

Information to Make Your Closing More Successful



▶ 1. Fire Insurance Policy

Your Lender will require a hazard insurance policy naming the bank as the first Loss Payee. It is to your advantage to shop around for the best rate. Once you have placed your insurance, instruct your agent to call the escrow officer, as there will be other information needed to complete the policy.

▶ 2. Lender Requirements as to Fees

A. Prepaid Interest - Interest from your new loan is paid in arrears (i.e., if escrow closes 7/10, escrow will collect interest from 7/10 to 8/1 and the first payment is 9/1, which pays interest from 8/1 to 9/1).

B. 90% Financing - Additional fees may be required:

- 1. PMI (Private Mortgage Insurance)** - Usually .05% point fee. The Lender will require one year prepaid in escrow plus two months placed in a reserve account.
- 2. Fire Insurance** - One year prepaid in escrow plus two months placed in a reserve account.
- 3. Real Estate Property Taxes** - Depending on the month of the closing, the Lender will ask for two to 12 months tax reserve. ((i.e., if escrow closes 7/10; first payment 9/1; five months tax reserve will be collected in escrow, based on the new estimated assessed value. Five months tax reserve and the 9/1 payment will be sufficient to pay the first installment of taxes in October, with one month additional remaining in the reserve account.)
- 4. Credit Cards | Personal Loans | Car Loans** - Depending on your income to loan ratio, the Lender may require that all or a portion of your debts be paid in escrow. They will supply escrow with estimated balances. It is your responsibility to submit current billings and the self-addressed envelopes to escrow for payment. Escrow does not check balances or recent payments made.

▶ 3. Close Escrow

Assembly Bill 512 (Good Funds Bill), effective January 1, 1990, states that a title company may only make funds available for monetary disbursement in accordance with certain rules. Therefore, a cashier's check must be deposited in escrow one business day prior to recordation; wired funds should be sent two business days prior to close of escrow. Any other type of check deposited for closing can delay close of escrow for check clearance up to 10 days.

▶ 4. Colorado Revised Statutes (38.35.125)

The Colorado Revised Statutes (38.35.125) require that title companies receive "Good Funds" (i.e., funds that are immediately convertible to cash). You will need to make arrangements to bring cash or a cashier's check to closing or have funds wired prior to closing.

▶ 5. Power of Attorney

If any one of the Buyers will not be available to sign the escrow instructions and loan documents, notify your real estate agent immediately. Your real estate agent will notify your loan broker or bank and the title company. Most banks will accept a power of attorney signature if the document is prepared by the title company. Powers of attorney must always be approved by the Lender.

▶ 6. Vesting of Title

Prior to your appointment with your escrow officer, you should be aware and know how you wish to take title. Holding title is an individual concern. If you are unsure of how you wish to take title, consult with your attorney or tax accountant. Neither your real estate agent nor the escrow officer can advise you on this matter.

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▶ 7. Title Insurance Policy

You will have the opportunity to purchase an Owner's Title Policy of Insurance (ALTA/Owners) and you will be required by the lender to purchase a Lenders Title Policy of Insurance (ALTA/Lenders).

- ▶ ALTA Owner's Policy: Insures that you have marketable title to the property and that no other individual or government entity has any recorded rights, liens, claims or encumbrances to your property.
- ▶ ALTA Lender's Policy: Issued to Lenders only. This policy insures the Lender's priority and the fact that title is marketable. It may cover both recorded and unrecorded matters such as: Encroachments, unrecorded easements, access and loss of priority.

▶ 8. Closing Costs

The SELLER can generally be expected to pay for:

- ▶ Loan payoff (per existing Lender's payoff letter)
- ▶ Owner's title policy premium
- ▶ Owner's extended coverage endorsement
- ▶ Record release of existing lien(s)
- ▶ Current year real estate tax proration (per contract)
- ▶ Prior year's property taxes still due
- ▶ Water and sewer adjustments
- ▶ Homeowner's association adjustments
- ▶ Real estate closing fee (per contract)
- ▶ Commissions (per listing agreement)
- ▶ Courier fee
- ▶ Any other costs as outlined in real estate contract

The BUYER can generally be expected to pay for:

- ▶ Mortgagee's title policy and endorsements
- ▶ Record warranty deed
- ▶ Record deed of trust
- ▶ Tax certificate
- ▶ Courier fee
- ▶ State documentary fee
- ▶ Real estate closing fee (per contract)
- ▶ Loan closing fee
- ▶ Tax service fee (Lender charge)
- ▶ Full-year homeowner's insurance escrow (Lender charge)
- ▶ 2-3 months hazard insurance escrow (Lender charge)
- ▶ Tax reserve (Lender charge)
- ▶ Origination fee or discount fee (Lender charge)
- ▶ Appraisal (Lender charge)
- ▶ Credit report (Lender charge)
- ▶ Lender document preparation (Lender charge)
- ▶ Flood certification (Lender charge)
- ▶ Mortgage insurance premium – MIP or PMI (Lender charge)
- ▶ Miscellaneous loan fees (Lender charge)
- ▶ Survey/improvement location certificate
- ▶ Water and sewer adjustments (if applicable)
- ▶ Homeowner's association adjustment (if applicable)