

SAMPLE CONTRACT OF SALE

•
THE NEW SETTLEMENT
STATEMENT

•
THE NEW GOOD
FAITH ESTIMATE

•
EXCLUSIVE SETTLEMENT
COST ESTIMATOR

•
SETTLEMENT CHECKLIST

VILLAGE
SETTLEMENTS, INC.
HIRSCHEL, SAVITZ, PARKER
& HOLLMAN, P.A.
Real Estate Attorneys

Special
Money-Saving
Tips
Throughout!

ASK THE LAWYER

A Question and Answer Guide to the Real Estate Transaction



www.villagesettlements.com

Hirschel, Savitz, Parker & Hollman, P.A.

REAL ESTATE ATTORNEYS

WWW.VILLAGESSETTLEMENTS.COM

HERE'S TWENTY GREAT REASONS WHY VILLAGE SETTLEMENTS, INC. SHOULD CONDUCT YOUR REAL ESTATE SETTLEMENT...

1. OUR ATTORNEYS ALWAYS CONDUCT THE SETTLEMENT.
2. James Savitz is a recipient of both the *Maryland and Montgomery County Association of Realtors AFFILIATE OF THE YEAR AWARD*.
3. David Parker is a noted author and lecturer, with columns appearing regularly in newspapers and over 100 newsletters.
4. Michael Hollman handles complex settlements including foreclosures and short sales.
5. Complex Commercial and Residential Settlements conducted by attorney/owners Mark Simon, David Hahn, and Christopher DeLisi.
6. Settlements also conducted by our well known real estate attorneys Beau Pichon, Lisa Lamphier and David Roche.
7. **24-HOUR LAW LINE** – (301) 406-8972 and 1-866-219-6557. Our attorneys are always available. In fact, we created the original “24-hour law line.”
8. The SELLERS and AGENTS check are disbursed at the table.
9. Absolutely **NO HIDDEN FEES, FINE PRINT OR GIMMICKS.**
10. You benefit from Closing Cost reductions like Reissue Rates on title insurance.
11. A Free Contract Review is included in our settlement fee.
12. You'll receive a free copy of our book *Ask the Lawyer, A Question and Answer Guide to the Real Estate Transaction*, and a free Settlement Information Package.
13. Our attorneys have guest lectured at Montgomery College, Georgetown University Law Center, GCAAR and FCAR Continuing Education, Special Training Sessions and Home Buying Seminars.
14. We provide Draft Settlement Sheets prior to settlement upon request.
15. Title and survey problems solved before settlement.
16. We will provide translators if needed for Spanish, French, Italian, Portuguese, Japanese, Korean and Sign for the hearing impaired, free of charge.
17. **NO EXTRA CHARGE** for RUSH Settlements.
18. You may choose the attorney and processor, if desired.
19. Legal services available through our affiliated law firm, HIRSCHEL, SAVITZ, PARKER & HOLLMAN, P.A.
20. Activities for the children during settlement include movies, toys and coloring books in our exclusive Village Settlements Playroom. Visit our exclusive candy and snack wall!

AT VILLAGE SETTLEMENTS, INC., OUR ATTORNEYS
ALWAYS CONDUCT THE SETTLEMENT...



HIRSCHEL, SAVITZ, PARKER
& HOLLMAN, P.A.
Real Estate Attorneys

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The Fine Print: The principles provided in this booklet are designed to give the reader general information and should not be construed as legal, accounting or tax advice. For specific advice, the reader is advised to retain an attorney or accountant.

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Introduction

Village Settlements, Inc., is dedicated to providing comprehensive real estate settlement services for our clients.

Our attorneys have over 250 years of combined experience and have been serving the community since 1975. We recognize that buying and selling real estate is an exciting process, but is often complicated. Without experienced assistance, it can be frustrating and confusing. Village Settlements, Inc., provides the qualifications needed to ensure a smooth, professional settlement. As one of the State's leading settlement firms, we deliver strategic guidance through our substantial expertise and broad knowledge.

We believe strongly in effective communication among all parties involved in the transaction. We offer a clear understanding of the settlement process, sound advice, and a dedication to avoiding problems. We deal pragmatically with any conflicts and disputes that may arise.

Our professional staff is highly qualified and experienced in real estate law and related issues. Our state-of-the-art computer system provides the support necessary for accurate preparation of your real estate documents. Legal advice is also available through our affiliated law firm of Hirschel, Savitz, Parker & Hollman, P.A. Our clients can obtain legal assistance with matters including Contract, Deed and Power of Attorney preparation, like-kind exchanges, complex settlement transactions, foreclosures and short sales.

As you review this booklet, you may find that you have other questions regarding your real estate transaction. Please feel free to contact any of our attorneys to discuss your settlement. At Village Settlements, Inc., our attorneys are always available, free of charge, to answer any questions regarding your settlement. In fact, as creators of the 24-hour law line, we are always available to assist with legal issues that may arise. Our attorney-monitored law line can be reached at 301-406-8972 or 1-866-219-6557. Also, as we continue our role as innovators in the settlement industry, information is also available on the Internet at www.villagesettlements.com. Our attorneys can be reached via e-mail at "dparker@villagesettlements.com."

We look forward to working with you on your real estate settlement.



Why do I have to sign these forms?

Why do I have to sign so many forms, documents, disclosures and other papers?

As you begin the search for a new home, you may have questions about the many forms and documents which the real estate agent asks you to sign. Many new home purchasers are concerned that they must review and sign so many forms, even before the search for a house begins. Generally, the purpose of these initial forms is to help you understand the transaction. Most of the forms are required under Maryland law. After you carefully read the forms, you will see that the information disclosed in the documents will help you to become better informed about your real estate transaction.

1. Understanding Whom Real Estate Agents Represent This form was designed to help buyers and sellers understand who the real estate agents represent. As you review the form, you will see that there are agents who represent either the buyer or the seller, and in some limited situations, both the buyer and the seller. When you sign this form, you are simply acknowledging receipt of the disclosure. You are not signing a contract obligating you to purchase a house. The sole purpose of the form is to let you understand the different types of agency relationships, as well as who the specific real estate agent you are speaking with is representing.

2. Consent for Dual Agency The real estate agent may ask you to sign this form. Dual agency can occur when you are interested in a property which is listed by a certain real estate company, and your buyer's agent also works for the company which is listing the property. If the buyer's agent and seller's agent both work for the same company, then a potential conflict of interest may exist. Under Maryland law, as long as all parties to the transaction understand and consent to the fact that the buyer's agent and seller's agent both work for the same company, then the transaction may proceed. You are not required to consent to a dual agency. If you do not consent in writing to a dual agency, then no such relationship will exist. A dual agent must keep all information confidential regarding your negotiating position or desire to purchase a given property. A dual agent must also disclose all material facts about the property to the other party. However, a dual agent does not exclusively represent the buyer or seller.

3. Exclusive Retainer Agreement If you elect to hire the real estate agent to exclusively represent you as a "buyer's agent," then, prior to writing a contract offer, Maryland law requires that you and the agent must enter into a written agency relationship or retainer agreement. This agreement does not require that you buy a specific house. Instead, it will establish the buyer's and the agent's respective rights and responsibilities to each other.

4. RESPA Disclosure The Real Estate Settlement Procedures Act requires that certain brokers must make disclosures to you regarding their business relationships. Specifically, certain brokers may have an ownership interest or affiliation with a mortgage lender, settlement company, homeowners insurance company or other related businesses. If such a relationship exists, the Real Estate Settlement Procedures Act requires that this information be disclosed. The broker/agency is also required to disclose to you the approximate costs for services. You



should understand that the disclosure is designed to inform you of the business relationships. Unless otherwise disclosed, the real estate agent does not receive any financial benefit when you choose any of the related companies. You are also free to choose a different service provider if you so desire.

5. Some Information Relative to the Purchase of Real Estate The agent may ask you to sign this form which provides general information regarding the purchase of real estate. This form is not a contract to purchase a house. It is designed to help you understand some of the various rights and options which you may have. For example, disclosures are made regarding financing, property condition, hazardous materials, equal housing opportunity and information regarding the location of airports. This form is extremely valuable in that it neatly and concisely summarizes some of the most important information regarding real estate transactions.

6. Property Condition Disclosure Statement or Disclaimer Statement Under Maryland law, the purchaser is entitled to receive from the seller a written Residential Property Condition Disclosure Statement or a written Residential Property Disclaimer Statement. This form is designed to help you understand the condition of the property before signing a contract. It is possible that when you first visit a house, this form will be delivered to you for your review and signature. This form is not a contract to buy, nor does it obligate you in any way to purchase the house. It is designed to help you become better informed about the condition of the property.

7. Lead Paint Hazard Notification Federal and State legislation requires the disclosure of certain information regarding lead paint and lead poisoning. The agent may ask you to sign a form acknowledging that you have received and read a copy of the notice regarding the dangers of lead paint. Again, this form does not mean that lead paint necessarily exists in the house, nor does this form obligate you to purchase the property.

8. Government Regulations, Easements and Assessments Disclosure and Addendum (REA) This document is required for all listing agreements and sales contracts in Montgomery County. It was created by the Greater Capital Area Association of REALTORS in 2003 and requires that the Seller give additional disclosures such as whether the property is located in a Special Protection Area, the existence of well/septic, smoke detectors, historic preservation, front foot benefit charges, private utility assessments, development districts, special tax districts, transportation assessments, forest conservation easements, and airports and heliports.

As you can see, most of the above forms are mandatory disclosures and are designed to help you become a more knowledgeable purchaser. None of the forms obligate you to purchase property. If the real estate agent asks you to review and sign the forms, you should carefully read each form before signing them. However, if you still have questions regarding these mandatory disclosures, please feel free to call any of the attorneys at Village Settlements, Inc. If you have questions or concerns regarding **any** of the documents which you are asked to sign, please feel free to contact our office for your free contract and/or document review.



At Village Settlements, Inc., as part of our settlement package, the purchaser is entitled to a free contract review.



Who does the agent represent?

I am currently working with a real estate agent as I attempt to locate a new house. The agent has suggested that perhaps she serve as a "buyer's agent." I did not realize there was any difference between a buyer's agent and a seller's agent. Please explain the difference to me.

Initially, in order to understand the differences between a buyer's agent and a seller's agent, you should first understand the nature of a principal/agent relationship. An agent is a party who is authorized to act on behalf of another party (the principal). This agency relationship requires the highest standard of care on the part of the agent, including fiduciary responsibilities. These include absolute loyalty to the principal, together with a duty of honesty and total disclosure of all facts and information which may affect the principal. In addition, the agent is required to keep all information confidential and must obey the principal's instructions to the best of his or her ability.

Traditionally, an agent was hired by the seller of property and worked for the seller. This agent is usually referred to as the "listing agent." If another agent assists the buyer in finding the property, this other agent may be referred to as the "selling agent" or "cooperating agent." The selling agent is a sub-agent of the listing agent and, accordingly, works for and is paid by the seller. The selling agent does have certain responsibilities to the purchaser, including honesty and fairness.

In order to provide the purchaser with enhanced representation in a transaction, Maryland law now presumes a "buyer agency." In buyer agency, the "selling agent" in fact works for the purchaser. This type of agency is created very early in the relationship between the buyer and agent. Prior to entering into a contract to purchase, this relationship must be reduced to writing. The advantage of a "buyer's agent" is that a licensed, professional agent will be working solely on behalf of the buyer in order to assist in finding the best house at the best price and to protect the buyer in the purchasing process.

Normally, by the consent of all parties, the commission for the buyer's agent will be paid by the seller. This is done in the form of an addendum to the contract, wherein the seller recognizes that the agent is working on behalf of the buyer, but, nevertheless, agrees to pay the buyer's agent's fee for bringing about the sale.

You should discuss agency relationships with a real estate agent. It is important to establish from the beginning whether you will be utilizing a buyer's agent or working with an agent who is the sub-agent of the seller. Under Maryland law, the agent is required to provide a written disclosure of all types of agency relationships and the rights of purchasers and sellers. You will then be given the opportunity to elect which type of agency relationship you prefer. Since the law **requires** the written disclosure at the first scheduled meeting with the agent, you should not be surprised when the agent asks you to sign the form.

In either event, because the agent has a duty of honesty and fairness, you should be treated properly throughout the transaction. However, if you desire the additional protection of a "buyer's agent," then you should discuss this with the real estate agent with whom you are currently working.



Understanding the Contract of Sale

We have just picked out the house which we would like to purchase. In order to make an offer, the agent has advised us that we must sign a contract. There are many provisions which I do not understand, and I am concerned that we may leave something out. Are there any guidelines which we should consider before signing a contract?

The most important principle which you must keep in mind when purchasing real estate is that in order to be binding, all terms of the contract must be in writing. You must be certain to include provisions in the contract which properly reflect the understandings of all parties. For example, you may believe that you are going to receive the washer and dryer when you purchase the house. However, it may be the seller's intention to remove the washer and dryer. Therefore, in order to eliminate any problems regarding this issue, a provision should be inserted in the contract which states whether the washer and dryer will convey with the property.

The Maryland Association of Realtors recently created a contract form which can be utilized throughout the State. There are a number of provisions which should be included in your contract, the majority of which will appear in the contract forms. Summarized below is a checklist of items which should appear in your contract. For reference purposes, a copy of the Maryland Residential Contract of Sale is included on pages 9-17. Reference is made, where applicable, to the specific paragraph provision. Your contract should include, at a minimum, the following:

Time is of the Essence. Time is "of the essence" in this Contract. The performance of every contractual obligation within the time frame designated in the contract is essential to avoid a breach or default of the contract.

Paragraph 1. Date of Offer This is the date when the offer is written. When the Seller accepts the offer, then the parties will have a ratified contract.

Paragraphs 2 and 3. Seller and Buyer Identifies the Seller and Buyer. All parties should legibly fill in their full name.

Paragraph 4. Property Description This provision requires only the street address. If available, the legal description (Lot, Block, Subdivision) should be included. This helps to avoid confusion regarding the precise location of the property to be transferred.

Paragraph 5. Estate Most properties in Maryland are sold "in fee simple." This means that you will own the house and the land. If ground rent applies, it means you are only leasing the land.

Paragraph 6. Purchase Price Total price to be paid for the land and/or house.

Paragraph 7. Payment Terms This provision describes the amount of money initially paid by the Buyer to secure its performance under the contract. This is commonly known as the "deposit."

Paragraph 8. Settlement This is the exact date for settlement, or sooner if agreed to by the parties.

Paragraph 9. Financing The various types of available financing are described. The terms for Conventional loans are to be completed in this paragraph. An addendum is required for every other type of financing.

Paragraph 10. Financing Application and Commitment This paragraph requires the Buyer to make application for financing within a certain number of days and makes the contract contingent on the Buyer obtaining the described financing within a specific time frame. If a loan commitment is not issued in the required time, the contract may become null and void, and the Buyer may be entitled to a refund of the deposit previously paid, provided that the Buyer diligently pursued financing.



Understanding the Contract of Sale



Paragraph 11. Alternate Financing The Buyer may obtain financing which differs from that specified in Paragraph 9. Even so, the Buyer is not relieved of Buyer's obligation to pursue the financing specified in Paragraph 9. If the Buyer accepts alternate financing from that specified in Paragraph 9, then this change must not increase the Seller's settlement costs.

Paragraph 12. Home and/or Environmental Inspection The Buyer is advised of its right to request a home inspection. An addendum to the contract is necessary if the Buyer desires to have the purchase contingent upon a property inspection.

Paragraph 13. Inclusions/Exclusions This section describes the appliances, fixtures and equipment that convey or do not convey with the sale. It is important to carefully inspect the property and identify any items that will be removed from the property by the Seller, or any items that the Buyer believes will be conveyed.

Paragraph 14. Agriculturally Assessed Property If the property is assessed agricultural, this provision states whether the Buyer or Seller will pay the additional Agricultural Transfer Tax.

Paragraph 15. Forest Conservation and Management Program This paragraph discloses whether there are additional forest conservation taxes assessed as a result of the transfer.

Paragraph 16. Lead Based Paint Hazards Federal law requires the disclosure of general information on Lead Paint. Also, the Seller must disclose any information they have regarding lead based paint in the property. The Buyer has the right to make the contract contingent upon a lead paint inspection.

Paragraph 17. Addenda This section itemizes a number of possible contingencies or disclosures that the Buyer or Seller might request to be incorporated into the contract. A separate addendum must be incorporated to spell out the terms of any special requests. Also, if the Buyer has any special contingencies which the Buyer needs assistance in drafting, any attorney with Village Settlements, Inc., can assist the Buyer.

Paragraph 18. Wood Destroying Insect Inspection This section provides for an inspection of the house, garage (or within 3 feet of the house or garage), outbuildings located within 3 feet of the residence or garage, and a portion of any fence located within 3 feet of the residence or garage for wood destroying insects. The Seller is required to have any infestation treated and any damages repaired. If the repairs are extremely expensive, the contract provides that the Buyer or Seller may have the right to limit their expenditures or cancel the contract.

Paragraph 19. Deposit This paragraph provides for the placement of the deposit in escrow promptly after final ratification of the contract. The deposit may be placed in an interest-bearing account.

Paragraph 20. Deed and Title The Seller must deliver clear title to the property, subject to the normal recorded easements, covenants and any other matters of record.

Paragraph 21. Condition of Property and Possession The property condition paragraph states that the property shall be vacant at settlement and clear of trash and debris. Also, all mechanical systems, plumbing, heating, air conditioning, appliances and similar systems are to be in working condition at the time of settlement.

Paragraph 22. Adjustments This paragraph requires the Buyer and Seller to prorate and adjust to the date of settlement the various charges such as taxes and homeowner's association fees. Any heating oil remaining in the tank will become the property of the Buyer without reimbursement to the Seller.

Paragraph 23. Settlement Costs The Buyer is responsible for paying all settlement costs, charges, and lender's fees, unless the parties negotiate otherwise. The seller will pay for clearing existing loans.

Paragraph 24. Transfer Charges Unless otherwise agreed, all transfer and recordation taxes are shared equally between the Buyer and Seller. If the Buyer is a First-Time Maryland Homebuyer, then it is presumed, unless otherwise negotiated, that all transfer and recordation taxes will



Understanding the Contract of Sale

be paid by the Seller. Also, for a first-time Buyer, the Buyer is exempt from paying the State transfer tax, and the Seller must pay a 1/4% State transfer tax.

Paragraph 25. Broker Liability The parties acknowledge that the agents cannot be responsible for the condition of the property.

Paragraph 26. Broker's Fee The settlement attorney is directed to disburse the real estate commission in accordance with the listing agreement.

Paragraph 27. Seller Responsibility Seller agrees to keep existing loans from falling into default, and to correct any notices of violations from governmental agencies regarding the property.

Paragraph 28. Buyer Responsibility The Buyer is obligated to diligently pursue the financing described in the contract. If the Buyer misrepresents its financial status, then the Seller may treat this as a breach of contract, and the Buyer could lose its deposit.

Paragraph 29. Homeowner's Association This paragraph states the need for a contract addendum if the property is within a mandatory homeowner's association.

Paragraph 31. Sale/Settlement or Lease of Other Real Estate This provision expressly states that the contract is not contingent on the sale or rental of other real estate unless an addendum to the contract sets forth such a condition.

Paragraph 32. Leases The Seller agrees not to renew any leases beyond settlement.

Paragraph 33. Default This section provides remedies for either party in the event of a default by the other party. If Buyer fails to settle, Seller may elect to retain the deposit, or sue the Buyer for additional monetary damages. If Seller fails to settle, Buyer can sue to force the Seller to perform its contractual obligations, and/or for monetary damages.

Paragraph 34. Mediation of Disputes This provision provides for mandatory mediation in the event that a dispute arises between any parties to the contract.

Paragraph 35. Attorney's Fees In the event of a lawsuit relating to the contract, the losing party can be required to pay the attorney's fees of the winning party.

Paragraph 36. Settlement Attorney The buyer is advised that they have the right to select the settlement attorney, such as Village Settlements, Inc.

Paragraph 37. Limited Warranty The buyer is advised that any home warranty plan provided by the seller may be a limited warranty.

Paragraph 39. Guaranty Fund The Buyer is notified of the protection afforded by the Real Estate Guaranty Fund.

Paragraph 40. Disclosure Notice The Buyer is advised of its right to receive a property condition disclosure or disclaimer statement from the Seller.

Paragraph 41. Maryland Non-Resident Seller If the property is not the Seller's principal residence and the Seller is a non-Maryland resident, money may be held back at settlement for capital gains taxes.

Paragraph 42. Internal Revenue Service Filing The parties agree to cooperate with the settlement attorney in completing the required IRS 1099 report.

Paragraph 43. Chesapeake and Atlantic Coastal Bays Critical Area This paragraph advises the Buyer that the property may be located in the "Critical Area" of the Chesapeake and Atlantic Coastal Bays, and that additional zoning, land use, and resource protection regulations apply in this area.

Paragraph 44. Wetlands Notice "Wetlands" are described and Buyers are given information on how to obtain further information regarding wetlands.



Understanding the Contract of Sale

Paragraph 45. Forest Conservation Act Notice The Seller represents that the property is not subject to a forest conservation plan. If the owner of the property is subject to obligations under a forest conservation plan, this must be disclosed in a separate addendum.

Paragraph 46. Conservation Easements The buyer must be advised of certain conservation easements.

Paragraph 47. Foreign Investment Taxes (FIRPTA) Under Federal Law, a non-resident alien of the U.S. may be required to escrow money to pay capital gains taxes.

Paragraph 48. Criminal Activity and Sexual Offenders The Buyer is advised of its right to review the public information regarding any criminal activity near the property.

Paragraph 50. Notice to the Parties This paragraph explains to all parties that the agents and brokers cannot make representations as to a number of factors regarding the property such as water quality, availability of utilities, septic systems, lot size or zoning.

Paragraph 51. Property Tax Notice This paragraph advises the Buyer that they have the right to appeal the tax assessment during certain time periods.

Paragraph 52. Non-Assignability The contract cannot be assigned to a different Buyer without the Seller's consent.

Paragraph 53. Paragraph Headings Paragraph headings are for reference only and are not part of the contract.

Paragraph 54. Computation of Days This provision explains how "days" are calculated in the contract.

Paragraph 55. Entire Agreement The written contract contains the complete agreement of the parties. Only written modifications or amendments to the contract will be valid. The parties should not rely on oral promises or representations.

Paragraph 56. Electronic Delivery In addition to signing the original document, the contract can be ratified by facsimile or telecopier.

Broker Information. This provision identifies who the real estate agents are and discloses their status representing either the Seller, the Buyer, or both. This section is not sufficient, however, to satisfy the disclosure requirements of the Maryland Agency Disclosure Law.

There are other provisions which the Buyer may wish to have included in the contract. For example, the Montgomery County Jurisdictional Addendum is essential for any transaction in Montgomery County, Maryland. This addendum is discussed in detail on pages 18-19 of this book. Also, the purchaser may want the entire contract to be contingent upon an inspection of the property to determine whether any defects exist in the structure or in windows, doors, or other similar items. The Seller may want the contract to be contingent upon the purchaser providing proof that the purchaser will preliminarily qualify for financing.

As mentioned above, any items which are to convey (such as the washer and dryer) or to be removed (such as a family heirloom chandelier) should be specifically noted in the contract, either in Paragraph 13 or on a separate addendum.

The transaction may also be contingent upon the purchaser selling her existing home. This contingency should be specifically delineated in the contract.

There may be a number of other contingencies or provisions which the purchaser or seller may want to include in the contract. As long as the subject matter is legal, it is perfectly permissible to include those items in the contract. The purchaser and seller are advised to work with real estate agents and/or attorneys in order to properly draft the contract provisions.



Sample Maryland Contract of Sale



RESIDENTIAL CONTRACT OF SALE

This is a Legally Binding Contract; If Not Understood, Seek Competent Legal Advice.

THIS FORM IS DESIGNED AND INTENDED FOR THE SALE AND PURCHASE OF IMPROVED SINGLE FAMILY RESIDENTIAL REAL ESTATE LOCATED IN MARYLAND ONLY. FOR OTHER TYPES OF PROPERTY INCLUDE APPROPRIATE ADDENDA.

TIME IS OF THE ESSENCE. Time is of the essence of this Contract. The failure of Seller or Buyer to perform any act as provided in this Contract by a prescribed date or within a prescribed time period shall be a default under this Contract and the non-defaulting party, upon written notice to the defaulting party, may declare this Contract null and void and of no further legal force and effect. In such event, all Deposit(s) shall be disbursed in accordance with Paragraph 19 of this Contract.

1. **DATE OF OFFER:** April 10, 2010.
2. **SELLER:** Donald S. Seller, Donna B. Seller
3. **BUYER:** James I. Buyer, Jane M. Buyer
4. **PROPERTY:** Seller does sell to Buyer and Buyer does purchase from Seller, all of the following described Property (hereinafter "Property") known as 401 Oakwood Drive located in Gaithersburg Montgomery City/County, Maryland, Zip Code 20878, together with the improvements thereon, and all rights and appurtenances thereto belonging.
5. **ESTATE:** The Property is being conveyed: x in fee simple or _____ subject to an annual ground rent, now existing or to be created, in the amount of _____ Dollars (\$ _____) payable semi-annually, as now or to be recorded among the Land Records of _____ City/County, Maryland.
6. **PURCHASE PRICE:** The purchase price is Two Hundred Five Thousand, Five Hundred Dollars (\$ 205,500.00).
7. **PAYMENT TERMS:** The payment of the purchase price shall be made by Buyer as follows:
 - (a) An initial Deposit by way of check in the amount of Ten Thousand Dollars (\$ 10,000.00) at the time of this offer.
 - (b) An additional Deposit by way of _____ in the amount of _____ Dollars (\$ _____) to be paid _____.
 - (c) All Deposits will be held in escrow by: Selling Broker.
(If not a Maryland licensed real estate broker, the parties may execute a separate escrow deposit agreement.)
 - (d) The purchase price less any and all Deposits shall be paid in full by Buyer in cash, wired funds, bank check, certified check or other payment acceptable to the settlement officer at settlement.
 - (e) Buyer and Seller instruct broker named in paragraph (c) above to place the Deposits in: **(Check One)**
 - ☐ A non-interest bearing account;
 - OR** ☐ An interest bearing account, the interest on which, in absence of default by Buyer, shall accrue to the benefit of Buyer. Broker may charge a fee for establishing an interest bearing account.
8. **SETTLEMENT:** Date of Settlement May 26, 2010 or sooner if agreed to in writing by the parties.
9. **FINANCING:** Buyer's obligation to purchase the Property is contingent upon Buyer obtaining a written commitment for a loan secured by the Property as follows:

(Check) ☒ Conventional Loan as follows:

| | |
|---|---|
| Loan Amount \$ <u>164,400.00</u> | <input type="checkbox"/> FHA Financing Addendum |
| Term of Note <u>30</u> Years | <input type="checkbox"/> Gift of Funds Contingency Addendum |
| Amortization <u>30</u> Years | <input type="checkbox"/> Owner Financing Addendum |
| Interest Rate <u>7.250</u> % | <input type="checkbox"/> VA Financing Addendum |
| Loan Program <u>Conventional</u> | <input type="checkbox"/> Assumption Addendum |
| Loan Origination/Discount Fees (as a % of loan amount): | <input type="checkbox"/> OTHER: _____ |
| Buyer agrees to pay <u>1.000</u> %; | <input type="checkbox"/> No Financing Contingency |
| Seller agrees to pay _____ %. | |
| Buyer shall receive the benefit of any reduction in fees. | |



Village Settlements 5283 Corporate Drive Frederick, MD 21703

Buyer _____ / _____

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Seller _____ / _____

Phone: 301-698-9300

Fax:

Produced with zipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026

www.zipLogix.com



Ask the Lawyer



10. FINANCING APPLICATION AND COMMITMENT: Buyer agrees to make a written application for the financing as herein described within Seven (7) days from the Date of Contract Acceptance. If such written financing commitment is not obtained by Buyer within Twenty (20) days from the Date of Contract Acceptance: (1) Seller, at Seller's election and upon written notice to Buyer, may declare this Contract null and void and of no further legal effect; or (2) Buyer, upon written notice to Seller, which shall include written evidence from the lender of Buyer's inability to obtain financing as provided in Paragraph 9 of this Contract, may declare this Contract null and void and of no further legal effect. In either case, the deposit shall be disbursed in accordance with the Deposit paragraph of this Contract. If Buyer has complied with all of Buyer's obligations under this Contract, including those with respect to applying for financing and seeking to obtain financing, then the Release of Deposit agreement shall provide that the deposit shall be returned to Buyer.

11. ALTERNATE FINANCING: Provided Buyer timely and diligently pursues the financing described in Paragraph 9 "Financing"; Paragraph 10 "Financing Application and Commitment"; and the provisions of Paragraph 28 "Buyer Responsibility", Buyer, at Buyer's election, may also apply for alternate financing. If Buyer, at Buyer's sole option, obtains a written commitment for financing in which the loan amount, term of note, amortization period, interest rate, down payment or loan program differ from the financing as described in Paragraph 9, or any addendum to this Contract, the provision of Paragraph 10 or any addendum to this Contract shall be deemed to have been fully satisfied. Such alternate financing may not increase costs to Seller or exceed the time allowed to secure the financing commitment as provided in Paragraph 10, or any addendum to this Contract.

12. HOME AND/OR ENVIRONMENTAL INSPECTION: Buyer acknowledges, subject to Seller acceptance, that Buyer is afforded the opportunity, at Buyer's sole cost and expense, to condition Buyer's purchase of the Property upon a Home Inspection and/or Environmental Inspection in order to ascertain the physical condition of the Property or the existence of environmental hazards. If Buyer desires a Home Inspection and/or Environmental Inspection contingency, such contingency must be included in an addendum to this Contract. Buyer and Seller acknowledge that Brokers, agents or subagents are not responsible for the existence or discovery of property defects.

Inspection(s) Addenda Attached Buyer Buyer **Inspection(s) Declined** Buyer Buyer

13. INCLUSIONS/EXCLUSIONS: Included in the purchase price are all permanently attached fixtures, including all smoke detectors. Certain other **now existing items** which may be considered personal property, whether installed or stored upon the property, are included if box below is checked.

| | | | |
|---|---|--|---|
| INCLUDED | INCLUDED | INCLUDED | INCLUDED |
| <input type="checkbox"/> Alarm System | <input type="checkbox"/> Exhaust Fan(s) # _____ | <input type="checkbox"/> Pool, Equip. & Cover | <input type="checkbox"/> Trash Compactor |
| <input checked="" type="checkbox"/> Built-in Microwave | <input checked="" type="checkbox"/> Exist. W/W Carpet | <input checked="" type="checkbox"/> Refrigerator(s) # <u>1</u> | <input type="checkbox"/> Wall Oven(s) # _____ |
| <input checked="" type="checkbox"/> Ceiling Fan(s) # <u>1</u> | <input type="checkbox"/> Fireplace Screen/Doors | <input checked="" type="checkbox"/> w/ice maker | <input type="checkbox"/> Water Filter |
| <input type="checkbox"/> Central Vacuum | <input type="checkbox"/> Freezer | <input type="checkbox"/> Satellite Dish | <input type="checkbox"/> Water Softener |
| <input checked="" type="checkbox"/> Clothes Dryer | <input type="checkbox"/> Furnace Humidifier | <input checked="" type="checkbox"/> Screens | <input type="checkbox"/> Window A/C Unit(s) # _____ |
| <input checked="" type="checkbox"/> Clothes Washer | <input type="checkbox"/> Garage Opener(s) # _____ | <input checked="" type="checkbox"/> Shades/Blinds | <input type="checkbox"/> Window Fan(s) # _____ |
| <input type="checkbox"/> Cooktop | <input type="checkbox"/> w/remote(s) # _____ | <input checked="" type="checkbox"/> Storage Shed(s) # <u>1</u> | <input type="checkbox"/> Wood Stove |
| <input checked="" type="checkbox"/> Dishwasher | <input checked="" type="checkbox"/> Garbage Disposer | <input checked="" type="checkbox"/> Storm Doors | |
| <input checked="" type="checkbox"/> Drapery/Curtain Rods | <input type="checkbox"/> Hot Tub, Equip. & Cover | <input checked="" type="checkbox"/> Storm Windows | |
| <input type="checkbox"/> Draperies/Curtains | <input type="checkbox"/> Intercom | <input type="checkbox"/> Stove or Range | |
| <input type="checkbox"/> Electronic Air Filter | <input type="checkbox"/> Playground Equipment | <input type="checkbox"/> T.V. Antenna | |

ADDITIONAL INCLUSIONS (SPECIFY): _____

ADDITIONAL EXCLUSIONS (SPECIFY): _____

14. AGRICULTURALLY ASSESSED PROPERTY: The Property, or any portion thereof, may be subject to an Agricultural Land Transfer Tax as imposed by Section 13-301 et seq. of the Tax-Property Article, Annotated Code of Maryland, by reason of the Property's having been assessed on the basis of agricultural use. Agricultural taxes assessed as a result of this transfer shall be paid by Seller, if applicable.

15. FOREST CONSERVATION AND MANAGEMENT PROGRAM: Buyer is hereby notified that this transfer may be subject to the Forest Conservation and Management Program imposed by Section 8-211 of the Tax-Property Article, Annotated Code of Maryland. Forest Conservation and Management program taxes assessed as a result of this transfer shall be paid by the Seller, if applicable.

Buyer _____ / _____

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Seller _____ / _____

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16. LEAD-BASED PAINT:

A. FEDERAL LEAD-BASED PAINT LAW: Title X, Section 1018, the Residential Lead-Based Paint Hazard Reduction Act of 1992 (the "Act"), requires the disclosure by Seller of information regarding lead-based paint and lead-based paint hazards in connection with the sale of any **residential** real property on which a residential dwelling was constructed prior to 1978. Unless otherwise exempt by the Act, the disclosure shall be made on the required federal Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards form. **Seller and any agent involved in the transaction are required to retain a copy of the completed Lead-Based Paint Disclosure form for a period of three (3) years following the date of settlement. A Seller who fails to give the required Lead-Based Paint Disclosure form and EPA pamphlet may be liable under the Act for three times the amount of damages and may be subject to both civil and criminal penalties.**

Buyer acknowledges by Buyer's initials below that Buyer has read and understands the provisions of Paragraph 16.A.

_____/_____
(BUYER)

B. MARYLAND LEAD POISONING PREVENTION PROGRAM: Under the Maryland Lead Poisoning Prevention Program (the "Program"), any residential dwelling constructed prior to 1950 that is leased for residential purposes is required to be registered with the Maryland Department of the Environment (MDE). Any residential dwelling constructed between 1950 and 1978 that is leased for residential purposes may be registered with the MDE at the election of the owner. If the property was built prior to 1979 and is now or has been a rental property or may become a rental property in the future, a separate Maryland Lead-Based Paint Disclosure form should be completed.

Buyer acknowledges by Buyer's initials below that Buyer has read and understands Paragraph 16.B.

_____/_____
(BUYER)

17. ADDENDA/DISCLOSURES: The Addenda checked below, which are hereby attached, are made a part of this Contract:

- | | |
|--|---|
| <input type="checkbox"/> Affiliated Business Disclosure Notice | <input type="checkbox"/> MD Non-Resident Seller Transfer Withholding Tax |
| <input type="checkbox"/> As Is | <input checked="" type="checkbox"/> Notice to Buyer and Seller – Maryland Residential Real Property Disclosure/Disclaimer Act |
| <input type="checkbox"/> Cash/Conventional Financing Appraisal Contingency | <input type="checkbox"/> On-Site Sewage Disposal System Inspection |
| <input type="checkbox"/> Condominium Resale Notice | <input type="checkbox"/> Property Subject to Ground Rent |
| <input type="checkbox"/> Conservation Easement | <input type="checkbox"/> Property Inspections |
| <input type="checkbox"/> Disclosure of Licensee Status | <input type="checkbox"/> Purchase Price Escalation |
| <input checked="" type="checkbox"/> First-Time Maryland Home Buyer Transfer & Recordation Tax | <input type="checkbox"/> Short Sale |
| <input checked="" type="checkbox"/> Homeowners Association Notice | <input type="checkbox"/> Sale, Financing, Settlement or Lease of Other Real Estate |
| <input type="checkbox"/> Kickout | <input type="checkbox"/> Seller's Purchase of Another Property |
| <input type="checkbox"/> Lead-Based Paint Hazard Inspection | <input type="checkbox"/> Third Party Approval |
| <input type="checkbox"/> Federal Lead-Based Paint and Lead-Based Hazards Disclosure of Information | <input type="checkbox"/> Water Quality |
| <input type="checkbox"/> Maryland Lead-Based Paint Disclosure | |
| <input type="checkbox"/> Local City/County Certifications/Registrations | |
| <input checked="" type="checkbox"/> Local City/County Notices/Disclosure | |

☒ Other Addenda/Special Conditions: Seller to credit One Percent (1%) of Purchase Price to Purchaser toward Purchaser's closing costs and/or prepaids.

18. WOOD DESTROYING INSECT INSPECTION: Buyer, at Buyer's expense, (if VA, then at Seller's expense) is authorized to obtain a written report on the state regulated form from a Maryland licensed pest control company that, based on a careful visual inspection, there is no evidence of termite or other wood-destroying insect infestation in the residence or within three (3) feet of the residence; and damage due to previous infestation has been repaired. The provisions of this paragraph also shall apply to: (1) the garage or within three (3) feet of the garage (whether attached or detached); (2) any outbuildings located within three (3) feet of the residence or garage; and (3) a maximum of ten (10) linear feet of the nearest portion of a fence on Seller's Property within three (3) feet of the residence or garage. If there is evidence of present infestation as described above, or if damage caused by present or prior infestation is discovered, Seller, at Seller's expense, shall repair any damage caused by present or prior infestation and have the present infestation treated by a licensed pest control company. If the cost of treatment and repair of such damage exceeds 2% of the purchase price, Seller may, at Seller's option, cancel this Contract, unless Buyer, at Buyer's option should choose to pay for the cost of treatment and repairs exceeding 2% of the purchase price, then this Contract shall remain in full force and effect. If such report reveals damage for which the cost of treatment and repair exceeds 2% of the purchase price, Seller's decision regarding treatment and repair of damage shall be communicated in writing to Buyer within five (5) days from receipt of the report, after which Buyer shall respond to Seller in writing with Buyer's decision within three (3) days from receipt of Seller's notification of Seller's decision.

Buyer _____/_____

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Seller _____/_____

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If Seller does not notify Buyer in writing of Seller's decision within five (5) days from receipt of report, Buyer may, at Buyer's option, pay for the cost of treatment and repairs exceeding 2% of the purchase price. If Buyer does not want to pay for the cost of treatment and repairs exceeding 2% of the purchase price, Buyer may terminate this Contract upon written notice delivered to Seller. In the event this Contract is terminated under the terms of this paragraph, the Deposit(s) shall be disbursed in accordance with the Deposit paragraph of this Contract.

19. DEPOSIT: If the Deposit is held by a Broker as specified in Paragraph 7(c) of this Contract, Buyer hereby authorizes and directs Broker to hold the Deposit instrument without negotiation or deposit until the parties have executed and accepted this Contract. Upon acceptance, the initial Deposit and additional Deposits (the "Deposit"), if any, shall be placed in escrow as provided in Paragraph 7(e) of this Contract and in accordance with the requirements of Section 17-502(b)(1) of the Business Occupations and Professions Article, Annotated Code of Maryland. If Seller does not execute and accept this Contract, the initial Deposit instrument shall be promptly returned to Buyer. The Deposit shall be disbursed at settlement. In the event this Contract shall be terminated or settlement does not occur, Buyer and Seller agree that the Deposit shall be disbursed by Broker: (1) in accordance with a Release of Deposit agreement executed by Buyer and Seller; or (2) to a buyer who, in the good faith opinion of the Broker, has timely rescinded the Contract, in writing, in accordance with Section 11-135 (the Maryland Condominium Act) or 11B-108 (the Maryland Homeowners Association Act) of the Real Property Article, Annotated Code of Maryland. In the event Buyer and/or Seller fail to complete the real estate transaction in accordance with the terms and conditions of this Contract, and either Buyer or Seller shall be unable or unwilling to execute a Release of Deposit agreement, if required, Buyer and Seller hereby acknowledge and agree that Broker may distribute the Deposit in accordance with the provisions of Section 17-505(b) of the Business Occupations and Professions Article, Annotated Code of Maryland.

20. DEED AND TITLE: Upon payment of the purchase price, a deed for the Property containing covenants of special warranty and further assurances (except in the case of transfer by personal representative of an estate), shall be executed by Seller and shall convey the Property to Buyer. Title to the Property, including all chattels included in the purchase, shall be good and merchantable, free of liens and encumbrances except as specified herein; except for use and occupancy restrictions of public record which are generally applicable to properties in the immediate neighborhood or the subdivision in which the Property is located and publicly recorded easements for public utilities and any other easements which may be observed by an inspection of the Property. Buyer expressly assumes the risk that restrictive covenants, zoning laws or other recorded documents may restrict or prohibit the use of the Property for the purpose(s) intended by Buyer. In the event Seller is unable to give good and merchantable title or such as can be insured by a Maryland licensed title insurer, with Buyer paying not more than the standard rate as filed with the Maryland Insurance Commissioner, Seller, at Seller's expense, shall have the option of curing any defect so as to enable Seller to give good and merchantable title or, if Buyer is willing to accept title without said defect being cured, paying any special premium on behalf of Buyer to obtain title insurance on the Property to the benefit of Buyer. In the event Seller elects to cure any defects in title, this Contract shall continue to remain in full force and effect; and the date of settlement shall be extended for a period not to exceed fourteen (14) additional days. If Seller is unable to cure such title defect(s) and is unable to obtain a policy of title insurance on the Property to the benefit of Buyer from a Maryland licensed title insurer, Buyer shall have the option of taking such title as Seller can give, or terminating this Contract and being reimbursed by Seller for cost of searching title as may have been incurred not to exceed 1/2 of 1% of the purchase price. In the latter event, there shall be no further liability or obligation on either of the parties hereto; and this Contract shall become null and void; and all Deposit(s) shall be disbursed in accordance with the Deposit paragraph of this Contract. In no event shall Broker(s) or their agent(s) have any liability for any defect in Seller's title.

21. CONDITION OF PROPERTY AND POSSESSION: At settlement, Seller shall deliver possession of the Property and shall deliver the Property vacant, clear of trash and debris, broom clean and in substantially the same condition as existed on the Date of Contract Acceptance. All electrical, heating, air conditioning, plumbing (including well and septic), and any other mechanical systems and related equipment, appliances and smoke detector(s) included in this Contract shall be in working condition. Buyer reserves the right to inspect the Property within five (5) days prior to settlement. **EXCEPT AS OTHERWISE SPECIFIED IN THIS CONTRACT, INCLUDING THIS PARAGRAPH, THE PROPERTY IS SOLD "AS IS".** The obligations of Seller as provided in this paragraph shall be in addition to any Disclosure and Disclaimer Statement as required by Section 10-702, Real Property Article, Annotated Code of Maryland and any provision of any inspection contingency addendum made a part of this Contract.

22. ADJUSTMENTS: Ground rent, homeowner's association fees, rent and water rent shall be adjusted and apportioned as of date of settlement; and all taxes, general or special, and all other public or governmental charges or assessments against the Property which are or may be payable on a periodic basis, including Metropolitan District Sanitary Commission, Washington Suburban Sanitary Commission, or other benefit charges, assessments, liens or encumbrances for sewer, water, drainage, paving, or other public improvements completed or commenced on or prior to the date hereof, or subsequent thereto, are to be adjusted and apportioned as of the date of settlement and are to be assumed and paid thereafter by Buyer, whether assessments have been levied or not as of date of settlement if applicable by local law. Any heating or cooking fuels remaining in supply tank(s) at time of settlement shall become the property of Buyer.

Buyer _____ / _____

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Seller _____ / _____

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23. SETTLEMENT COSTS: Buyer agrees to pay all settlement costs and charges including, but not limited to, all Lender's fees in connection herewith, including title examination and title insurance fees, loan insurance premiums, all document preparation and recording fees, notary fees, survey fees where required, and all recording charges, except those incident to clearing existing encumbrances or title defects, except if Buyer is a Veteran obtaining VA financing, those prohibited to be paid by a Veteran obtaining VA financing, which prohibited charges shall be paid by Seller.

24. TRANSFER CHARGES:

A. IN GENERAL. Section 14-104(b) of the Real Property Article, Annotated Code of Maryland provides that, unless otherwise negotiated in the contract or provided by State or local law, the cost of any recordation tax or any State or local Transfer Tax shall be shared equally between the Buyer and Seller.

B. FIRST-TIME BUYER. Under Section 14-104(c) of the Real Property Article, the entire amount of recordation and local transfer tax shall be paid by the Seller of property that is sold to a first-time Maryland homebuyer, unless there is an express agreement that the recordation tax or any state or local transfer tax will not be paid entirely by the Seller.

RECORDATION AND LOCAL TRANSFER TAX. If the Buyer is a first-time Maryland homebuyer, Buyer and Seller expressly agree, in accordance with Section 14-104(c) of the Real Property Article, Annotated Code of Maryland, that payment of recordation tax and local transfer tax shall be shared equally between the Buyer and Seller unless a "First-time Maryland Homebuyer Transfer and Recordation Tax Addendum" is attached, which contains a different express agreement.

STATE TRANSFER TAX: Under Section 13-203(b) of the Tax-Property Article, Annotated Code of Maryland, the amount of state transfer tax due on the sale of property to a first-time Maryland homebuyer is reduced from 0.50% to 0.25% and shall be paid entirely by the Seller. Buyer is hereby notified that to ensure receipt of the above reduction, Buyer should so indicate on Page 9 of this Contract and complete the required affidavit at settlement indicating that the Buyer is a first-time Maryland homebuyer.

25. BROKER LIABILITY: Brokers, their agents, subagents and employees do not assume any responsibility for the condition of the Property or for the performance of this Contract by any or all parties hereto. By signing this Contract, Buyer and Seller acknowledge that they have not relied on any representations made by Brokers, or any agents, subagents or employees of Brokers, except those representations expressly set forth in this Contract.

26. BROKER'S FEE: All parties irrevocably instruct the settlement officer to collect the fee or compensation and disburse same according to the terms and conditions provided in the listing agreement and/or agency representation agreement. Settlement shall not be a condition precedent to payment of compensation.

27. SELLER RESPONSIBILITY: Seller agrees to keep existing mortgages free of default until settlement. All violation notices or requirements noted or issued by any governmental authority, or actions in any court on account thereof, against or affecting the Property at the date of settlement of this Contract, shall be complied with by Seller and the Property conveyed free thereof. The Property is to be held at the risk of Seller until legal title has passed or possession has been given to Buyer. If, prior to the time legal title has passed or possession has been given to Buyer, whichever shall occur first, all or a substantial part of the Property is destroyed or damaged, without fault of Buyer, then this Contract, at the option of Buyer, upon written notice to Seller, shall be null and void and of no further effect, and the deposits shall be disbursed in accordance with the Deposit paragraph of this Contract.

28. BUYER RESPONSIBILITY: If Buyer has misrepresented Buyer's financial ability to consummate the purchase of the Property, or if this Contract is contingent upon Buyer securing a written commitment for financing and Buyer fails to apply for such financing within the time period herein specified, or fails to pursue financing diligently and in good faith, or if Buyer makes any misrepresentations in any document relating to financing, or takes (or fails to take) any action which causes Buyer's disqualification for financing, then Buyer shall be in default; and Seller may elect by written notice to Buyer, to terminate this Contract and/or pursue the remedies set forth under the Default paragraph of this Contract.

29. HOMEOWNER'S ASSOCIATION: The Property is not part of a development subject to the imposition of mandatory fees as defined by the Maryland Homeowner's Association Act, unless acknowledged by attached addendum.

30. GROUND RENT: If the Property is subject to ground rent and the ground rent is not timely paid, the ground lease holder (i.e., the person to whom the ground rent is payable) may bring an action under Section 8-402.3 of the Real Property Article, Annotated Code of Maryland. As a result of this action, a lien may be placed upon the property. If the Property is subject to ground rent, Sections 14-116 and 14-116.1 of the Real Property Article provide the purchaser, upon obtaining ownership of the Property, with certain rights and responsibilities relative to the ground rent. (If the Property is subject to ground rent: See Property Subject to Ground Rent Addendum.)

31. SALE/SETTLEMENT OR LEASE OF OTHER REAL ESTATE: Neither this Contract nor the granting of Buyer's loan referred to herein is to be conditioned or contingent in any manner upon the sale, settlement and/or lease of any other real

Buyer _____ / _____

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Seller _____ / _____

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estate unless a contingency for the sale, settlement and/or lease of other real estate is contained in an addendum to this Contract. Unless this Contract is expressly contingent upon the sale, settlement and/or lease of any other real estate, Buyer shall neither apply for nor accept a financing loan commitment which is contingent upon or requires as a pre-condition to funding that any other real estate be sold, settled and/or leased.

32. LEASES: Seller may neither negotiate new leases nor renew existing leases for the Property which extend beyond settlement or possession date without Buyer's written consent.

33. DEFAULT: Buyer and Seller are required and agree to make full settlement in accordance with the terms of this Contract and acknowledge that failure to do so constitutes a breach hereof. If Buyer fails to make full settlement or is in default due to Buyer's failure to comply with the terms, covenants and conditions of this Contract, the initial Deposit and additional Deposits (the "Deposit") may be retained by Seller as long as a Release of Deposit Agreement is signed and executed by all parties, expressing that said Deposit may be retained by Seller. In the event the parties do not agree to execute a Release of Deposit Agreement, Buyer and Seller shall have all legal and equitable remedies. If Seller fails to make full settlement or is in default due to Seller's failure to comply with the terms, covenants and conditions of this Contract, Buyer shall be entitled to pursue such rights and remedies as may be available, at law or in equity, including, without limitation, an action for specific performance of this Contract and/or monetary damages. In the event of any litigation or dispute between Buyer and Seller concerning the release of the Deposit, Broker's sole responsibility may be met, at Broker's option, by paying the Deposit into the court in which such litigation is pending, or by paying the Deposit into the court of proper jurisdiction by an action of interpleader. Buyer and Seller agree that, upon Broker's payment of the Deposit into the court, neither Buyer nor Seller shall have any further right, claim, demand or action against Broker regarding the release of the Deposit; and Buyer and Seller, jointly and severally, shall indemnify and hold Broker harmless from any and all such rights, claims, demands or actions. In the event of such dispute and election by Broker to file an action of interpleader as herein provided, Buyer and Seller further agree and hereby expressly and irrevocably authorize Broker to deduct from the Deposit all costs incurred by Broker in the filing and maintenance of such action of interpleader including but not limited to filing fees, court costs, service of process fees and attorneys' fees, provided that the amount deducted shall not exceed the lesser of \$500 or the amount of the Deposit held by Broker. All such fees and costs authorized herein to be deducted may be deducted by Broker from the Deposit prior to paying the balance of the Deposit to the court. Buyer and Seller further agree and expressly declare that all such fees and costs so deducted shall be the exclusive property of Broker. If the amount deducted by Broker is less than the total of all of the costs incurred by Broker in filing and maintaining the interpleader action, then Buyer and Seller jointly, and severally, agree to reimburse Broker for all such excess costs upon the conclusion of the interpleader action.

34. MEDIATION OF DISPUTES: Mediation is a process by which the parties attempt to resolve a dispute or claim with the assistance of a neutral mediator who is authorized to facilitate the resolution of the dispute. The mediator has no authority to make an award, to impose a resolution of the dispute or claim upon the parties or to require the parties to continue mediation if the parties do not desire to do so. Buyer and Seller agree that any dispute or claim arising out of or from this Contract or the transaction which is the subject of this Contract shall be mediated through the Maryland Association of REALTORS®, Inc. or its member local boards/associations in accordance with the established Mediation Rules and Guidelines of the Association or through such other mediator or mediation service as mutually agreed upon by Buyer and Seller, in writing. Unless otherwise agreed in writing by the parties, mediation fees, costs and expenses shall be divided and paid equally by the parties to the mediation. If either party elects to have an attorney present that party shall pay his or her own attorney's fees.

Buyer and Seller further agree that the obligation of Buyer and Seller to mediate as herein provided shall apply to all disputes or claims arising whether prior to, during or within one (1) year following the actual contract settlement date or when settlement should have occurred. Buyer and Seller agree that neither party shall commence any action in any court regarding a dispute or claim arising out of or from this Contract or the transaction which is the subject of this Contract, without first mediating the dispute or claim, unless the right to pursue such action or the ability to protect an interest or pursue a remedy as provided in this Contract, would be precluded by the delay of the mediation. In the event the right to pursue such action, or the ability to protect an interest or pursue a remedy would be precluded by the delay, Buyer or Seller may commence the action only if the initial pleading or document commencing such action is accompanied by a request to stay the proceeding pending the conclusion of the mediation. If a party initiates or commences an action in violation of this provision, the party agrees to pay all costs and expenses, including reasonable attorneys' fees, incurred by the other party to enforce the obligation as provided herein. The provisions of this paragraph shall survive closing and shall not be deemed to have been extinguished by merger with the deed.

35. ATTORNEY'S FEES: In any action or proceeding between Buyer and Seller based, in whole or in part, upon the performance or non-performance of the terms and conditions of this Contract, including, but not limited to, breach of contract, negligence, misrepresentation or fraud, the prevailing party in such action or proceeding shall be entitled to receive reasonable attorney's fees from the other party as determined by the court or arbitrator. In any action or proceeding

Buyer _____ / _____

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Seller _____ / _____

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between Buyer and Seller and/or between Buyer and Broker(s) and/or Seller and Broker(s) resulting in Broker(s) being made a party to such action or proceeding, including, but not limited to, any litigation, arbitration, or complaint and claim before the Maryland Real Estate Commission, whether as defendant, cross-defendant, third-party defendant or respondent, Buyer and Seller jointly and severally, agree to indemnify and hold Broker(s) harmless from and against any and all liability, loss, cost, damages or expenses (including filing fees, court costs, service of process fees, transcript fees and attorneys' fees) incurred by Broker(s) in such action or proceeding, providing that such action or proceeding does not result in a judgment against Broker(s).

As used in this Contract, the term "Broker(s)" shall mean: (a) the two (2) Brokers as identified on Page 10 of this Contract; (b) the two (2) named Sales Associates identified on Page 10 of the Contract; and (c) any agent, subagent, salesperson, independent contractor and/or employees of Broker(s). The term "Broker(s)" shall also mean, in the singular, any or either of the named Broker(s) and/or Sales Associate(s) as identified or, in the plural, both of the named Brokers and/or Sales Associates as identified.

This Paragraph shall apply to any and all such action(s) or proceeding(s) against Broker(s) including those action(s) or proceeding(s) based, in whole or in part, upon any alleged act(s) or omission(s) by Broker(s), including, but not limited to, any alleged act of misrepresentation, fraud, non-disclosure, negligence, violation of any statutory or common law duty, or breach of fiduciary duty by Broker(s). The provision of this Paragraph shall survive closing and shall not be deemed to have been extinguished by merger with the deed.

36. NOTICE OF BUYER'S RIGHT TO SELECT SETTLEMENT SERVICE PROVIDERS: Buyer has the right to select Buyer's own title insurance company, title lawyer, settlement company, escrow company, mortgage lender or financial institution as defined in the Financial Institutions Article, Annotated Code of Maryland. Buyer acknowledges that Seller may not be prohibited from offering owner financing as a condition of settlement.

37. LIMITED WARRANTY: NOTICE TO BUYER: IF A WARRANTY PLAN IS BEING OFFERED WITH THE PURCHASE OF THE PROPERTY, IT MAY BE A LIMITED WARRANTY. SINCE SUCH WARRANTY PLANS DO NOT COVER STRUCTURAL DEFECTS AND MAY NOT COVER PRE-EXISTING DEFECTS, BUYER SHOULD REQUEST THE REAL ESTATE AGENT TO PROVIDE BUYER WITH ANY BROCHURE WHICH DESCRIBES THE PLAN IN ORDER TO DETERMINE THE EXTENT OF COVERAGE PROVIDED BY THE WARRANTY.

38. PROPERTY INSURANCE BROCHURE: An informational brochure published by the Maryland Association of REALTORS®, Inc. titled "The New Reality of Property Insurance – What You Should Know" is available to explain current issues relative to obtaining insurance coverage for the Property to be purchased.

39. GUARANTY FUND: NOTICE TO BUYER: BUYER IS PROTECTED BY THE REAL ESTATE GUARANTY FUND OF THE MARYLAND REAL ESTATE COMMISSION, UNDER SECTION 17-404 OF THE BUSINESS OCCUPATIONS AND PROFESSIONS ARTICLE OF THE ANNOTATED CODE OF MARYLAND, FOR LOSSES IN AN AMOUNT NOT EXCEEDING \$25,000 FOR ANY CLAIM.

40. SINGLE FAMILY RESIDENTIAL REAL PROPERTY DISCLOSURE NOTICE: Buyer is advised of the right to receive a "Disclosure and Disclaimer Statement" from Seller (Section 10-702 Real Property Article, Annotated Code of Maryland).

41. MARYLAND NON-RESIDENT SELLER: If the Property is not the Seller's principal residence and the Seller is a non-resident individual of the State of Maryland or is a non-resident entity which is not formed under the laws of the State of Maryland or qualified to do business in the State of Maryland, a withholding tax from the proceeds of sale may be withheld at the time of settlement except as otherwise provided by Maryland law. (See Maryland Non-Resident Seller Transfer Withholding Tax Addendum.)

42. INTERNAL REVENUE SERVICE FILING: Buyer and Seller each agree to cooperate with the settlement officer by providing all necessary information so that a report can be filed with the Internal Revenue Service, as required by Section 6045 of the IRS Code. To the extent permitted by law, any fees incurred as a result of such filing will be paid by the Seller.

43. NOTICE TO BUYER CONCERNING THE CHESAPEAKE AND ATLANTIC COASTAL BAYS CRITICAL AREA: Buyer is advised that all or a portion of the property may be located in the "Critical Area" of the Chesapeake and Atlantic Coastal Bays, and that additional zoning, land use, and resource protection regulations apply in this area. The "Critical Area" generally consists of all land and water areas within 1,000 feet beyond the landward boundaries of state or private wetlands, the Chesapeake Bay, the Atlantic Coastal Bays, and all of their tidal tributaries. The "Critical Area" also includes the waters of and lands under the Chesapeake Bay, the Atlantic Coastal Bays and all of their tidal tributaries to the head of tide. For information as to whether the property is located within the Critical Area, Buyer may contact the local Department of Planning and Zoning, which maintains maps showing the extent of the Critical Area in the jurisdiction. Allegany, Carroll, Frederick, Garrett, Howard, Montgomery and Washington Counties do not include land located in the Critical Area.

Buyer _____ / _____

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Seller _____ / _____

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Ask the Lawyer



44. WETLANDS NOTICE: Buyer is advised that if all or a portion of the Property being purchased is wetlands, the approval of the U.S. Army Corps of Engineers will be necessary before a building permit can be issued for the Property. Additionally, the future use of existing dwellings may be restricted due to wetlands. The Corps has adopted a broad definition of wetlands which encompasses a large portion of the Chesapeake Bay Region. Other portions of the State may also be considered wetlands. For information as to whether the Property includes wetlands, Buyer may contact the Baltimore District of the U.S. Army Corps of Engineers. Buyer may also elect, at Buyer's expense, to engage the services of a qualified specialist to inspect the Property for the presence of wetlands prior to submitting a written offer to purchase the Property; or Buyer may include in Buyer's written offer a clause making Buyer's purchase of the Property contingent upon a satisfactory wetlands inspection.

45. FOREST CONSERVATION ACT NOTICE: If the Property is a tract of land 40,000 square feet or more in size, Buyer is notified that, unless exempted by applicable law, as a prerequisite to any subdivision plan or grading or sediment control permit for the Property, Buyer will be required to comply with the provisions of the Maryland Forest Conservation Act imposed by Section 5-1601, et seq. of the Natural Resources Article, Annotated Code of Maryland, including, among other things, the submission and acceptance of a Forest Stand Delineation and a Forest Conservation Plan for the Property in accordance with applicable laws and regulations. Unless otherwise expressly set forth in an addendum to this Contract, Seller represents and warrants that the Property is not currently subject to a Forest Conservation Plan, Management Agreement or any other pending obligation binding the owner of the Property under said Act; further, Seller represents and warrants that no activities have been undertaken on the Property by Seller in violation of the Forest Conservation Act.

46. NOTICE CONCERNING CONSERVATION EASEMENTS: If the Property is encumbered by a Conservation Easement as defined in Section 10-705 of the Real Property Article, Annotated Code of Maryland, the contract must contain a notice concerning the easement, which is contained in an attached addendum. This Paragraph does not apply to the sale of property in an action to foreclose a mortgage or deed of trust. (If the Property is encumbered by a Conservation Easement: See Conservation Easement Addendum.)

47. FOREIGN INVESTMENT TAXES-FIRPTA: Section 1445 of the United States Internal Revenue Code of 1986 provides that a Buyer of residential real property located in the United States must withhold federal income taxes from the payment of the purchase price if (a) the purchase price exceeds Three Hundred Thousand Dollars (\$300,000.00) and (b) the seller is a foreign person. Unless otherwise stated in an addendum attached hereto, if the purchase price is in excess of Three Hundred Thousand Dollars (\$300,000.00), Seller represents that Seller is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined by the Internal Revenue Code and applicable regulations) and agrees to execute an affidavit to this effect at the time of settlement.

48. CRIMINAL ACTIVITY AND SEXUAL OFFENDERS: Buyer may contact the state, county or municipal police departments in which the Property is located or check the "Sex Offender Registry" at the Maryland Department of Public Safety and Correctional Services website in order to ascertain criminal activity in the vicinity of the Property or the presence of registered sexual offenders who live or work within the vicinity of the Property. Buyer acknowledges that Buyer is solely responsible to inquire of such matters before signing this Contract. Buyer shall have no right to cancel this Contract based upon criminal activity or the presence of registered sexual offenders in the vicinity of the Property. Buyer further acknowledges that no real estate licensee involved in the sale or purchase of the Property, whether acting as the agent for Seller or Buyer, has any duty nor assumes any duty or responsibility to ascertain criminal activity or the presence of registered sexual offenders in the vicinity of the Property.

49. MILITARY INSTALLATIONS: This Section does not apply in Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington Counties. Buyer is advised that the Property may be located near a military installation that conducts flight operations, munitions testing, or military operations that may result in high noise levels.

50. NOTICE TO THE PARTIES:

(A) NO REPRESENTATIONS: Brokers, their agents, subagents and employees, make no representations with respect to:

- (1) Water quantity, quality, color, or taste or operating conditions of public and/or private water systems;
- (2) Location, size or operating condition of on-site sewage disposal systems;
- (3) The extensions of public utilities by local municipal authorities, existence or availability of public utilities, and any assessments, fees or costs for public utilities which might be imposed by local municipal authorities, should public utilities be extended or available to the subject Property. (Buyer should consult the Department of Public Works to determine the availability of proposed future extensions of utilities.);

(4) Lot size and exact location. If the subject Property is part of a recorded subdivision, Buyer can review the plat upon request at the Record Office. If the subject Property is not part of a recorded subdivision, Buyer may verify exact size and location through a survey by a licensed engineer or land surveyor, at Buyer's expense; or

(5) Existing zoning or permitted uses of the Property. Buyer should contact the Zoning Office and/or a licensed engineer to verify zoning and permitted uses.

(B) NO ADVISING: Brokers/agents are not advising the parties as to certain other issues, including without limitation: soil conditions; flood hazard areas; possible restrictions of the use of property due to restrictive covenants, subdivision, environmental laws, easements or other documents; airport or aircraft noise; planned land use, roads or highways; and construction materials and/or hazardous materials, including without limitation flame retardant treated plywood (FRT), radon, radium, mold spores, urea formaldehyde foam insulation (UFFI), synthetic stucco (EIFS), asbestos, polybutylene piping and lead-based paint. Information relating to these issues may be available from appropriate governmental authorities. This disclosure is not intended to provide an inspection contingency.

(C) COMPENSATION OF VENDORS: Buyer and Seller each assume full responsibility for selecting and compensating their respective vendors.

(D) PROTECTION OF HOMEOWNERS IN FORECLOSURE ACT NOTICE: BUYER AND SELLER ACKNOWLEDGE THAT, UNDER SECTION 7-310 OF THE REAL PROPERTY ARTICLE OF THE ANNOTATED CODE OF MARYLAND, IF THE MORTGAGE ON THE PROPERTY IS AT LEAST 60 DAYS IN DEFAULT ON THE DATE OF CONTRACT ACCEPTANCE, SELLER HAS THE RIGHT TO RESCIND THE CONTRACT WITHIN 5 DAYS AFTER THE DATE OF CONTRACT ACCEPTANCE. ANY PROVISION IN THIS CONTRACT OR OTHER AGREEMENT THAT ATTEMPTS OR PURPORTS TO WAIVE ANY OF THE SELLER'S RIGHTS UNDER SECTION 7-310 IS VOID.

51. PROPERTY TAX NOTICE - 60 DAY APPEAL: If any real property is transferred after January 1 and before the beginning of the next taxable year to a new owner, the new owner may submit a written appeal as to a value or classification on or before 60 days after the date of the transfer.

52. NON-ASSIGNABILITY: This Contract may not be assigned without the written consent of Buyer and Seller. If Buyer and Seller agree in writing to an assignment of this Contract, the original parties to this Contract remain obligated hereunder until settlement.

53. PARAGRAPH HEADINGS: The Paragraph headings of this Contract are for convenience and reference only, and in no way define or limit the intent, rights or obligations of the parties.

54. COMPUTATION OF DAYS: As used in this Contract, and in any addendum or addenda to this Contract, the term "days" shall mean consecutive calendar days, including Saturdays, Sundays, and holidays, whether federal, state, local or religious. A day shall be measured from 12:00:01 a.m. to and including 11:59:59 p.m. E.S.T. For the purposes of calculating days, the count of "days" shall begin on the day following the day upon which any act or notice as provided in this Contract, or any addendum or addenda to this Contract, was required to be performed or made.

55. ENTIRE AGREEMENT: This Contract and any addenda thereto contain the final and entire agreement between the parties, and neither they nor their agents shall be bound by any terms, conditions, statements, warranties or representations, oral or written, not herein contained. The parties to this Contract mutually agree that it is binding upon them, their heirs, executors, administrators, personal representatives, successors and, if permitted as herein provided, assigns. Once signed, the terms of this Contract can only be changed by a document executed by all parties. This Contract shall be interpreted and construed in accordance with the laws of the State of Maryland. It is further agreed that this Contract may be executed in counterparts, each of which when considered together shall constitute the original Contract.

56. ELECTRONIC DELIVERY: The parties agree that this Contract offer shall be deemed validly executed and delivered by a party if a party executes this Contract and delivers a copy of the executed Contract to the other party by telefax or telecopier transmittal, or delivers a digital image of the executed document by email transmittal.

| | | | |
|-------------------|------|--------------------|------|
| Buyer's Signature | Date | Seller's Signature | Date |
| James I. Buyer | | Donald S. Seller | |

| | | | |
|-------------------|------|--------------------|------|
| Buyer's Signature | Date | Seller's Signature | Date |
| Jane M. Buyer | | Donna B. Seller | |

DATE OF CONTRACT ACCEPTANCE: _____

☒ Check if First-Time Maryland Homebuyer



Contact Information:

BUYER / NAME(S): James I. Buyer, Jane M. Buyer

MAILING ADDRESS: _____

SELLER / NAME(S): Donald S. Seller, Donna B. Seller

MAILING ADDRESS: _____

Information provided for reference only:

LISTING BROKER: _____ BRANCH OFFICE: _____

OFFICE PHONE: _____ FAX: _____ BROKER/AGENT MLS ID: _____

OFFICE ADDRESS: _____

SALES ASSOCIATE: _____ E-Mail: _____ PHONE: _____

ACTING AS: ☐ LISTING BROKER AND SELLER AGENT; OR

☐ INTRA - COMPANY AGENT WITH BROKER AS DUAL AGENT

SELLING BROKER: _____ BRANCH OFFICE: _____

OFFICE PHONE: _____ FAX: _____ BROKER/AGENT MLS ID: _____

OFFICE ADDRESS: _____

SALES ASSOCIATE: _____ E-Mail: _____ PHONE: _____

ACTING AS: ☐ SELLER AGENT (WHETHER "COOPERATING AGENT" OR "SELLING AGENT"); OR

☐ BUYER AGENT; OR

☐ INTRA - COMPANY AGENT WITH BROKER AS DUAL AGENT

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Ask the Lawyer



Sample Addendum

- (a) Buyer is approved for the Specified Financing,
(b) A ratified Contract has been received,
(c) A written application for the financing has been made,



Montgomery County Jurisdictional Addendum to Sales Contract (Required For Use With MAR and Regional Contracts)

The Contract of Sale dated _____, Address 401 Oakwood Drive
City Gaithersburg, State _____ Zip 20878 Lot: _____
Block/Square: _____ Unit: _____ Section: _____ Tax ID # _____
Parking Space(s) # _____ Storage Unit(s) # _____ Subdivision/Project: _____
between Seller Donald S. Seller, Donna B. Seller and
Buyer James I. Buyer, Jane M. Buyer is hereby amended by
the incorporation of this Addendum, which shall supersede any provisions to the contrary in the Contract.

TIME IS OF THE ESSENCE WITH REGARD TO EACH PROVISION OF THE ENTIRE CONTRACT WHICH CONTAINS TIME FRAMES.

1. **MASTER PLAN DISCLOSURES** A or B required; use A unless property is in the City of Rockville corporate limits.

A. Montgomery County:

Buyer has the right to examine, prior to signing this Contract, the applicable County Master Plan and any municipal land use plan for the area in which the property is located and any adopted amendment to either plan, and approved official maps showing planned land uses, roads and highways, parks and other public facilities affecting the property contained in the plan.

By signing this Addendum, Buyer acknowledges the following:

- Seller has offered the Buyer the opportunity to review the applicable Master Plan and municipal land use plan and any adopted amendment;
- Seller has informed Buyer that amendments affecting the plan may be pending before the Planning Board or the County Council or a municipal planning body;
- Buyer has reviewed each plan and adopted amendment or does hereby waive the right to review each plan and adopted amendment; and
- Buyer understands that to stay informed of future changes in County and municipal land use plans, the Buyer should consult the Planning Board and the appropriate municipal planning body.

Buyer James I. Buyer

Buyer Jane M. Buyer

-OR-

B. City Of Rockville

Buyer acknowledges that Buyer has been afforded the opportunity to examine the Approved and Adopted Land Use Map portion of the plan for the City of Rockville and all amendments to said Map (hereinafter referred to as the "Plan"). Buyer further acknowledges that Seller's real estate agent has provided said opportunity to examine the Plan by either producing and making available for examination a copy of the Plan or escorting Buyer to a place where the Plan is available for examination by Buyer. Buyer acknowledges that at no time did the agent explain to Buyer the intent or meaning of such Plan nor did Buyer rely on any representation made by the agent(s) pertaining to the applicable Plan.

By signing below, the Buyer acknowledges that he has been afforded an opportunity to review the Plan.

Buyer _____

Buyer _____

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GCAAR Form # 1312 - MC Jurisdictional Addendum
(Previously Form #1300A)

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3/2010

Village Settlements 5283 Corporate Drive Frederick, MD 21703

Phone: 301-698-9300

Fax:

Ask the Lawyer

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(Previously Form #1300A)
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Ask the Lawyer

CONTRACT:

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Explanation of Jurisdictional Addendum

The Greater Capital Area Association of Realtors, Inc. has created a form entitled "Montgomery County Jurisdictional Addendum to Sales Contract" which includes certain notices and disclosures specific to Montgomery County, and modifies certain provisions of the statewide contract form. Summarized below is a brief description of the various provisions of this Addendum. It is essential that this Addendum be utilized with Montgomery County transactions.

Master Plan Disclosures Montgomery County law requires notice to the Buyer of the Buyer's right to review the Master Plan for the area surrounding the property. The Master Plan shows the planned land uses, roads, parks and other public amenities. Master Plans are available at most libraries or through the County government.

Transfer and Recordation Taxes This provision permits the parties to the Contract to negotiate and specify who is paying the recordation and transfer taxes.

Private Well and Septic If the property is on a well and/or septic system, this paragraph indicates whether the Buyer or Seller will pay for the appropriate tests. If the well water is not potable or the septic system is malfunctioning, the Seller is responsible for the repairs.

Notices All notices, disclosures and addenda must be in writing and are considered to be "given" at the time the notice is delivered to the party or that party's agent.

Cooperative/Condominium Association Approval This section requires the Seller to present the Contract to the Condominium Board in the event the Board has a first right of refusal or the right to approve or disapprove the sale.

Foreign Investment Taxes-FIRPTA Under Federal Law, a non-resident alien of the U.S. may be required to escrow money to pay capital gains taxes.

Void Contract This paragraph describes the responsibilities of the parties in the event that the Contract becomes void.

General Provisions This paragraph describes the rights of the Broker to receive compensation if settlement does not occur.

Performance Settlement shall be held by the Settlement Company examining title for the Buyer.

Loan Application and Approval The Buyer must apply for financing within 7 days of Contract acceptance, and further agrees to diligently pursue obtaining a loan. If the Buyer cannot obtain a written loan commitment within the contingency period, then the Seller may declare the Contract null and void by giving the Buyer written notice.

Settlement Entity The Purchaser is given the option to specify the settlement company they wish to use to examine title and conduct closing. This paragraph can be completed by inserting the words "Village Settlements, Inc." in the blank.



The Settlement Process

I have just finished signing a contract to purchase my first home. I have met with a lender and have also had the house inspected. The agent has now suggested that I arrange for a title company to handle settlement. Please explain to me the various responsibilities of the title company, as well as what I can expect to occur in the next few weeks prior to settlement.

The agent is correct in suggesting that you select a title company as soon as possible. There are many important matters which must be tended to prior to settlement. You have the right to select any title company of your choice. Once you have made your selection, you should advise the agent of your choice, as the contract will then be forwarded to Village Settlements, Inc.

The first step Village Settlements, Inc., will undertake is to order a **title report** or **title abstract**. This report will show the title attorney with Village Settlements, Inc., a sixty (60) year history of the property. The abstract will also reveal whether any outstanding lawsuits, judgments, or liens exist and will state whether any easements, rights-of-way, covenants, or restrictions affect the property. If you would like to review any of the documents filed in the Land Records, please contact one of our attorneys. For a nominal charge, we can obtain full copies of all easements, rights of way, etc., and deliver those to you prior to settlement. Unlike many companies, at Village Settlements, Inc., one of our attorneys will review and sign off on the title abstract and the survey.

Village Settlements, Inc., will also order a **house location survey**. This survey will reveal whether any fences encroach upon the neighbor's property or vice versa, and whether the house and other structures are within the property lines. The survey will also reveal if any portion of the house or other structures have been built over any building restriction lines. Unless you specifically request, in writing, the surveyor will not place iron stakes in the corners. The surveyor will identify, in most cases, when an existing stake has been found. If you wish to obtain a survey where the iron pipes are placed in each corner, you will have to pay an additional fee for this service. In either case, under Maryland regulations, you will be required to sign a form electing either a house location survey or a stake survey. The surveyor cannot commence work on either type of survey until you sign this form. At Village Settlements, Inc., we will contact you as soon as we receive your contract/title order and will make arrangements to get the survey request form to you.

Next, Village Settlements, Inc., will also prepare the **title insurance binder** and **title insurance policy**. The protection afforded under a title insurance policy is discussed on pages 31-33 of this booklet. The policy is designed to protect both you (if you elect to purchase a policy) and the lender, who will require you to purchase a policy on its behalf, against any outstanding title defects which are not otherwise excepted from the policy. The title insurance premium, which you pay at closing, is a one-time charge and will protect you for as long as you own the property.

After reviewing the title report and survey and preparing the title insurance binder, Village Settlements, Inc., will forward this information to your lender in advance of settlement. Your lender will then review the entire package as part of the overall loan approval process. As the settlement date nears, Village Settlements, Inc., and the lender will be in close contact, making arrangements to deliver your loan papers to our office. These papers will



be carefully reviewed by an attorney with Village Settlements, Inc., in order to determine that they are in proper form. In addition, Village Settlements, Inc., will prepare the **settlement statement** which sets forth all of the costs and expenses of your settlement transaction. Please see pages 24-25 for a sample Settlement Statement.

At settlement, we will review the settlement statement and all of the loan documents. The Seller will also sign the Deed, which will transfer legal title to you. In addition, settlement is often a time for final discussions regarding the operation of various items in the house, as well as the delivery of the keys.

Throughout the settlement process, Village Settlements, Inc., will be available to answer any questions you may have regarding your loan documents, the contract, and any addenda which you must sign, as well as any other matters regarding your settlement. **In fact, at Village Settlements, Inc., one of our attorneys will be available, free of charge, to review and discuss all settlement documents which you must sign.**

After settlement, it is the responsibility of Village Settlements, Inc., to disburse all of the funds to the various parties. The Seller's loan will be paid off, and the Seller will receive the proceeds check. Several weeks after settlement, the Seller will receive a refund of any funds being held in escrow by the current lender.

Village Settlements, Inc., will also be responsible for recording the Deed and your loan documents at the courthouse. Approximately four to eight weeks after settlement, you will receive the original recorded Deed and, if purchased, your owner's title insurance policy. Although you may not receive the Deed for many weeks, you will still be the owner of the property.

In preparing for settlement, you should discuss with the real estate agent and loan officer certain items which will be necessary for settlement. For example, your lender will require you to deliver evidence that you have purchased a hazard insurance policy on the house and have paid the first year's premium in advance. Additionally, it may be necessary to provide the lender with a copy of the termite inspection report and well and/or septic reports. Your lender may also need some final documentation in order to complete your loan package. You should stay in constant contact with your loan officer in order to ensure that all documentation is provided to the lender in a timely manner.

Also, you will want to contact the various utility companies involved to transfer the accounts into your name. At settlement, Village Settlements, Inc., will hold a small portion of the Seller's proceeds in escrow to pay the final water bill. However, all other final utility bills must be paid by the Seller.

Finally, you should be prepared to bring a picture identification (such as a driver's license) and **a certified or cashier's check**, payable to Village Settlements, Inc., to closing. Although it is often difficult, if not impossible, to obtain the exact amount of your check in advance, you should utilize the estimate provided by the agent or your loan officer in order to determine the approximate amount. At Village Settlements, Inc., we will accept a personal check for a nominal difference. If you bring too much money to closing, we will certainly issue a refund check at closing. The most important thing for you to remember is that you are working with a real estate agent, loan officer, and title attorney who have handled many transactions. Therefore, if you have any questions regarding any phase of the process, you should not hesitate to contact any of us.



Reviewing the Settlement Documents

It seems as though there will be a lot of documents for me to sign. I understand that all of the documents are important. However, are there any specific documents to which I should pay special attention?

There are, in fact, many documents which you will sign at settlement. Many are self-explanatory, such as declarations that you intend on occupying the property, that you have not given any false statements to the lender, or that your correct mailing address will be the property address. You should understand each of these documents before signing them.

One of the most important documents you will review and sign is the **HUD-1 Settlement Statement**. This document sets forth all of the costs and expenses of settlement, as well as the adjustments between the Buyer and Seller. A sample Settlement Statement can be reviewed on pages 24-25.

In addition, there are certain loan documents which are of paramount importance. You will be signing a final "Truth-in-Lending Disclosure." A copy of a **Truth-in-Lending Disclosure** is included on page 23 of this booklet. You should note that the Annual Percentage Rate may not equal your Note rate. This is because the Annual Percentage Rate reflects the lender's true yield or actual earnings when you figure in not only the interest that you pay, but certain other expenses and fees, such as the loan points. Interestingly, if you look at the Total of Payments, you will see a fairly accurate estimate of what you can expect to pay over the full term of the loan. The document will also state whether or not any late charge will be assessed for a late payment. It should also specify whether any penalty exists for pre-payment of your loan.

You will also sign a **Promissory Note**, which is your promise to repay the lender. You should review your Note in order to determine that the interest rate, loan amount, and term of the loan are correct. Additionally, the Note should state whether there exists a penalty for pre-payment and that the late charge should not exceed five percent (5%) of your overdue payment of principal and interest. Finally, the Note may state that the loan is not assumable. This means that if you sell or transfer any interest in the property, the new purchaser will not be allowed to take over the payments on your loan. Instead, the Buyers will be required to obtain their own loan.

Another document which you will sign is the **Deed of Trust**. This is the document in which you pledge the house as collateral for repayment of the loan. In the event that you fail to make the payments and the lender properly notifies you of this default, then the lender will be authorized to have the house sold at public auction or foreclosure.

The settlement attorney will review these documents to determine that they are properly drafted and will explain them to you at settlement. You will also have the opportunity to review them at settlement. After you have reviewed these documents at settlement, you will sign the loan papers and receive copies at closing. You should always keep a separate file for your settlement papers.



Sample Truth-in-Lending Disclosure

FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT

Date: 05/26/10
Loan No.: 37001

Borrowers: James I. Buyer
Jane M. Buyer

Property: 401 Oakwood Drive
Location: Gaithersburg, MD 20878

| ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate. | FINANCE CHARGE The dollar amount the credit will cost you. | Amount Financed The amount of credit provided to you or on your behalf. | Total of Payments The amount you will have paid after you have made all payments as scheduled. |
|---|---|--|---|
| 7.400% | \$242,015.97 | \$161,730.10 | \$403,746.07 |

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization ☐ I do not want an itemization

Your Payment Schedule will be:

| Number of Payments | Amount of Payments | When Payments are Due |
|--------------------|--------------------|-----------------------|
| 359 | \$ 1,121.49 | 07/01/2010 |
| 1 | \$ 1,131.16 | 06/01/2040 |
| | \$.00 | 00/00/0000 |

VARIABLE RATE FEATURE:

☐ This Loan has a Variable Rate Feature. Variable Rate Disclosures have been provided to you earlier.

INSURANCE: Credit life insurance and credit disability insurance are not required to obtain credit, and no such insurance will be applied for or provided unless you sign and agree to pay the additional cost.

| Type | Premium | Term | Signature |
|-----------------------------------|---------|------|--|
| Credit Life | | | I want to apply for credit life insurance. Signature _____ |
| Credit Disability | | | I want to apply for credit disability insurance. Signature _____ |
| Credit Life and Credit Disability | | | I want to apply for credit life and disability insurance. Signature _____ |

You may obtain property insurance from anyone you want that is acceptable to creditor. If you get the insurance from _____ you will pay \$ _____ for a term of _____

SECURITY: You are giving a security interest in the property being purchased.

401 Oakwood Drive, Gaithersburg, MD 20878

Filing fees \$40.00 Non-filing insurance \$ _____

LATE CHARGE: If payment is 15 days late, you will be charged \$.00 / 5.0000% of the payment.

PREPAYMENT: If you pay off early, you

☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

ASSUMPTION: Someone buying your home

☒ cannot assume the remainder of the mortgage on the original terms.
☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

e means an estimate

I/We hereby acknowledge reading and receiving and a complete copy of this disclosure.

James I. Buyer _____ Date _____
_____ Date _____

Jane M. Buyer _____ Date _____
_____ Date _____



Sample Settlement Statement



A. Settlement Statement (HUD-1)

OMB Approval No. 2502-0265

FINAL

B. Type of Loan

| | | | | | |
|---------------------------------|--|---|------------------------------|--------------------------|------------------------------------|
| 1. <input type="checkbox"/> FHA | 2. <input type="checkbox"/> RHS | 3. <input checked="" type="checkbox"/> Conv. Unins. | 6. File Number: 1234-2010 | 7. Loan Number: 37001 | 8. Mortgage Insurance Case Number: |
| 4. <input type="checkbox"/> VA | 5. <input type="checkbox"/> Conv. Ins. | | | | |

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agents are shown. Items marked "(p.o.c)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

| | | |
|---|--|--|
| D. Name & Address of Borrower: James I. Buyer, Jane M. Buyer 324 Elm Street, Anytown, MD 20899 | E. Name & Address of Seller: Donald S. Seller, Donna B. Seller 401 Oakwood Drive, Gaithersburg, MD 20878 | F. Name & Address of Lender: Money Bank, N.A. 309 Financial Lane, Hometown, MD 20877 |
| G. Property Location: 401 Oakwood Drive Gaithersburg, MD 20878 Lot 1, Beauty Estates | H. Settlement Agent: Village Settlements, Inc. Place of Settlement: 177 Kentlands Blvd, Suite 200, Gaithersburg, MD 20878 | I. Settlement Date: 05/26/2010 Disbursement Date: 05/26/2010 TitleExpress Printed 10/19/2010 at 11:22 am by MES |

J. Summary of Borrower's Transaction

| | |
|---|------------|
| 100. Gross Amount Due from Borrower | |
| 101. Contract sales price | 205,500.00 |
| 102. Personal property | |
| 103. Settlement charges to borrower (line 1400) | 9,439.45 |
| 104. | |
| 105. | |
| Adjustments for items paid by seller in advance | |
| 106. City/town taxes to | |
| 107. County taxes 05/26/2010 to 05/30/2010 | 325.48 |
| 108. Assessments to | |
| 109. FFBC 05/26/2010 to 12/31/2009 | |
| 110. HOA Dues 05/26/2010 to 05/31/2010 | 12.58 |
| 111. Next month HOA Dues | 50.00 |
| 112. HOA New owner setup fee | 75.00 |
| 120. Gross Amount Due from Borrower | 215,402.51 |
| 200. Amounts Paid by or in Behalf of Borrower | |
| 201. Deposit of earnest money | 2,000.00 |
| 202. Principal amount of new loan(s) | 164,400.00 |
| 203. Existing loan(s) taken subject to | |
| 204. | |
| 205. | |
| 206. Buyer Deposit for Commission | |
| 207. | |
| 208. | |
| 209. Closing Cost Credit per Contract | 2,055.00 |
| Adjustments for items unpaid by seller | |
| 210. City/town taxes to | |
| 211. County taxes to | |
| 212. Assessments to | |
| 213. FFBC 01/01/2010 to 05/26/2010 | 119.18 |
| 214. | |
| 215. | |
| 216. | |
| 217. | |
| 218. | |
| 219. | |
| 220. Total Paid by/for Borrower | 168,574.18 |
| 300. Cash at Settlement from/to Borrower | |
| 301. Gross amount due from borrower (line 120) | 215,402.51 |
| 302. Less amounts paid by/for borrower (line 220) | 168,574.18 |
| 303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower | 46,828.33 |

K. Summary of Seller's Transaction

| | |
|---|------------|
| 400. Gross Amount Due to Seller | |
| 401. Contract sales price | 205,500.00 |
| 402. Personal property | |
| 403. | |
| 404. | |
| 405. | |
| Adjustments for items paid by seller in advance | |
| 406. City/town taxes to | |
| 407. County taxes 05/26/2010 to 05/30/2010 | 325.48 |
| 408. Assessments to | |
| 409. FFBC 05/26/2010 to 12/31/2009 | |
| 410. HOA Dues 05/26/2010 to 05/31/2010 | 12.58 |
| 411. | |
| 412. | |
| 420. Gross Amount Due to Seller | 205,838.06 |
| 500. Reductions in Amount Due to Seller | |
| 501. Excess deposit (see instructions) | |
| 502. Settlement charges to seller (line 1430) | 14,842.72 |
| 503. Existing loan(s) taken subject to | |
| 504. Payoff of first mortgage loan to Financial Corporation | 127,188.40 |
| 505. Payoff of second mortgage loan | |
| 506. | |
| 507. Obtn/Prepare/Rec. Release | 175.00 |
| 508. | |
| 509. Closing Cost Credit per Contract | 2,055.00 |
| Adjustments for items unpaid by seller | |
| 510. City/town taxes to | |
| 511. County taxes to | |
| 512. Assessments to | |
| 513. FFBC 01/01/2010 to 05/26/2010 | 119.18 |
| 514. Water Escrow | 200.00 |
| 515. | |
| 516. | |
| 517. | |
| 518. | |
| 519. | |
| 520. Total Reduction Amount Due Seller | 144,580.30 |
| 600. Cash at Settlement to/from Seller | |
| 601. Gross amount due to seller (line 420) | 205,838.06 |
| 602. Less reductions in amount due seller (line 520) | 144,580.30 |
| 603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller | 61,257.76 |

Purchase Price

Reimbursement to seller for pre-paid taxes & association dues

Buyers deposit (usually paid at the time the contract is presented) to ensure performance by purchaser

Front-Foot Benefit Charge (water & sewer line installation assessment) Seller reimburses buyer for seller's share of bill

Amount due from buyer at closing

Reimbursement to seller of pre-paid taxes & association dues

Settlement costs carried forward from pg 2

Payoff of seller's existing loan against property

Money held for final water bill

Total sum payable to seller

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured. This disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.



L. Settlement Charges

| | | | | |
|---|---|----------------------------------|---|---|
| 700. Total Real Estate Broker Fees | \$12,330.00 | | | |
| Division of commission (line 700) as follows: | | | | |
| 701. \$6,165.00 | to Listing Broker | | Paid From Borrower's Funds at Settlement | Paid From Seller's Funds at Settlement |
| 702. \$6,165.00 | to Selling Broker | | | |
| 703. Commission paid at settlement | | | | 12,330.00 |
| 704. Earnest Money Deposit | to Selling Broker | \$2,000.00 P.O.C.(B*) | | |
| 705. Broker Fee | to Selling Broker | | 295.00 | |
| 706. Broker Fee | to Listing Broker | | | 245.00 |
| 800. Items Payable in Connection with Loan | | | | |
| 801. Our origination charge (Includes Origination Point 1.000% or \$1,644.00) | | \$2,500.00 (from GFE #1) | | |
| 802. Your credit or charge (points) for the specific interest rate chosen | | \$-411.00 (from GFE #2) | | |
| 803. Your adjusted origination charges | | | (from GFE #1) | 2,089.00 |
| 804. Appraisal Fee | to Joe Appraiser | | (from GFE #3) | 375.00 |
| 805. Credit report | to Money Bank, N.A. | \$57.75 P.O.C.(B*) (from GFE #3) | | |
| 806. Tax service | to FA Tax Service Co | | (from GFE #3) | 89.00 |
| 807. Flood certification | to Flood Cert Co. | | (from GFE #3) | 19.00 |
| 808. | to | | | |
| 900. Items Required by Lender to be Paid in Advance | | | | |
| 901. Daily interest charges from | from 05/28/2010 to 09/01/2010 @ \$24.7728/day | | (from GFE #10) | 148.84 |
| 902. Mortgage Ins. Premium | for months to | | (from GFE #3) | |
| 903. Homeowner's insurance | for 1 years to XYZ Insurance Co. | | (from GFE #11) | 355.00 |
| 904. | months to | | (from GFE #11) | |
| 1000. Reserves Deposited with Lender | | | | |
| 1001. Initial deposit for your escrow account | | | (from GFE #9) | 1,763.58 |
| 1002. Homeowner's insurance | 1 months @ \$ 29.58/month | \$29.58 | | |
| 1003. Mortgage Insurance | months @ \$ 0.00/month | \$0.00 | | |
| 1004. City Property Taxes | months @ \$ 0.00/month | \$0.00 | | |
| 1005. County Property Taxes | 8 months @ \$ 215.50/month | \$1,724.00 | | |
| 1006. Assessments | months @ \$ 0.00/month | \$0.00 | | |
| 1007. Aggregate Adjustment | | \$0.00 | | |
| 1100. Title Charges | | | | |
| 1101. Title services and lender's title insurance | | | (from GFE #4) | 1,239.26 |
| 1102. Settlement or closing fee | to Village Settlements, Inc. | \$ | | 160.00 |
| 1103. Owner's title insurance - First American Title Insurance Company | | | (from GFE #5) | 691.26 |
| 1104. Lender's title insurance - First American Title Insurance Company | | \$437.25 | | |
| 1105. Lender's title policy limit \$164,400.00 | Lender's Policy | | | |
| 1106. Owner's title policy limit \$205,500.00 | Owner's Policy | | | |
| 1107. Agent's portion of the total title insurance premium | | \$959.22 | | |
| 1108. Underwriter's portion of the total title insurance premium | | \$169.28 | | |
| 1109. Title Services | to Village Settlements, Inc. | \$564.00 | | |
| 1110. Title Abstract | to Courthouse Abstracts, Inc. | \$235.00 | | |
| 1200. Government Recording and Transfer Charges | | | | |
| 1201. Government recording charges | | | (from GFE #7) | 80.00 |
| 1202. Deed \$40.00 | Mortgage \$40.00 | Release \$0.00 | | |
| 1203. Transfer taxes | | | (from GFE #8) | 2,077.73 |
| 1204. State Recordation Tax | Deed \$1,417.95 | Mortgage \$0.00 | | 708.97 |
| 1205. State Transfer Tax | Deed \$1,027.50 | Mortgage \$0.00 | | 513.75 |
| 1206. County Transfer Tax | Deed \$2,055.00 | Mortgage \$0.00 | | 1,027.50 |
| 1207. Rec Tax Exemption (1st \$50K) | | -\$172.50 | | -172.50 |
| 1208. | | | | |
| 1300. Additional Settlement Charges | | | | |
| 1301. Required services that you can shop for | | | (from GFE #6) | 50.00 |
| 1302. Survey | to ABC Surveys | | | 180.00 |
| 1303. Pest Inspection | to Termite Inspections | \$50.00 | | |
| 1304. | to | \$ | | |
| 1305. | to | | | |
| 1306. Expedited Payoff Service | to Village Settlements, Inc. | | | 30.00 |
| 1307. | to | \$ | | |
| 1400. Total Settlement Charges | (enter on lines 103, Section J and 502, Section K) | | 9,439.45 | 14,842.72 |

*Paid outside of closing by (B)orrower, (S)eller, (L)ender, (I)nvestor, Bro(K)er.

Commission paid to real estate agents

Adjusted origination charges paid by buyer to lender

Lender fees

Interest from date of closing to end of month

Reserves (escrows) for taxes and insurance

Title Services Fee for preparing documents and conducting closing and for the examination of land records incl. Lenders Title Insurance.

Owner's Title Insurance premium. See pages 31-33

Transfer and recordation taxes (varies by county)

Fee for survey of property. See page 20



Sample Good Faith Estimate



OMB Approval No. 2502-0265

Good Faith Estimate (GFE)

| | | | |
|-------------------------|--|------------------|---|
| Name of Originator | Money Bank, N.A. | Borrower | James I. Buyer and Jane M. Buyer |
| Originator Address | 309 Financial Lane Hometown, MD 20877 | Property Address | 401 Oakwood Drive Gaithersburg, MD 20878 |
| Originator Phone Number | 555-555-5555 | Date of GFE | April 15, 2010 |
| Originator Email | | | |

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

- The interest rate for this GFE is available through **May 26, 2010**. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
- This estimate for all other settlement charges is available through **May 26, 2010**.
- After you lock your interest rate, you must go to settlement within **30** days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least **5** days before settlement.

Summary of your loan

| | |
|---|--|
| Your initial loan amount is | \$ 164,400.00 |
| Your loan term is | 30 years |
| Your initial interest rate is | 7.25 % |
| Your initial monthly amount owed for principal, interest, and any mortgage insurance is | \$ 1121.49 per month |
| Can your interest rate rise? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of % . The first change will be in . |
| Even if you make payments on time, can your loan balance rise? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$. |
| Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be in and the monthly amount owed can rise to \$. The maximum it can ever rise to is \$. |
| Does your loan have a prepayment penalty? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$. |
| Does your loan have a balloon payment? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years. |

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ **1121.49**.

Do we require you to have an escrow account for your loan?

☐ No, you do not have an escrow account. You must pay these charges directly when due.

☒ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Line 803 of Settlement Statement

Summary of your settlement charges

| | | |
|--------------|--|--------------------|
| A | Your Adjusted Origination Charges (See page 2.) | \$ 2,089.00 |
| B | Your Charges for All Other Settlement Services (See page 2.) | \$ 6,816.95 |
| A + B | Total Estimated Settlement Charges | \$ 8,905.95 |

This is NOT the amount that you bring to settlement. See line 303 for your final amount due at closing or calculate your bottom line using the Settlement Cost Estimator on Page 44.

Good Faith Estimate (HUD-GFE) 1

Recent changes in Federal law require all Lenders to give the Buyer/Borrower a Good Faith Estimate. The new form provides a concise summary of the proposed loan terms, as well as the estimated closing costs. If you have any questions about this form, please call any of our offices.



Sample Good Faith Estimate

Understanding your estimated settlement charges

Line 803 of the Settlement Statement

Some of these charges can change at settlement. See the top of page 3 for more information.

This includes the Village Settlements Title Services Fee PLUS the Lender's Title Insurance. See the Maryland Title Insurance Premium Calculator at www.villagesettlements.com

Line 901 of the Settlement Statement

Your Adjusted Origination Charges

| | |
|--|------------|
| 1. Our origination charge This charge is for getting this loan for you. | \$2,500.00 |
| 2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of <input type="text"/> % is included in "Our origination charge." (See item 1 above.) <input checked="" type="checkbox"/> You receive a credit of \$ <input type="text"/> [411.00] for this interest rate of <input type="text"/> [7.25] %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan. | \$411.00 |

| | |
|--|-------------|
| A Your Adjusted Origination Charges | \$ 2,089.00 |
|--|-------------|

Your Charges for All Other Settlement Services

| 3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table><tr><th>Service</th><th>Charge</th></tr><tr><td>Appraiser</td><td>\$375.00</td></tr><tr><td>Credit Report</td><td>\$57.75</td></tr><tr><td>Tax Service Fee</td><td>\$89.00</td></tr><tr><td>Flood Certification</td><td>\$19.00</td></tr></table> | Service | Charge | Appraiser | \$375.00 | Credit Report | \$57.75 | Tax Service Fee | \$89.00 | Flood Certification | \$19.00 | \$540.75 |
|---|----------------------|--------|----------------------|----------------------|-----------------|---------|-----------------|---------|---------------------|---------|----------|
| Service | Charge | | | | | | | | | | |
| Appraiser | \$375.00 | | | | | | | | | | |
| Credit Report | \$57.75 | | | | | | | | | | |
| Tax Service Fee | \$89.00 | | | | | | | | | | |
| Flood Certification | \$19.00 | | | | | | | | | | |
| 4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required | \$1,250.00 | | | | | | | | | | |
| 5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property. | \$691.25 | | | | | | | | | | |
| 6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table><tr><th>Service</th><th>Charge</th></tr><tr><td>Survey</td><td>\$200</td></tr><tr><td>Pest Inspection</td><td>\$75</td></tr></table> | Service | Charge | Survey | \$200 | Pest Inspection | \$75 | \$275.00 | | | | |
| Service | Charge | | | | | | | | | | |
| Survey | \$200 | | | | | | | | | | |
| Pest Inspection | \$75 | | | | | | | | | | |
| 7. Government recording charges These charges are for state and local fees to record your loan and title documents. | \$80.00 | | | | | | | | | | |
| 8. Transfer taxes These charges are for state and local fees on mortgages and home sales. | \$2,077.73 | | | | | | | | | | |
| 9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input type="checkbox"/> all property taxes, <input type="checkbox"/> all insurance, and <input checked="" type="checkbox"/> other <input type="text"/> . | \$1,753.58 | | | | | | | | | | |
| 10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ <input type="text"/> [24.77] per day for <input type="text"/> [6] days (if your settlement is <input type="text"/> [5/26/2010]). | \$118.61 | | | | | | | | | | |
| 11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table><tr><th>Policy</th><th>Charge</th></tr><tr><td><input type="text"/></td><td><input type="text"/></td></tr></table> | Policy | Charge | <input type="text"/> | <input type="text"/> | | | | | | | |
| Policy | Charge | | | | | | | | | | |
| <input type="text"/> | <input type="text"/> | | | | | | | | | | |

| | |
|---|-------------|
| B Your Charges for All Other Settlement Services | \$ 6,816.95 |
|---|-------------|

| | |
|---|-------------|
| A + B Total Estimated Settlement Charges | \$ 8,905.95 |
|---|-------------|



Good Faith Estimate (HUD-GFE) 2



Sample Good Faith Estimate

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

| These charges cannot increase at settlement: | The total of these charges can increase up to 10% at settlement: | These charges can change at settlement: |
|---|--|---|
| <ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate) Your adjusted origination charges (after you lock in your interest rate) Transfer taxes | <ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance (if we select them or you use companies we identify) Owner's title insurance (if you use companies we identify) Required services that you can shop for (if you use companies we identify) Government recording charges | <ul style="list-style-type: none"> Required services that you can shop for (if you do not use companies we identify) Title services and lender's title insurance (if you do not use companies we identify) Owner's title insurance (if you do not use companies we identify) Initial deposit for your escrow account Daily interest charges Homeowner's insurance |

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

| | The loan in this GFE | The same loan with lower settlement charges | The same loan with a lower interest rate |
|---|----------------------|--|--|
| Your initial loan amount | \$ 164,400.00 | \$ | \$ |
| Your initial interest rate ¹ | 7.25 % | % | % |
| Your initial monthly amount owed | \$ 1,121.49 | \$ | \$ |
| Change in the monthly amount owed from this GFE | No change | You will pay \$ more every month | You will pay \$ less every month |
| Change in the amount you will pay at settlement with this interest rate | No change | Your settlement charges will be reduced by \$ | Your settlement charges will increase by \$ |
| How much your total estimated settlement charges will be | \$ 8,905.95 | \$ | \$ |

¹ For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

| | This loan | Loan 2 | Loan 3 | Loan 4 |
|---|-------------------|--------|--------|--------|
| Loan originator name | Money Bank | | | |
| Initial loan amount | \$164,400.00 | | | |
| Loan term | 30 | | | |
| Initial interest rate | 7.250 | | | |
| Initial monthly amount owed | \$1,121.49 | | | |
| Rate lock period | 30 days | | | |
| Can interest rate rise? | no | | | |
| Can loan balance rise? | no | | | |
| Can monthly amount owed rise? | no | | | |
| Prepayment penalty? | no | | | |
| Balloon payment? | no | | | |
| Total Estimated Settlement Charges | \$8,905.95 | | | |

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



Good Faith Estimate (HUD-GFE) 3



Taking Title to Real Property

My husband and I are about to purchase a house. We are concerned about what would happen to the house if one of us dies. Is there a certain way to take title to the property in order to protect our interests? Also, are there different types of Deeds which we should know about?

There are several ways to take title to property. When more than one person takes title to property, this is known as a “concurrent ownership interest.” Each co-owner has an ownership interest in the entire (or whole parcel of) property. The three forms of concurrent ownership are Joint Tenants, Tenants in Common, and Tenants by the Entirety.

1. Joint Tenants

A Joint Tenancy exists whenever two or more persons own an entire, undivided interest in a particular piece of property. The distinguishing characteristic of a Joint Tenancy is the right of survivorship. Upon the death of one of the Joint Tenants, the surviving Joint Tenant continues to retain an undivided ownership interest in the property. If there is more than one surviving Joint Tenant, the remaining Joint Tenants continue as co-owners of the property until there is only one last survivor. The last survivor then has sole ownership in the entire property. The law will not imply a Joint Tenancy. In fact, when the intent to create a Joint Tenancy is not clearly expressed, the courts in Maryland may hold that the conveyance created is a Tenancy in Common (see discussion below). Therefore, for the purchasers of property wishing to obtain title to property with the above-mentioned rights, it is suggested that the purchasers expressly state that they wish to obtain title as **“Joint Tenants with the Right of Survivorship,”** and such words must be set forth in the Deed.

Generally, a Joint Tenant may sever his or her undivided ownership in the property by conveying that interest to a third party. Thereafter, the new owner holds title to the property as a Tenant in Common with the remaining Joint Tenants. This means that the new owner has no right of survivorship. For example, if A, B and C own title as Joint Tenants with the Right of Survivorship, and A conveys his interest to X, the Joint Tenancy is severed. Thereafter, B and C still hold an undivided one-third interest each as Joint Tenants with the Right of Survivorship. X will own an undivided one-third interest as a Tenant in Common with B and C. If B dies, C then owns two-thirds of the property as a Tenant in Common with X, and X still owns a one-third interest.

2. Tenants in Common

The key distinguishing factor between a Tenancy in Common and Joint Tenants with Right of Survivorship is that a Tenancy in Common is concurrent ownership with no right of survivorship. Each individual owner has a distinct, proportionate, undivided interest in the property, which is freely transferable by inheritance and is subject to the claims of the creditors of the particular owners. Tenants in Common do not necessarily need to own equal undivided interests in the property. Although each owner is entitled to possession of the whole property, Tenants in Common may acquire their interests at different times by different instruments and may have undivided interests. Unless otherwise stated, however, each Tenant in Common is presumed to take an equal share in the property. For example, A and B own a parcel of property as Tenants in Common. A has an undivided forty percent (40%) ownership interest, and B has an undivided sixty percent (60%) ownership interest. A still has the right to possess and



Taking Title to Real Property

enjoy the property in a manner equal to that of B, so long as the concurrent ownership lasts. However, either concurrent owner may, at any time, and without the consent of the other, freely sell, assign, or convey his ownership interest.

3. Tenants by the Entirety

Ownership as Tenants by the Entirety is similar to a Joint Tenancy with Right of Survivorship, subject to three significant differences. First, Tenants by the Entirety must be husband and wife. Second, neither the husband nor the wife can sever his or her ownership interest in the property without the consent of the other. In other words, an attempted conveyance to a third party by one spouse alone will not eliminate the right of survivorship, as such conveyance would be invalid. This means that one spouse cannot sell or mortgage any part of the property without the consent of the other spouse. Finally, with the exception of certain Federal tax liens, the ownership interest of one Tenant by the Entirety cannot be reached by the other spouse's individual creditors.

The only ways to terminate the co-ownership interest of Tenants by the Entirety are by the death of either spouse, divorce (in which case the parties become owners as Tenants in Common), or mutual agreement.

Regarding your second question, there are three basic types of Deeds conveying property.

1. Special Warranty Deed

With a Special Warranty Deed, the grantor warrants that he did nothing personally during his ownership of the property which would create a defect in the title to the property. This is the type of Deed used most often in Maryland. Because the warranty is limited in time, the need for title insurance becomes more significant in Maryland, where special warranty deeds are the norm.

2. General Warranty Deed

The grantor, giving a General Warranty Deed, warrants that the title is free of any defects, either prior to his ownership of the property or arising out of his ownership in the property. The grantor warrants to the purchaser that the title to the property is good from the beginning of time until the purchaser takes title.

3. Quitclaim Deed

A quitclaim deed transfers to the purchaser any title which the seller/grantor has. This Deed gives no assurances (no covenants or warranties) that the title is good. The seller is merely giving to the purchaser whatever title the seller has, if any. This type of Deed is usually used to cure a title defect or convey title when the grantor is unsure as to the validity of title.



Do I Need Title Insurance?

I am a little confused about title insurance. Why should I buy title insurance if there has only been one previous owner? Further, doesn't the settlement attorney check the title to the property?

When purchasing a home, the attorney will offer you the opportunity to buy title insurance. Why? Because any home, regardless of its age, is built on land as old as the earth itself. Undoubtedly, the land has had many previous owners. Claims against any of these persons can be filed against the property and against the present owner.

Under Maryland law, the title company handling the settlement of property situated within the State is required to offer the purchaser title insurance. The title company is typically an agent of the title insurance company. There are two different types of title insurance, lender's and owner's. A lender's title insurance policy, which is almost always mandatory, protects only the lender and terminates immediately when the loan is paid off.

The question is asked, "Why do I need owner's title insurance if the attorney has examined the land records?" To satisfy this inquiry, you must first know what a title examination is. To begin an examination, the attorney who certifies the title will obtain an abstract of the title to the property in question from an independent title examiner at the courthouse land records office. An abstract is a history of the title for the last sixty years. It is a compilation of all pertinent instruments affecting the title of the property, as recorded among the various records of the county in which the property lies.

As you can see, the attorney's examination is based on what he has discovered from this review of the abstract of the original land records. What if the records have been forged or a minor has attempted to convey his title? Unfortunately, no examination of the title, no matter how complete or how expertly accomplished, can protect a purchaser against hidden defects which are not a part of the records. Additionally, what if a claim is made against your ownership which is not valid? Without title insurance, you still must bear the cost of legal fees in defending the claim.

The following are listed as some of the more common "hidden defects" which occur in title insurance claims:

Forgery

Forgery, often expertly done, when revealed, has clouded title to thousands of properties. It happens with alarming regularity and quite often involves the most unlikely people, which is why it is often undetected for a long time. An unlikely forger may be that nice person who is really a disgruntled spouse and forges the name of an estranged husband or wife on a deed. And, of course, the forgery may have occurred a long time ago, involving people you did not know existed. A forged deed conveys no valid title to your home.

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Do I need Title Insurance?

The Missing Spouse

Many people have innocently bought homes from a man or woman they thought was "single," only to have an estranged, separated, or missing spouse later reappear to claim his or her ownership rights in your home.

The Minor or Mental Incompetent

A deed from a minor or mental incompetent will cloud the title to your home, although this could not be detected from a title examination.

Missing Heirs

Missing heirs and vague or incorrectly drawn wills are a fruitful source of headaches for innocent home buyers. A person thought to have no living relatives may die and have their property sold in a seemingly legal manner, only to have a long-lost relative turn up years later to claim a whole or part interest in the home.

Similarity of Names

Let's say you are buying a house from someone named Johnson. There are thousands of Johnsons in your community, many with identical first names or initials; and when there are judgments, liens, or divorces involving dozens of people by the same name, the title search is no easy matter. To make it still harder, members of the same family may spell their names differently or one may use several spellings in his lifetime. A wife and husband may divorce and the husband may marry another woman with the same first name as the first spouse. The second wife's signature might then appear to dispose of the first wife's legal rights, although, of course, it could not do so. Two members of the same family often have the same name, as in the case of father and son, and title may be held by one, while the Deed is executed by the other who has no ownership interest.

Improper Deeds

A deed may have been delivered without consent of the owner or after the owner's death. A document may have been executed under an expired or improperly drafted power of attorney. The name of the grantee may have been inserted in the deed after its delivery. The officer of a corporation may not have been properly empowered to act. In any case, the action may result in loss of title.

The only way for purchasers to protect their investment is to purchase owner's title insurance. The owner's title policy will guarantee that the title is free from defects and from any lien or encumbrance thereon, unless specifically set forth in the policy as an exclusion. Of course, it also insures against the possibility of human error in either the abstracting or examination of the title. As a rule, a title company will no more insure a bad title than a fire insurance company will issue a policy on a burning building. However, title companies frequently are able to insure against technical objections that might be made, thus enabling titles to be transferred much more easily than might otherwise be the case.



Sample Title Insurance Premiums

Title Insurance - Schedule of Premiums

| Title Insurance Amount | Full Owners Premium | Full Mortgage Premium |
|------------------------|---------------------|-----------------------|
| \$75,000.00 | \$356.25 | \$198.75 |
| 100,000.00 | 475.00 | 265.00 |
| 125,000.00 | 593.75 | 331.25 |
| 150,000.00 | 712.50 | 397.50 |
| 200,000.00 | 950.00 | 530.00 |
| 225,000.00 | 1,068.75 | 596.25 |
| 250,000.00 | 1,187.50 | 662.50 |
| 275,000.00 | 1,288.75 | 715.00 |
| 300,000.00 | 1,390.00 | 767.50 |
| 325,000.00 | 1,491.25 | 820.00 |
| 350,000.00 | 1,592.50 | 872.50 |
| 375,000.00 | 1,693.75 | 925.00 |
| 400,000.00 | 1,795.00 | 977.50 |
| 425,000.00 | 1,896.25 | 1,030.00 |
| 450,000.00 | 1,997.50 | 1,082.50 |
| 500,000.00 | 2,200.00 | 1,187.50 |
| 600,000.00 | 2,545.00 | 1,372.50 |
| 700,000.00 | 2,890.00 | 1,557.50 |

* When an owner's policy and one or more mortgage policies are issued at the same time, the total additional premium for the mortgage policy(ies) will be \$150.00 each above the owner's premium.

EXAMPLE

If the purchase price is \$200,000, then the cost of lender's and owner's title insurance is \$1,100.00. If the purchaser elects not to obtain owner's title insurance, then the cost of a lender's \$200,000 title policy is \$530.00. If the purchaser does not obtain a loan and purchases the property ALL CASH, then the cost of the owner's title policy will be \$950.00.

For an exact premium quote, please contact any of our attorneys or utilize the Maryland Title Insurance Premium Calculator at www.villagesettlements.com.



If you can provide Village Settlements, Inc., with the previous owner's title insurance policy, you may qualify for a Reissue Rate or discounted premium. Please call our attorneys for details.



Do I Get A Homeowner's Warranty?

We have just placed our house, which is nearly 30 years old, on the market for sale. We are concerned whether we will be responsible for any defects in the property or whether we will be liable for any damages which the purchaser might discover after settlement. Are we required to give the purchaser any guarantee or warranty? Under what circumstances might we be liable for any damages in the property?

An Maryland, it is a generally accepted principle that there are no implied warranties in the resale of a previously owned residence. In other words, if the contract does not state that the seller specifically warrants or guarantees the condition of the property, then no such warranty will be implied. New construction requires the issuance of a warranty in accordance with Maryland law. Most standard contracts, subject to certain exceptions, indicate that the property is sold "as is."

The above principles should not be interpreted to require the seller to report to the purchaser every known minor repair or defect which may have occurred in the history of the house. Such a requirement would be unreasonably burdensome on the seller, and Maryland law would not create such an obligation. However, Maryland has enacted a mandatory property condition disclosure law. The real estate agent can assist the buyer and seller with the required disclosure forms.

The standard contracts often contain certain express warranties. For example, in the Property Condition paragraph of the Maryland Contract, the seller warrants that the property will be in substantially the same physical condition as of the date of final ratification of the contract. Therefore, if the hot water heater breaks one week after final ratification of the contract, but prior to settlement, then the seller must repair or replace the hot water heater. Additionally, the seller generally certifies that the electrical, plumbing, heating, air conditioning, appliances and other mechanical systems will be in working condition at the time of settlement. These items may not be in brand new, perfect condition, but they must be in general operating condition. This provision, however, does not mean that the seller will warrant or guarantee the condition of these items after settlement.

Regardless of whether or not the seller elects to provide the purchaser with a separate commercial warranty protection plan or make any express warranties in the contract of sale, sellers should be very careful to repair or replace any known defects or adequately disclose those defects to the purchaser prior to entering into the contract. If a house contains any severe defects of which the seller has knowledge, they will be better served by having those items repaired prior to entering into a contract, rather than being sued by a disgruntled purchaser after settlement.



At Village Settlements, Inc., we can arrange for you to obtain a one year warranty from a third party warranty company. Please contact any of our attorneys for details.



If I sell my residence, must I pay taxes on the gain?

I am considering selling my house and purchasing a new house. However, I have owned my current house for over fifteen years and have built up over \$100,000.00 in equity. If I sell my current residence, will I have to pay tax on the gain? Additionally, am I required to utilize all of the cash in the purchase of my next residence?

The question which you have asked raises several issues. Initially, you are concerned about whether you will be taxed on the profits realized on the sale of your house. Generally, under the Internal Revenue Code, you may exclude from income up to \$250,000.00 of gain realized on the sale of your principal residence, if you owned and occupied the property as a principal residence for an aggregate of at least two years out of five years prior to the sale. If you are married, you may be able to exclude up to \$500,000.00 of gain. It is not necessary that the period of use is a consecutive two year period, as long the periods of use during the five year ownership period total two years.

Also, the \$250,000.00 exclusion is not a once in a lifetime benefit. As long as you meet the appropriate ownership and use test, you may repeatedly claim the exclusion on the sale of your principal residence.

Regarding the second issue which you raised, you are not required to reinvest or spend all of the cash proceeds from the sale of your original principal residence. You may purchase the new house with a small cash down payment and mortgage the remainder of the purchase price. Therefore, it is possible that you could spend as little as \$5,000.00 to \$10,000.00 of your equity, and utilize the remainder of your proceeds for investments, college education, savings, or acquiring investment real estate.

Under a new Maryland law, if you are a non-Maryland resident and the property is not your principal residence, then a portion of your proceeds may be withheld to pay taxes. For more details, please contact any of our attorneys.

Our Online Websites

- > **www.villagesettlements.com**
 - Title insurance premium calculator
 - Discount Certificates
 - The latest real estate news

- > **Find us on Facebook**



- > **Contact us at information@villagesettlements.com**

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Tax-Deferred Exchanges of Investment Real Estate

Several years ago, I purchased an investment townhouse which I have been renting out. The property has substantially increased in value, and I am considering selling the townhouse. However, I am afraid that I will have to pay taxes on my profits. I am also considering purchasing another investment property, only this time, a single family house. Is there any method for selling the townhouse and purchasing the new single family house while deferring the taxes on the profits?

Today, many real estate investors are considering "tax-deferred exchanges" as a method of delaying taxes on the sale of investment property. Under Section 1031 of the Internal Revenue Code, no gain or loss is recognized on the exchange of property held for investment if such property is exchanged solely for property of a like-kind which is to be held for investment. However, Section 1031 provides certain minimal requirements which must be satisfied for a successful exchange.

First, the initial property to be sold, the townhouse in your case, must be held for business or investment purposes. Next, the property to be received in exchange, the single family house in your case, must be of a "like-kind." This means the properties must be similar in nature, although not necessarily in quality. For example, an unimproved lot may be exchanged for a rental building, as they are both real estate, albeit of a different quality.

Although there are an infinite number of combinations of transactions which may ultimately qualify as a tax-free exchange, the most common exchange is a "Starker" exchange. The delayed, non-simultaneous exchange is often referred to as a "Starker" exchange following a series of court cases wherein the Federal Courts recognized and ultimately sanctioned the use of a non-simultaneous or delayed exchange. Although the series of transactions may seem confusing at first glance, in actuality, they are not too complicated.

Generally, the Starker exchange consists of the sale of your property, the placing of your sales proceeds in an independent account held by a third party facilitator or trustee and the subsequent identification and purchase of the new replacement property. The rules require that you identify the new property to be purchased within forty-five (45) days from the date of closing on the original investment property. Additionally, you must close on the new investment property within one hundred eighty (180) days after the sale of the original investment property. There are many steps involved in completing the exchange through a trustee, including the inclusion in the Listing Agreement of certain provisions, a special addendum to the contract of sale on the sale of your townhouse, closing on the sale of the townhouse, and identifying and then settling on the new property.

The inability to properly satisfy one of the technical requirements of Section 1031 may result in a determination that the entire exchange is invalid. In that instance, you would lose all of the beneficial tax treatment afforded the investor under Section 1031. In completing an exchange, it is of the utmost importance that the investor seek the advice of an experienced attorney and/or accountant.



Refinancing

I am considering refinancing my current loan. I have been reading that interest rates have dropped from the rate of my current loan, and I think that I can reduce my monthly payments by several hundred dollars. However, I am concerned that there may be many fees involved in refinancing. Is there any specific formula for calculating whether a refinance will be worth the expense? Also, what expenses should I expect?

As interest rates drop below your present rate, you should certainly consider refinancing your existing loan. There are many theories as to when a refinance is appropriate. The old rule was that you should reduce your current interest rate by two (2) percentage points. In addition, within approximately twenty-four (24) months from the date of your refinance settlement, the older theory was that you should have saved enough money from the reduced mortgage payments to cover all of your settlement costs. In other words, if your total settlement costs are Two Thousand Four Hundred Dollars (\$2,400.00) and you are able to reduce your payments by Two Hundred Dollars (\$200.00) per month, you would have made back all of your expenses in twelve (12) months. However, you should understand that these are somewhat general rules and may not necessarily apply in your case. In fact, you may be interested in solely reducing your monthly payment or converting an adjustable rate loan to a fixed rate loan. Therefore, you should not worry about any specific rules but should, instead, do what best fits your financial situation.

Regarding the settlement costs, you will find that most of the expenses incurred at settlement are similar to those at a regular purchase settlement. In that regard, you may want to refer to the sample settlement sheet on page 24-25 for a description of the specific charges. There are some ways to save on the settlement costs and these are discussed below.

If you purchased title insurance when you originally acquired the property, you may be entitled to a re-issue rate on the new lender's title insurance policy. This could save you up to forty percent (40%) of the total premium. Also, if you provide Village Settlements, Inc., with a copy of your title insurance policy, you may not be required to purchase a full title abstract detailing the sixty (60) year history of your property. Instead, we may be able to obtain a title rundown, wherein the court records are checked from the date of your purchase of the property to the present in order to verify that no new title encumbrances exist.

It is also possible that your new lender will require a house location survey. However, if you can provide a survey (from a prior settlement) and you have not made any changes to the property (such as installing a fence, deck, porch, or swimming pool), then the survey requirement may be waived. To obtain this waiver, you must be prepared to sign an affidavit stating that no such changes have occurred. This affidavit will be prepared by Village Settlements, Inc.

You will also be charged a fee for the release of your existing loan, which release will be recorded in the courthouse land records. This fee is normally paid by the seller in a regular purchase transaction. However, since no seller exists in a refinance, you, as the borrower, are responsible for paying the release fee.

Regarding transfer taxes, most jurisdictions in Maryland do not require you to pay new transfer taxes at the time of your refinance settlement.



If you provide Village Settlements, Inc., with a copy of your Owner's title insurance policy, you may be entitled to a substantially reduced re-issue title insurance premium.



However, in most jurisdictions, you must pay the State Revenue Stamps (this amount varies by county) on the new money being borrowed. In other words, as long as the property is your principal residence, you will only be responsible for paying revenue stamps on the difference between the outstanding principal balance of your existing loan and the principal balance of your new loan. Thus, if you owe Ninety-Five Thousand Dollars (\$95,000.00) on your current loan and you are borrowing One Hundred Thousand Dollars (\$100,000.00) on your new refinance loan, you would only pay state revenue stamps on the Five Thousand Dollar (\$5,000.00) difference.

Since you will not be required to pay the transfer taxes on a refinance and you should be able to save money with the above-described cost saving tips, you will find that the overall expense for a refinance will be less than for a regular purchase settlement. Regarding the settlement procedures, it is important that you follow your lender's instructions carefully because you may be required to obtain certain documentation in advance of settlement, such as a termite inspection, well and septic inspection, and a new homeowner's insurance policy. You will also want to verify with your new lender whether they will require you to pay money in escrow for taxes and insurance. While it is likely that you will have to place money in escrow with your new lender for taxes and insurance, the funds which you have been paying to your prior lender for taxes and insurance will be refunded to you within two (2) to four (4) weeks after the payoff of your existing loan. Therefore, when calculating your settlement costs, you should take into consideration the fact that you will be receiving a refund of your escrow account.

Finally, if you are paying off an FHA loan, you should check with your existing lender to determine whether any notification rules or pre-payment penalties apply. Generally, you must give your prior FHA lender written notice of your intention to payoff the loan.

Your decision to refinance should be based on many factors, including the reduced monthly payments, the term of the loan, the interest rate, and the overall expense of settlement. However, in most cases, you will find that the benefit of receiving the lower interest rate or monthly payment will far exceed the initial outlay of settlement costs.



If you provide Village Settlements, Inc., with a copy of your prior house location survey, you may not need to buy a new survey.



Understanding Short Sales

I purchased a town home in the spring of 2005 for \$355,000.00. At that time, I was able to qualify for 100% financing. Shortly after settlement on the purchase of the property, my company downsized, and I lost my job. I accepted a job with another company with a significantly reduced salary. Also, because of an impending divorce, my expenses increased, making it impossible to afford the monthly payments on the loan. Facing foreclosure, I had no choice but to list the property for sale. Unfortunately, in the few years since I purchased the property, the bottom has fallen out of the real estate market. As a result, while my loan balance is about \$355,000.00, the market value of my home is about \$310,000.00. Factoring in costs and expenses of sale, I will need to bring about \$70,000.00 to the table to complete settlement. Other than foreclosure, are there any other options for me?

Lenders in today's market are seeing this situation with increasing frequency, and are suffering tremendous losses due to borrowers' defaults on home loans. As a result, many lenders are searching for methods to avoid mounting losses incurred in foreclosing on properties. One of the principal alternatives to foreclosure is called a "short sale."

A short sale is a negotiation between the homeowners and their lender to reduce the amount necessary to pay off the loan (s) on the property at the time of settlement. The hope is that the lender will get the majority of the loan balance paid, and the homeowners will not have to bring money to the table to settle on the sale of their residence. The lender will forgive the shortfall and theoretically allow the sellers to move on with their lives.

You may wonder how a short sale could possibly help the lender save money. The lender benefits by allowing the seller to sell the house directly to a third party, thereby avoiding the expense and delay of a foreclosure action. Typically, after all costs and expenses of a foreclosure are paid, the lender nets about 60-70 percent of the loan balance. If the lender is forced to buy back the property in foreclosure, the lender will have to pay the costs of the foreclosure action, the carrying costs of the property, the cost of fix-up/repair, and finally, the costs involved with re-listing and reselling the property. This scenario exposes the lender to even further losses.

From a homeowner's standpoint, a short sale may be very advantageous. Foremost, the owner of the property (the seller) usually avoids having to bring money to the settlement table in order to sell the property. In addition, a successful short sale usually results in a less damaging credit report entry, at least as it compares to two of the most feared credit report entries- foreclosure or bankruptcy. Finally, the homeowner may avoid having to "pay back" some missed monthly mortgage payments.

There are, however, several disadvantages for the seller. First, there are some lenders who may require the homeowner/seller to sign a Note promising to repay the Bank a portion of the loan deficiency. Also, if the lender does reduce the payoff balance and forgives some debt, this may result in a taxable gain for the amount of debt forgiven on the loan. Finally, the short sale process can be a long and arduous journey, requiring the homeowner/seller to fully disclose their entire financial condition. Of course, any contract for sale will have to be contingent on Lender approval of the short sale. This may scare away some buyers.

Short sales can indeed be a better alternative than foreclosure or bankruptcy. However, all parties should be aware of the various risks involved with the transaction. It is essential that the seller works with a qualified, reputable attorney to assist in the short sale. As is often the case, some unscrupulous people are attempting to take advantage of desperate sellers, often charging exorbitant fees and providing minimal results. You should check with your real estate agent who undoubtedly will be able to refer you to a qualified attorney to assist you. Please feel free to call Mike Hollman or Mark Simon in our Gaithersburg office if you have any questions.



About Our Residential Real Estate Attorneys

James E. Savitz

Mr. Savitz is a leader in the field of Real Estate Law. His expertise provides clients with effective and sound guidance through complicated real property transactions. He is the only Montgomery County attorney to receive the Affiliate of the Year award from both the Montgomery County and Maryland Association of Realtors.

Mr. Savitz graduated from Indiana University in 1971, and from the American University, Washington College of Law in 1975. He is admitted to practice law before the U.S. Supreme Court, and the State and Federal Courts in Maryland, West Virginia and D.C. He is a member of the Bar Associations of Montgomery County, Maryland State and the District of Columbia.

Mr. Savitz is actively involved in the community, having served many groups including the Board of Directors of Chambers of Commerce in Gaithersburg and Potomac, the Shady Grove Hospital Foundation, the American Red Cross, the Private Industry Council, the United Way Attorney's Division (as Chairman) and the Montgomery County Child Care Commission.

David Parker

Mr. Parker is a well-respected attorney in Montgomery County, engaged in the practice of Real Estate Law since 1985. In addition to real estate settlements, his other areas of concentration include commercial settlements and contracts of sale. He is highly visible in the industry as an author and lecturer on real estate related issues.

As an educator, he instructs continuing education courses for real estate agents and brokers. His columns have appeared regularly in local newspapers, magazines, newsletters and internet sites. Mr. Parker is active in community endeavors, including major fund raising for The Children's Inn at the National Institutes of Health. He received his Juris Doctorate from William and Mary School of Law, and his Bachelor of Arts degree, Magna Cum Laude, with Distinction in Political Science from James Madison University. His professional affiliations include the Maryland State, Montgomery County and the American Bar Associations.

Michael C. Hollman

Mr. Hollman has been practicing law in the areas of real estate and bankruptcy since 1986. As a well known attorney in the bankruptcy and consumer credit fields, Mr. Hollman is available to resolve any settlement issues that arise in these highly technical areas of law. He is also capable of handling complex real estate transactions, including land installment contracts, tax-deferred exchanges, "short sales" and foreclosures. Active in the community, he speaks at seminars and educational programs for many area organizations.

Mr. Hollman received his Juris Doctorate from Capital University Law School and his undergraduate degree from Ohio Wesleyan University. His professional affiliations include the American and Maryland Trial Lawyers Associations, the Maryland Bar Association, the Montgomery County Bar Association, the American Mortgage Bankers Association, and the U.S. District Court Bankruptcy Bar.

Mark E. Simon

Mark Simon joined our firm after serving the real estate community for ten years as a real estate agent and office sales manager. His extensive experience in the real estate industry, together with a stellar record in law school, made Mr. Simon a valuable addition to our real estate practice. He is now a principal with Village Settlements, Inc. As an experienced contract drafter and negotiator, Mr. Simon is available to assist agents and clients with contract drafting and review, commercial real estate settlements, tax-deferred exchanges, "short sales" and other real estate matters. His experience as an arbitrator on the Professional Standards Committee of the Montgomery County Association of Realtors is invaluable in assisting agents with issues related to procuring cause and interpretation of the rules of ethics.

Mr. Simon received his Bachelor of Arts Degree from Denison University. He earned his Juris Doctor from The University of Baltimore, Cum Laude, and won the prestigious American Jurisprudence Awards in Contracts and Real Property Law.

In addition to being admitted to practice law in the State of Maryland, Mr. Simon is also a licensed real estate broker and a member of the National, Maryland, and Greater Capital Area Association of Realtors. He is also a member of the Maryland State and Montgomery County Bar Associations.

David C. Hahn

David Hahn joined our firm after providing legal services to the real estate and business communities in the Olney area for three years. Mr. Hahn is a principal with Village Settlements, Inc., and manages our Greenbelt office. Mr. Hahn has extensive experience and training in all aspects of residential real estate transactions from contract drafting and negotiation to settlement, as well as landlord/tenant law, foreclosure, business law, bankruptcy, and will drafting. Mr. Hahn has also represented local banks in the preparation and negotiation of complex commercial real estate transactions. Mr. Hahn continues to serve the Olney community, where he lives with his wife and daughter, as an active member of the Lions Club of Olney.

Mr. Hahn received his Bachelor of Science in Mechanical Engineering from the University of Maryland in 1984, and his Juris Doctor from the University of Baltimore in 1992. Prior to attending law school, Mr. Hahn worked for a local engineering company building heat exchange equipment for space flight on board rockets, satellites and the space shuttle.

His technical background is the basis for Mr. Hahn's additional interests in intellectual property law, such as patent, trademark and copyright law. While in law school, Mr. Hahn competed in the Giles Sutherland Rich Moot Court Competition, a special competition for those interested in intellectual property law. Mr. Hahn placed first in the Regional round and runner up in the National round of this prestigious competition.

Mr. Hahn is licensed to practice law in the State of Maryland and is a member of the American and Maryland State Bar Associations.

At Village
Settlements, Inc.,
our attorneys
ALWAYS
conduct the
settlement.



Christopher T. DeLisi

Chris DeLisi joined our firm in 1998 as an attorney after several years serving as our law clerk. Mr. DeLisi is a principal with Village Settlements, Inc., and manages our Frederick office. Mr. DeLisi received his Bachelor of Arts Degree from St. Mary's College of Maryland, where he was a member of both the President's and Dean's Lists, and the International Economic Honor Society. In addition to his academic achievements, he is the third all-time leading scorer in the College's basketball team history and was twice named to the First Team All-Capital Athletic Conference.

Mr. DeLisi is a Cum Laude graduate of The Dickinson School of Law of The Pennsylvania State University. While at Penn State, he was the Comments Editor of The Dickinson Journal of Environmental Law and Policy. His articles entitled, "The Incineration of Chemical Warfare Agents by the United States Army: Is it the Best Method for Disposal?" and "The Endangered Species Act of 1973-Habitat Modification is a 'Harm' that Constitutes a 'Taking'" were published in the Law Journal. These articles can be found in WestLaw and Lexis at 6 Dick. J. Envtl. L. & Pol'y 139 (1997); and 7 Dick. J. Envtl. L. & Pol'y 75 (1998).

Mr. DeLisi concentrates his practice in the areas of Real Estate Law and Contracts. He has served on the Board of Directors and Legal Counsel to the Gaithersburg/Germantown Chamber of Commerce. He has also served on the Board of Directors of Housing Charities, Inc. He is admitted to practice law in the States of Maryland and New Jersey. In addition, he is admitted to the United States District Court for the District of New Jersey. His professional affiliations include the Maryland and New Jersey Bar Associations, the American Bar Association and the Montgomery County Bar Association.

Lisa C. Lamphier

Lisa Lamphier joined our firm after graduating from American University, Washington College of Law in 2003. Her areas of practice include complex foreclosures and Bank-owned transactions, contract drafting, Deed and Power of Attorney preparation and conducting real estate settlements. While attending American University, she participated in the school's International Human Rights Law Clinic. Ms. Lamphier also interned with the United States Agency for International Development and the Army Judge Advocate General's Corp. She received her Bachelor of Arts in Political Science and Classical Humanities from the University of Missouri, where she received the Curator's Scholarship. Ms. Lamphier is admitted to practice in the State of Maryland and the Commonwealths of Virginia and Massachusetts. She is a member of the Maryland and Virginia State Bar Associations. She is currently serving as Legal Counsel to the Gaithersburg/Germantown Chamber of Commerce.

Beau R. Pichon

Beau R. Pichon joined our firm after previously practicing law in the areas of bankruptcy, business law and civil litigation. In addition to conducting real estate settlements, Mr. Pichon prepares contracts, Deeds, Powers of Attorney and other real estate related documents and assists our clients with "short sales" and foreclosure transactions. Mr. Pichon earned his Bachelor of Science Degree in Marketing from Louisiana State University in 1999 and his Juris Doctorate in 2002 from the American University, Washington College of Law. While in law school, he interned with the Anti-Piracy Division of the Recording Industry Association of America and participated in the Washington College of Law's Civil Practice Clinic, one of the top three clinical programs in the country. He is licensed to practice law in Maryland, West Virginia and the District of Columbia and is a member of the Real Estate Law and the Intellectual Property Law Sections of the American Bar Association, the Maryland Bar Association, The District of Columbia and The West Virginia Bar Association, and the Bar Association of Montgomery County.

David Roche

David Roche recently joined our firm after serving the real estate community since 2003 as an attorney for a national title insurance underwriter, as well as an attorney for a local title company. His areas of expertise include residential and commercial real estate transactions and title insurance underwriting. Mr. Roche received his Juris Doctorate in 2003 from Roger Williams University School of Law in Bristol, Rhode Island and his undergraduate degree from Bridgewater State College. Mr. Roche is admitted to practice law in the State of Maryland, the District of Columbia and the State of Connecticut. He is a member of the Maryland and District of Columbia Bar Associations. Mr. Roche currently serves as a board member for Housing & Community Initiatives, Inc. of Montgomery County, Maryland and volunteers his time teaching homebuyer classes to the community.



Real Estate Terms You Should Know



Appraisal Fee

Cost of independent evaluation of the value of the property. (Generally \$250-\$500).

Assumption Fee

Charge by lender for processing transfer of a loan from one party to another.

County Transfer Tax

Charge to transfer title to real property. In Montgomery County, the charge is 1% of the total consideration (sales price) on homes over \$70,000.00, 1/2% on homes between \$40,000.00 and \$70,000.00, and 1/4% on homes under \$40,000.00. The Transfer Tax in Prince George's County is 1.4%.

Credit Report Fee

Charge by lender for research to verify personal financial status. (Generally \$50-\$125).

Deed

The legal document which transfers ownership of real property. Recording the Deed in the land records is notice to the world as to ownership of the property. The title may be issued solely to the purchaser or with another individual(s) by (1) Tenancy in Common, (2) Joint Tenancy, or (3) Tenancy by the Entirety. For a more detailed discussion of the methods of taking title, see pages 29-30 of this book.

Deed of Trust or Mortgage

The document which pledges the real property as security for repayment of the amount of money borrowed. It is recorded in the land records to put everyone on notice that the property is security for the debt.

Deposit

An amount of money paid with the initial contract offer and held by the seller or broker until settlement.

Escrow

Sum of money held by the lender to be applied toward payment of future taxes and/or insurance. May also be sum of money set aside at settlement to ensure completion of repairs.

Hazard Insurance

Insurance which protects borrower and lender against losses due to fire and other natural hazards.

Interest Adjustment

Unlike rent, which is generally paid in advance, interest on mortgage loans is paid after it is earned. At settlement, lenders often collect interest from the date of settlement until the end of the month in which settlement occurs. This allows subsequent mortgage payments to fall due on the first day of the month.

Loan Origination Fee

Lender's fee for administration and processing of a loan. A "point" is equal to 1% of the loan amount. This fee will appear on the Settlement Statement as part of the Adjusted Origination Charges.



Mortgage Insurance

Insurance which protects the lender against loss if the borrower defaults on the loan and the property is foreclosed upon.

Promissory Note

The written promise by the borrower to pay the amount of money borrowed from the bank, seller, or other lender.

Property Tax Adjustment

Reimbursement to the seller for taxes prepaid by seller from the date of settlement through the end of the tax period.

Recording Fees

Fees paid to the Clerk of the Court for recording the documents among the County land records. Recording of a Deed costs approximately \$40.00 and recording a Deed of Trust or Mortgage costs approximately \$40.00.

State Revenue Stamps

Tax on recording of a document of title or security, such as a Deed of Trust. In Montgomery County, the charge is \$6.90 per \$1,000.00 of consideration paid for the first \$500,000, then \$10.00 per \$1,000.00. In Prince George's County, the charge is \$5.00 per \$1,000.00 of consideration paid, while in Frederick County the charge is \$12.00 per \$1,000.00 of consideration paid.

State Transfer Tax

Charge of 1/2% of the sales price of property in all Maryland counties to transfer title to real property. If the buyer is a First-Time Maryland Home Buyer, the tax is reduced to 1/4% and must be paid by the seller.

Title Abstract

Report of the land, lien and judgment records to ascertain ownership and status of title to real property. The fee for this service is included in the Title Services Fee.

Title Examination

At Village Settlements, Inc., an attorney will carefully review every title abstract and survey. The fee for this service is included in the Title Services Fee.

Title Insurance

Insurance which protects against defects in the title such as forged Deeds, missing heirs, outstanding liens or mortgages or errors in the title examination process. It is a one-time premium, and the insurance coverage is in effect for as long as you own the property. Lenders usually require that buyers pay for a policy of title insurance to insure the amount of the loan. Title insurance to protect the purchaser in the amount of the sales price is optional. For a detailed discussion of title insurance see pages 31-33 of this book.

Title Services Fee

Charge for conducting a settlement (also referred to as real estate closing.) Village Settlements, Inc., charges the purchaser/borrower a flat fee which includes the review of the loan documents, the preparation of all other documents necessary for settlement, the notary and tax certificate fees, the title abstract, title review, title binder, courier fees and the actual closing conducted by one of our attorneys. The seller will be charged reasonable closing and release preparation fees.



SETTLEMENT COST ESTIMATOR

| Line Number HUD-1 Settlement Statement | Amount | Description and Explanation |
|---|-------------|---|
| | | CHARGES |
| 101 | | Purchase Price |
| 105 | | Condominium/Homeowners Association Dues - One to three months. |
| 107 | | Property Tax Adjustment - Reimbursement to the Seller for taxes which have been paid in advance. The normal tax year runs from July 1 through June 30. If you settle on January 10, you will reimburse the Seller for taxes from January 10 through June 30. |
| 801, 802 803 | | Loan Origination Fee, Discount Fee, Points, Buydown Subsidy. One point equals one percent of the loan amount. May include other Lender fees and is called Adjusted Origination Charge (See page 27. Boxes 1 and 2) |
| 804 | | Appraisal Fee - Usually paid outside closing to the Lender at time of application. |
| 805 | | Credit Report Fee - Usually paid outside closing to the Lender at time of application. |
| 806-811 | | Lender Fees - Consult with your lender. Fees can include Flood Certification, Inspection Fee and Tax Service Fee. |
| 901 | | Interest Adjustment - This amount will vary depending on the settlement date. Interest is charged on the new loan amount from the date of settlement through the last day of the month. |
| 902 | | Mortgage Ins. Premium - Consult your Lender for the exact amount. Depending on loan type, this amount will vary between one(1) month of mortgage insurance to 2.25% or more, of the loan. |
| 903 | | Hazard Ins. Premium - Usually paid to insurance agent outside closing, in advance of settlement. |
| 1001-1005 | | Escrow Items: Property Taxes, Hazard Insurance, Mortgage Insurance - The Lender will usually collect two months of hazard and mortgage insurance. For property taxes, a sufficient amount will be held so that the Lender will have enough money to pay the tax bill when due. |
| 1101 | \$799.00 | Title Services Fee to Village Settlements, Inc. Includes lines 1101, 1102, 1103, 1104, and courier fees. \$899.00 for Refinances and Bank Owned/Foreclosures. |
| 1102 | | Title Abstract - The cost of the search through the Land Records to verify the status of title. Included in Line 1101. |
| 1103 | | Title Examination - Attorney review of the title abstract. Included in Line 1101. |
| 1104 | | Title Binder Fee - Preparation of preliminary commitment for title insurance policy. Included in Line 1101. |
| 1108 | | Title Insurance - Lenders and Owners coverage is calculated at the rate of approximately \$4.75/\$1,000 of consideration paid, plus \$150.00. |
| 1201 | \$40.00 | Recording Deed - Courthouse fee for recording Deed. |
| 1201 | \$40.00 | Recording Deed of Trust - Courthouse fee for recording Deed of Trust. |
| 1202 | | County Transfer Tax - County Transfer Tax varies by county. Montgomery County charges 1% of the sales price; PrinceGeorge's County charges 1.4% of the sales price. Certain exemptions and discounts apply. Please call our office for the latest exemption and/or discounts. |
| 1203 | | State Transfer Tax - The State charges a 1/2% transfer tax. First Time Maryland Homebuyers are exempt from the StateTransfer Tax. |
| 1204 | | State Revenue Stamps - Varies by county. Based on the sales price (or loan amount, if higher). Montgomery County charges \$6.90/\$1,000, (\$10.00/\$1000 in excess of \$500,000) Prince George's County charges \$5.00/\$1,000, and Frederick County charges \$12.00/\$1,000. |
| 1303 | \$160-\$200 | House Location Survey - The Builder will provide the survey at a cost ranging from \$100 to \$350. On a resale, the cost is usually \$180-\$250 for a house location survey. |
| 1304 | | Other - Other costs include homeowners association dues, preparation of Power of Attorney, termite inspection. |
| 120 | | Add all the above charges for Purchaser's total settlement charges. |
| | | CREDITS |
| 201 | | Deposit - The deposit is normally held by the Builder. For a resale, one of the Brokers will hold the deposit. Village Settlements, Inc. will also hold the deposit, if requested. |
| 202, 203 | | First Mortgage and Second Mortgage - This is the loan amount(s). |
| 207 | | Other Closing Cost Credits - (i.e., Builder Allowance, Lender Allowance, Closing Cost Credit) See Contract for Builder/Seller allowance. Contact Lender for amount of Lender credit, if any. |
| 220 | | Add all of the above credits for total credits. |
| | | FUNDS NEEDED FOR SETTLEMENT |
| 1 | | Add up all of the settlement charges (line 120 of the Settlement Sheet). Items which have been paid in advance should not be included, such as the pre-paid appraisal fee and credit report. |
| 2 | | Add up all the credits (line 220 of the Settlement Sheet). |
| 3 | | Subtract Item 2 from Item 1 - This is the amount which the Purchaser should be prepared to bring to settlement, in the form of a cashier's or certified check, payable to "Village Settlements, Inc." Purchasers are encouraged to call any of our attorneys for an explanation of the above charges. |





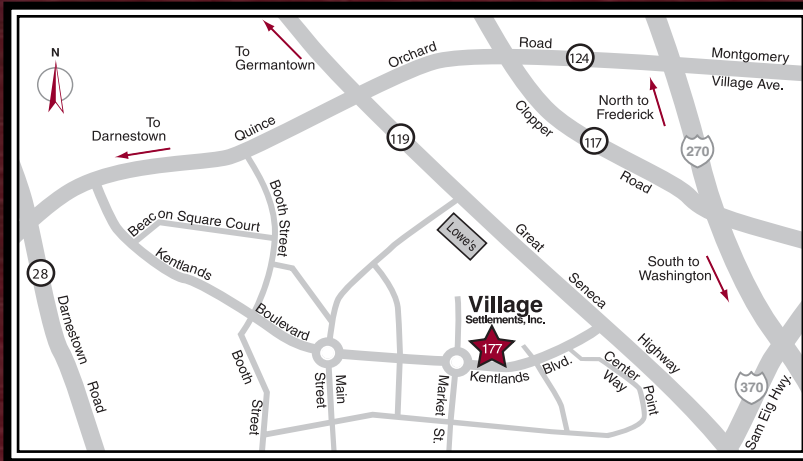
Settlement Checklist

- ☐ Select a Real Estate Agent
- ☐ Select Lender and Apply for Loan
- ☐ Locate Your New Home
- ☐ Sign the Contract (Contact Village Settlements, Inc. for a Free Attorney Contract Review)
- ☐ Provide Lender with Required Documentation
- ☐ Arrange for Inspections (Home Inspection, Termite Report, Well/Septic Certification)
- ☐ Contact Village Settlements, Inc., to Arrange Settlement Date
- ☐ Ask Seller for copy of Owner's Title Insurance Policy-Possible Re-issue rate discount!
- ☐ Obtain Homeowner's Insurance Policy and Paid Receipt and Deliver Copy of Policy and Paid Receipt to Lender
- ☐ Contact Utility Companies
- ☐ Check with Agent, Lender and Village Settlements, Inc., for Final Instructions
- ☐ Get Bank, Cashier's or Certified Check for Settlement, Payable to Village Settlements, Inc.
- ☐ Conduct Final Pre-Settlement Inspection
- ☐ Attend Settlement at Village Settlements, Inc. Bring Photo Identification
- ☐ Enjoy Your New Home!

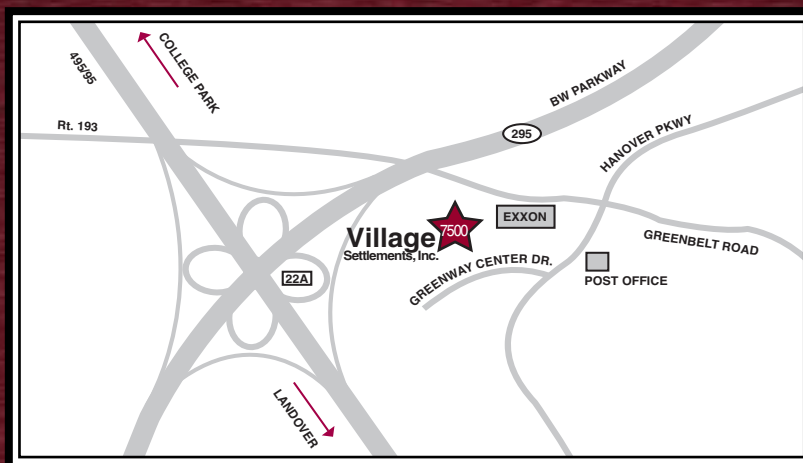
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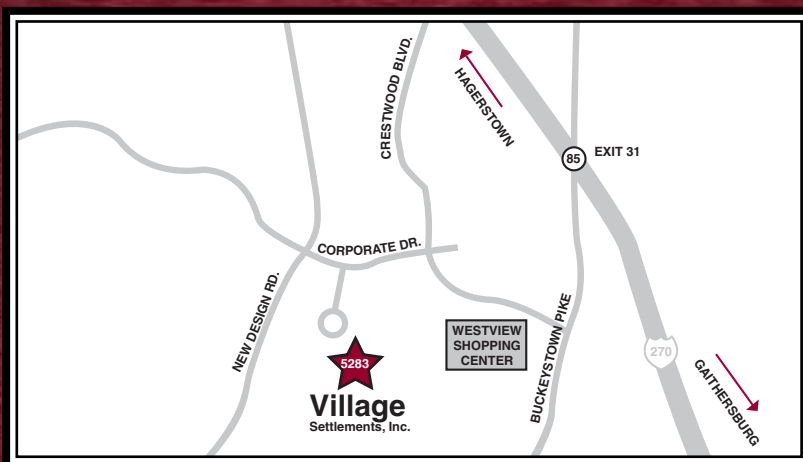
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