.		430. Payoff of first mortgage loan	82,000.00
205.		431. Payoff of second mortgage loan	
206.		432.	
207.		433.	
208.		434.	
209.		435.	
210.		436.	
211. City/town taxes		437. City/town taxes	
212. County taxes 01/01/03 to 6/30/03	1,400.00	438. County taxes 1/1/03 to 6/30/03	1400.00
213. Assessments		439. Assessments	
214.		440.	
215.		441.	
216.		442.	
217.		443.	
218.		444.	
219.		445.	
220. Total Paid By/For Borrower	128,000.00	446. Total Reduction Amount Due Seller	94,820.00
221. Cash At Settlement From/To Borrower		447. Cash At Settlement To/From Seller	
222. Gross amount due from borrower (line 120)	159,072.41	448. Gross amount due to seller (line 420)	152,000.00
223. Less amounts paid by/for borrower (line 200)	128,000.00	449. Less reductions to and from seller (line 200)	94,820.00
224. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	31,072.41	450. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Seller	57,180.00

Settlement Statement (continued)

L. Settlement Charges

700. Total Seller/Broker's Commission based on price \$

701. Division of Commission (line 700) as follows:

702. \$ 9120.00	to	Baden Associates Realty	
703. Commission paid at settlement			9120.00
704.			

800. Items Payable in Connection With Loan

801. Loan Origination Fee		216.00	
802. Loan Discount		216.00	
803. Appraisal Fee		275.00	
804. Credit Report		16.50	
805. Lender's Inspection Fee			
806. Mortgage Insurance Application Fee to			
807. Assumption Fee			
808. Tax Service Fee		59.00	
809. Flood Certification Fee First American Flood Data		18.00	
810. Document Review		395.00	
811. Items Required by Lender To Be Paid in Advance			
812. Interest from July 1 to July 31 at 22.49	day	697.12	
813. Mortgage Insurance Premium for	months to	684.00	
814. Hazard Insurance Premium for	years to		
815.			
1000. Reserves Deposited With Lender			
1001. Hazard Insurance	2 months @ \$ 57.00	per month	114.00
1002. Mortgage Insurance	months @ \$	per month	
1003. City property taxes	months @ \$	per month	
1004. County property taxes	3 months @ \$ 233.33	per month	699.99
1005. Annual assessments	months @ \$	per month	
1006.	months @ \$	per month	
1007.	months @ \$	per month	
1008.	months @ \$	per month	

Settlement Statement (continued)

1100. Title Charges			
1101. Settlement or closing fee	to	Deed Preparation	100.00
1102. Abstract or title search	to		
1103. Title examination	to		
1104. Title insurance binder	to		
1105. Document preparation	to	FNDCON	42.00
1106. Notary fee	to		
1107. Attorney's fees \$250	to	James Hardy	250.00
(includes above item numbers)			
1108. Title insurance	to		200.00
(includes above item numbers)			
1109. Lender's coverage \$ 2,600,000	to		200.00
1110. Owner's coverage \$ 52,000.00	to		
1111. Title Endorsement Fees			153.00
1112.			
1113.			
1200. Government Recording and Transfer Charges			
1201. Recording fees: Deed \$ 6.00 ; Mortgage \$ 93.00 ; Releases \$ 0.00			93.00
1202. City/county investment: Deed \$; Mortgage \$			
1203. State tax/fees: Deed \$ 1054.00 ; Mortgage \$ 425.60			425.60
1204. Intangible Tax			243.20
1205.			
1300. Additional Settlement Charges			
1301. Survey	to		275.00
1302. Past inspections	to		30.00
1303.			
1304.			
1305.			
1400. Total Settlement Charges (enter on lines 103, Section J and 802, Section K)		7072.41	11420.00

