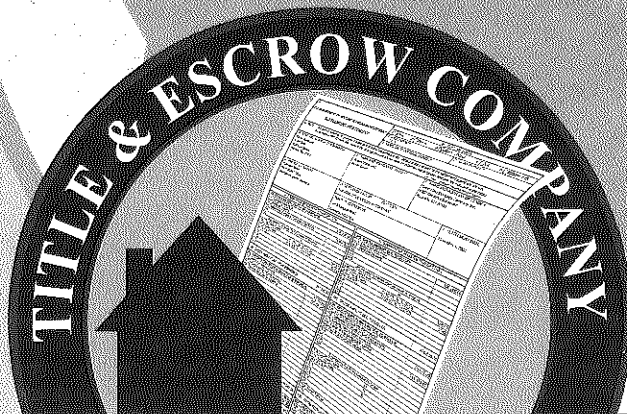


# THE DISSECTION OF A REAL ESTATE TRANSACTION

Presented by



**PARAGON**

*Rothstein & Associates, P.A.*  
*General Counsel*

7415 Arlington Road  
Bethesda, Maryland 20814  
Telephone 301.986.1114  
Fax 301.652.6742 or 301.907.2858  
Website: <http://www.paragontitle.com>  
Email: [pte@paragontitle.com](mailto:pte@paragontitle.com)

## FROM THE AUTHOR

Taking into consideration that the purchase of a home is most likely the biggest investment of a person's lifetime, coupled with just how overwhelming the acquisition process can be, we have decided to dissect for you a hypothetical Real Estate Transaction, from contract to closing. In the following pages you will find key sample documents usually attendant to a Real Estate Settlement followed by brief explanations, in plain language, about each document, as well as a complete analysis of every settlement charge.

For purposes of our example, let us assume that Russell and Susan Seller have accepted a contract from Robin and Robert Buyer to purchase their home located at 1234 Main Street, Potomac, Maryland, for a price of \$650,000.00, and with a settlement date of November 1, 2012. Let us also assume that the Buyers plan to make a down payment of \$130,000.00 and have already qualified for their conventional loan of \$520,000.00 at a rate of 4%.

**For the readers who are purchasing in the District of Columbia or Prince George's County, you will find that the following pages also include brief explanations of the few distinctions between these jurisdictions.**

As an additional note, we would like to state that this pamphlet does not purport to raise all issue nor answer all questions relative to a Real Estate Transaction. Our hope is that this information, when combined with the expertise of your REAL ESTATE AGENT, MORTGAGE BANKER AND PARAGON TITLE, will help to facilitate a smooth and enjoyable acquisition process.

Finally, we would like to invite you to visit our website at [www.paragontitle.com](http://www.paragontitle.com) There you will be able to order a settlement, build your profile, get an estimate of closing costs, be provided with links to other websites with valuable information about the home-buying process, and much more.

With this introduction in mind, we shall now proceed through our hypothetical transaction.

\* \* \*

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\* \* \*

Rothstein and Associates, P.A., General Counsel to Paragon Title & Escrow Company, is a law firm comprised of five attorneys: Randall M. Rothstein, Robert M. Gratz, Richard L. Fritts, Fred E. Futrovsky and Jason S. Sherman. This team, along with the very experienced Paragon Title staff is dedicated to helping make your home purchase or sale a pleasant one. Randall M. Rothstein worked as a Real Estate Agent in Montgomery County while in law school until the opening of his law practice in March of 1981 specializing exclusively in Real Estate Settlements. In addition to Robert M. Gratz's expertise in Real Estate Settlements, his areas of practice also include Estate Planning and Business Law. Richard L. Fritts' areas of practice include Real Estate Settlements, Estate Planning. Fred E. Futrovsky's areas of practice include Real Estate Settlements and Estate Planning. Jason S. Sherman's primary focus is Real Estate Settlements.

NOTICE: While any one of the Attorneys specified above will be available to answer general questions to facilitate your transaction, and to actually conduct the closing, no Attorney-Client relationship is express or implied. You are always entitled to retain your own legal counsel.

\* \* \*



REGIONAL SALES CONTRACT

This SALES CONTRACT ("Contract") is made on SEPTEMBER 1, 2012 ("Contract Date") between ROBERT BUYER, ROBIN BUYER ("Purchaser") and RUSSELL SELLER, SUSAN SELLER ("Seller") who, among other things, hereby confirm and acknowledge by their initials and signatures herein that by prior disclosure in this real estate transaction LISTING COMPANY ("Listing Company") represents Seller, and SELLING COMPANY ("Selling Company") represents

Purchaser OR Seller. The Listing Company and Selling Company are collectively referred to as "Broker." (If the brokerage firm is acting as a dual representative for both Seller and Purchaser, then the appropriate disclosure form is attached to and made a part of this Contract.) In consideration of the mutual promises and covenants set forth below, and other good and valuable consideration the receipt and sufficiency of which is acknowledged, the parties agree as follows:
1. REAL PROPERTY Purchaser will buy and Seller will sell for the sales price ("Sales Price"), Seller's entire interest in the real property (with all improvements, rights and appurtenances) described as follows ("Property"):
TAX Map/ID # N/A Legal Description: Lot(s) ONE
Block/Square B Section Subdivision or Condominium NICE HOMES
Parking Space(s) # N/A County/Municipality MONTGOMERY
Deed Book/Liber # N/A Page/Folio # N/A
Street Address 1234 MAIN STREET
Unit # N/A City POTOMAC State MD Zip Code 20854

2. JURISDICTIONAL ADDENDUM The following Jurisdictional Addendum, if ratified and attached, is made a part of this Contract. Jurisdictional Addendum for DC VA X MD/County: MONTGOMERY
Other:

3. PRICE AND FINANCING

Table with 2 columns: Description and Amount. Rows include A. Down Payment (\$130,000.00), B. Financing (1. First Trust \$520,000.00, 2. Second Trust, 3. Seller Held Trust), TOTAL FINANCING (\$520,000.00), and SALES PRICE (\$650,000.00).

C. First Deed of Trust Purchaser will X Obtain OR Assume a Fixed OR an Adjustable rate First Deed of Trust loan of the following type:

- X Conventional See Addendum Attached
FHA See Addendum Attached
This contract is not contingent on Financing:
VA See Addendum Attached
Other:

D. Second Deed of Trust Purchaser will Obtain OR Assume a Fixed OR an Adjustable rate Second Deed of Trust loan.

E. Assumption Only Assumption fee, if any, and all charges related to the assumption will be paid by the Purchaser. If Purchaser assumes Seller's loan(s): (i) Purchaser and Seller will, OR will not obtain a release of Seller's liability to the U.S. Government for the repayment of the loan by Settlement, (ii) Purchaser and Seller will, OR will not obtain substitution of Seller's VA entitlement by Settlement. Balances of any assumed loans, secondary financing and cash down payments are approximate.

4. **DEPOSIT** Purchaser has delivered a deposit ("Deposit") to SELLING COMPANY ("Escrow Agent") of  \$ 32,500.00 check and/or  \$ \_\_\_\_\_ by note due and payable on \_\_\_\_\_.

The Deposit will be placed in an escrow account of the Escrow Agent after Date of Ratification in conformance with the laws and regulations of the appropriate jurisdiction and/or, if VA financing applies, as required by Title 38 of the U.S. Code. This account may be interest bearing and all parties waive any claim to interest resulting from the Deposit. The Deposit will be held in escrow until: (i) Credited toward the Sales Price at Settlement; (ii) All parties have agreed in writing as to its disposition; (iii) A court of competent jurisdiction orders disbursement and all appeal periods have expired; or, (iv) Disposed of in any other manner authorized by the laws and regulations of the appropriate jurisdiction. Seller and Purchaser agree that Escrow Agent will have no liability to any party on account of disbursement of the Deposit or on account of failure to disburse the Deposit, except in the event of the Escrow Agent's gross negligence or willful misconduct.

5. **DOWN PAYMENT** The balance of the down payment will be paid on or before the Settlement Date by certified or cashier's check or by bank-wired funds. An assignment of funds shall not be used without prior written consent of Seller.

6. **SETTLEMENT** Seller and Purchaser will make full settlement in accordance with the terms of this Contract ("Settlement") on, or with mutual consent before, NOVEMBER 1, 2012 ("Settlement Date") except as otherwise provided in this Contract. Purchaser selects: PARAGON TITLE & ESCROW COMPANY ("Settlement Agent") to conduct the Settlement. (For transactions in Virginia, use the Virginia Jurisdictional Addendum to select the Settlement Agent.) Either party may retain their own legal counsel. Purchaser agrees to contact the Settlement Agent within 10 Days after the Date of Ratification to schedule Settlement and to arrange for ordering the title exam and, if required, a survey.

7. **PROPERTY MAINTENANCE AND CONDITION** Except as otherwise specified herein, Seller will deliver the Property free and clear of trash and debris, broom clean and in substantially the same physical condition to be determined as of  Contract Date OR  Date of home inspection OR  Other: \_\_\_\_\_ Seller will have all utilities in service through Settlement or as otherwise agreed. Purchaser and Seller will not hold the Broker liable for any breach of this paragraph.

Purchaser acknowledges, subject to Seller acceptance, that this Contract may be contingent upon home inspection(s) and/or other inspections to ascertain the physical condition of the Property. If Purchaser desires one or more inspection contingencies, such contingencies must be included in an addendum to this Contract.

This Contract is contingent upon home inspection(s) and/or other inspections. (Addendum Attached)  
OR

Purchaser declines the opportunity to make this Contract contingent upon home inspection(s) and/or other inspections.

Purchaser acknowledges that except as otherwise specified in this Contract, the Property, including electrical, plumbing, existing appliances, heating, air conditioning, equipment and fixtures shall convey in its AS-IS condition as of the date specified above.

8. **ACCESS TO PROPERTY** Seller will provide the Broker, Purchaser, inspectors representing Purchaser and representatives of lending institutions for Appraisal purposes reasonable access to the Property to comply with this Contract. In addition, Purchaser and/or Purchaser's representative will have the right to make a final inspection within 5 days prior to Settlement and/or occupancy, unless otherwise agreed to by Purchaser and Seller.

9. **UTILITIES -WATER, SEWAGE, HEATING AND CENTRAL AIR CONDITIONING** (Check all that apply)

Water Supply:	<input checked="" type="checkbox"/> Public	<input type="checkbox"/> Private Well	<input type="checkbox"/> Community Well
Sewage Disposal:	<input checked="" type="checkbox"/> Public	<input type="checkbox"/> Septic for # BR _____	<input type="checkbox"/> Community Septic <input type="checkbox"/> Alternative Septic for # BR: _____
Hot Water:	<input type="checkbox"/> Oil	<input type="checkbox"/> Gas	<input checked="" type="checkbox"/> Elec.
Air Conditioning:	<input type="checkbox"/> Oil	<input type="checkbox"/> Gas	<input type="checkbox"/> Elec.
Heating:	<input type="checkbox"/> Oil	<input type="checkbox"/> Gas	<input type="checkbox"/> Elec.
			<input type="checkbox"/> Other _____
			<input checked="" type="checkbox"/> Heat Pump <input type="checkbox"/> Other _____
			<input checked="" type="checkbox"/> Heat Pump <input type="checkbox"/> Other _____
			<input type="checkbox"/> Zones <u>2</u>
			<input type="checkbox"/> Zones <u>2</u>

**10. PERSONAL PROPERTY AND FIXTURES** The Property includes the following personal property and fixtures, if existing: built-in heating and central air conditioning equipment, plumbing and lighting fixtures, sump pump, attic and exhaust fans, storm windows, storm doors, screens, installed wall-to-wall carpeting, window shades, blinds, window treatment hardware, smoke and heat detectors, TV antennas, exterior trees and shrubs. Unless otherwise agreed to in writing, all surface or wall mounted electronic components/devices **DO NOT** convey. If more than one of an item convey, the number of items is noted. **The items marked YES below are currently installed or offered.**

Yes	No	#	Items	Yes	No	#	Items	Yes	No	#	Items
<input checked="" type="checkbox"/>	<input type="checkbox"/>		Alarm System	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Freezer	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Satellite Dish
<input checked="" type="checkbox"/>	<input type="checkbox"/>		Built-in Microwave	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Furnace Humidifier	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Storage Shed
<input type="checkbox"/>	<input checked="" type="checkbox"/>		Ceiling Fan	<input checked="" type="checkbox"/>	<input type="checkbox"/>		Garage Opener	<input checked="" type="checkbox"/>	<input type="checkbox"/>		Stove or Range
<input type="checkbox"/>	<input checked="" type="checkbox"/>		Central Vacuum	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2	w/ remote	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Trash Compactor
<input checked="" type="checkbox"/>	<input type="checkbox"/>		Clothes Dryer	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Gas Log	<input checked="" type="checkbox"/>	<input type="checkbox"/>		Wall Oven
<input checked="" type="checkbox"/>	<input type="checkbox"/>		Clothes Washer	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Hot Tub, Equip & Cover	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Water Treatment System
<input checked="" type="checkbox"/>	<input type="checkbox"/>		Cooktop	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Intercom	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Window A/C Unit
<input checked="" type="checkbox"/>	<input type="checkbox"/>		Dishwasher	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Playground Equipment	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Window Fan
<input checked="" type="checkbox"/>	<input type="checkbox"/>		Disposer	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Pool, Equip, & Cover	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Window Treatments
<input type="checkbox"/>	<input checked="" type="checkbox"/>		Electronic Air Filter	<input checked="" type="checkbox"/>	<input type="checkbox"/>		Refrigerator	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Wood Stove
<input type="checkbox"/>	<input checked="" type="checkbox"/>		Fireplace Screen/Door	<input checked="" type="checkbox"/>	<input type="checkbox"/>		w/ ice maker				

**OTHER**

**LEASED ITEMS** Any leased items, systems or service contracts (including, but not limited to, fuel tanks, water treatment systems, lawn contracts, security system monitoring, and satellite contracts) **DO NOT CONVEY** absent an express written agreement by Purchaser and Seller. The following is a list of the leased items within the Property:

N/A

**11. FINANCING APPLICATION** If this Contract is contingent on financing, Purchaser will make written application for the Specified Financing and any lender required property insurance no later than 7 days after the Date of Ratification. Purchaser grants permission for the Selling Company and the lender to disclose to the Listing Company and the Seller general information available about the progress of the loan application and loan approval process. If Purchaser fails to settle except due to any Default by Seller, then the provisions of the DEFAULT paragraph shall apply. Seller agrees to comply with reasonable lender requirements except as otherwise provided in the LENDER REQUIRED REPAIRS paragraph of the applicable financing contingency addendum.

**12. ALTERNATE FINANCING** Purchaser may substitute alternative financing and/or an alternative lender for Specified Financing provided: (a) Purchaser is qualified for alternative financing; (b) there is no additional expense to Seller; (c) the Settlement Date is not delayed; and (d) if Purchaser fails to settle except due to any Default by Seller, then the provisions of the DEFAULT paragraph shall apply.

**13. PURCHASER'S REPRESENTATIONS** Purchaser  will, OR  will not occupy the Property as Purchaser's principal residence. **Unless specified in a written contingency, neither this Contract nor the financing is dependent or contingent on the sale and settlement or lease of other real property.** The Selling Company  is, OR  is not authorized to disclose to the Listing Company, Seller and any lender the appropriate financial or credit information statement provided to the Selling Company by Purchaser. Purchaser acknowledges that Seller is relying upon all of Purchaser's representations, including without limitation, the accuracy of financial or credit information given to Seller, Broker or the lender by Purchaser.

14. **TERMITE INSPECTION** The  Purchaser at Purchaser's expense OR  Seller at Seller's expense, will furnish a written report from a pest control firm dated not more than 30 days prior to Settlement showing that all dwelling(s) and/or garage(s) within the Property (excluding fences or shrubs not abutting garage(s) or dwelling(s)) are free of visible evidence of active termites and other wood-destroying insects, and free from visible insect damage. Any extermination and repairs for damage identified in the inspection report will be made at Seller's expense.
15. **DAMAGE OR LOSS** The risk of damage or loss to the Property by fire, act of God, or other casualty remains with Seller until the execution and delivery of the deed of conveyance to Purchaser at Settlement.
16. **TITLE** The title report and survey, if required, will be ordered promptly and, if not available on the Settlement Date, then Settlement may be delayed for up to 10 business days to obtain the title report and survey after which this Contract, at the option of Seller, may be terminated and the Deposit will be refunded in full to Purchaser according to the terms of the DEPOSIT paragraph. Fee simple title to the Property, and everything that conveys with it, will be sold free of liens except for any loans assumed by Purchaser. Title is to be good and marketable, and insurable by a licensed title insurance company with no additional risk premium. Title may be subject to commonly acceptable easements, covenants, conditions and restrictions of record, if any; otherwise, Purchaser may declare this Contract void, unless the defects are of such character that they may be remedied within 30 Days beyond the Settlement Date. In case action is required to perfect the title, such action must be taken promptly by Seller at Seller's expense. The Broker is hereby expressly released from all liability for damages by reason of any defect in the title. Seller will convey the Property by general warranty deed with English covenants of title (Virginia); general warranty deed (West Virginia); special warranty deed (D.C. and Maryland) ("Deed"). Seller will sign such affidavits, lien waivers, tax certifications, and other documents as may be required by the lender, title insurance company, Settlement Agent, or government authority, and authorizes the Settlement Agent to obtain pay-off or assumption information from any existing lenders. The manner of taking title may have significant legal and tax consequences. Purchaser is advised to seek the appropriate professional advice concerning the manner of taking title. Unless otherwise agreed to in writing, Seller will pay any special assessments and will comply with all orders or notices of violations of any county or local authority, condominium unit owners' association, homeowners' or property owners' association or actions in any court on account thereof, against or affecting the Property on the Settlement Date.
17. **POSSESSION DATE** Unless otherwise agreed to in writing between Seller and Purchaser, Seller will give possession of the Property at Settlement, including delivery of keys, if any. If Seller fails to do so and occupies the Property beyond Settlement, Seller will be a tenant at sufferance of Purchaser and hereby expressly waives all notice to quit as provided by law. Purchaser will have the right to proceed by any legal means available to obtain possession of the Property. Seller will pay any damages and costs incurred by Purchaser including reasonable attorney fees.
18. **FEES** Fees for the preparation of the Deed, that portion of the Settlement Agent's fee billed to Seller, costs of releasing existing encumbrances, Seller's legal fees and any other proper charges assessed to Seller will be paid by Seller. Fees for the title exam (except as otherwise provided) survey, recording (including those for any purchase money trusts) and that portion of the Settlement Agent's fee billed to Purchaser, Purchaser's legal fees and any other proper charges assessed to Purchaser will be paid by Purchaser. Fees to be charged will be reasonable and customary for the jurisdiction in which the Property is located. (Recording, Transfer and Grantor's Taxes are covered in the appropriate jurisdictional addenda).
19. **BROKER'S FEE** Seller irrevocably instructs the Settlement Agent to pay the Broker compensation ("Broker's Fee") at Settlement as set forth in the listing agreement and to disburse the compensation offered by the Listing Company to the Selling Company in writing as of the Contract Date, and the remaining amount of Broker's compensation to the Listing Company.

20. **ADJUSTMENTS** Rents, taxes, water and sewer charges, front foot benefit and house connection charges, condominium unit owners' association, homeowners' and/or property owners' association regular periodic assessments (if any) and any other operating charges, are to be adjusted to the day of Settlement. Any heating or cooking fuels remaining in supply tank(s) at Settlement will become the property of Purchaser, unless leased. Taxes, general and special, are to be adjusted according to the certificate of taxes issued by the collector of taxes, if any, except that recorded assessments for improvements completed prior to Settlement, whether assessments have been levied or not, will be paid by Seller or allowance made at Settlement. If a loan is assumed, interest will be adjusted to the Settlement Date and Purchaser will reimburse Seller for existing escrow accounts, if any.
21. **ATTORNEY'S FEES**
- A. If any Party breaches this Agreement and a non-breaching Party retains legal counsel to enforce its rights hereunder, the non-breaching Party shall be entitled to recover against the breaching Party, in addition to any other damages recoverable against any breaching Party, all of its reasonable Legal Expenses incurred in enforcing its rights under this Agreement, whether or not suit is filed, and in obtaining, enforcing and/or defending any judgment related thereto. Should any tribunal of competent jurisdiction determine that more than one party to the dispute has breached this Agreement, then all such breaching Parties shall bear their own costs, unless the tribunal determines that one or more parties is a "Substantially Prevailing Party", in which case any such Substantially Prevailing Party shall be entitled to recover from any of the breaching parties, in addition to any other damages recoverable against any breaching Party, all of its reasonable Legal Expenses incurred in enforcing its rights under this Agreement, whether or not suit is filed, and in obtaining, enforcing and/or defending any judgment related thereto.
- B. In the event a dispute arises resulting in the Broker (as used in this paragraph to include any agent, licensee, or employee of the Broker) being made a party to any litigation by the Purchaser or by the Seller, the Parties agree that the Party who brought the Broker into litigation shall indemnify the Broker for all of its reasonable Legal Expenses incurred, unless the litigation results in a judgment against the Broker.
22. **PERFORMANCE** Delivery of the required funds and executed documents to the Settlement Agent will constitute sufficient tender of performance. Funds from this transaction at Settlement may be used to pay off any existing liens and encumbrances, including interest, as required by lender(s) or lienholders.
23. **DEFAULT** If Purchaser fails to complete Settlement for any reason other than Default by Seller, at the option of Seller, the Deposit may be forfeited as liquidated damages (not as a penalty) in which event Purchaser will be relieved from further liability to Seller. If Seller does not elect to accept the Deposit as liquidated damages, the Deposit may not be the limit of Purchaser's liability in the event of a Default. If the Deposit is forfeited, or if there is an award of damages by a court or a compromise agreement between Seller and Purchaser, the Broker may accept and Seller agrees to pay the Broker one-half of the Deposit in lieu of the Broker's Fee, (provided Broker's share of any forfeited Deposit will not exceed the amount due under the listing agreement). If Seller fails to perform or comply with any of the terms and conditions of this Contract or fails to complete Settlement for any reason other than Default by Purchaser, Purchaser will have the right to pursue all legal or equitable remedies, including specific performance and/or damages. If either Seller or Purchaser refuses to execute a release of Deposit ("Release") when requested to do so in writing and a court finds that such party should have executed the Release, the party who so refused to execute the Release will pay the expenses, including, without limitation, reasonable attorney's fees, incurred by the other party in the litigation. Seller and Purchaser agree that no Escrow Agent will have any liability to any party on account of disbursement of the Deposit or on account of failure to disburse the Deposit, except only in the event of the Escrow Agent's gross negligence or willful misconduct. The parties further agree that the Escrow Agent will not be liable for the failure of any depository in which the Deposit is placed and that Seller and Purchaser each will indemnify, defend and save harmless the Escrow Agent from any loss or expense arising out of the holding, disbursement or failure to disburse the Deposit, except in the case of the Escrow Agent's gross negligence or willful misconduct. If either Purchaser or Seller is in default, then in addition to all other damages, the defaulting party will immediately pay the costs incurred for the title examination, Appraisal, survey and the Broker's Fee in full.

24. **OTHER DISCLOSURES** Purchaser and Seller should carefully read this Contract to be sure that the terms accurately express their respective understanding as to their intentions and agreements. The Broker can counsel on real estate matters, but if legal advice is desired by either party, such party is advised to seek legal counsel. Purchaser and Seller are further advised to seek appropriate professional advice concerning the condition of the Property or tax and insurance matters. The following provisions of this paragraph disclose some matters which the parties may investigate further. These disclosures are not intended to create a contingency. Any contingency must be specified by adding appropriate terms to this Contract. The parties acknowledge the following disclosures:

A. **PROPERTY CONDITION** Various inspection services and home warranty insurance programs are available. The Broker is not advising the parties as to certain other issues, including without limitation: water quality and quantity (including but not limited to, lead and other contaminants;) sewer or septic; soil condition; flood hazard areas; possible restrictions of the use of the Property due to restrictive covenants, zoning, subdivision, or environmental laws, easements or other documents; airport or aircraft noise; planned land use, roads or highways; and construction materials and/or hazardous materials, including but without limitation flame retardant treated plywood (FRT), radon, urea formaldehyde foam insulation (UFFI), mold, polybutylene pipes, synthetic stucco (EIFS), underground storage tanks, Defective Chinese drywall, asbestos and lead-based paint. Information relating to these issues may be available from appropriate government authorities.

B. **LEGAL REQUIREMENTS** All contracts for the sale of real property must be in writing to be enforceable. Upon ratification and Delivery, this Contract becomes a legally binding agreement. Any changes to this Contract must be made in writing for such changes to be enforceable.

C. **FINANCING** Mortgage rates and associated charges vary with financial institutions and the marketplace. Purchaser has the opportunity to select the lender and the right to negotiate terms and conditions of the financing subject to the terms of this Contract. The financing may require substantial lump sum (balloon) payments on the due dates. Purchaser has not relied upon any representations regarding the future availability of mortgage money or interest rates for the refinancing of any such lump sum payments.

D. **BROKER** Purchaser and Seller acknowledge that the Broker is being retained solely as a real estate agent and not as an attorney, tax advisor, lender, appraiser, surveyor, structural engineer, mold or air quality expert, home inspector or other professional service provider. The Broker may from time to time engage in the general insurance, title insurance, mortgage loan, real estate settlement, home warranty and other real estate-related businesses and services. Therefore, in addition to the Broker's Fee specified herein, the Broker may receive compensation related to other services provided in the course of this transaction pursuant to the terms of a separate agreement/disclosure.

E. **PROPERTY TAXES** Your property tax bill could substantially increase following settlement. For more information on property taxes contact the appropriate taxing authority in the jurisdiction where the Property is located.

F. **PROPERTY INSURANCE** Obtaining property insurance is typically a requirement of the lender in order to secure financing. Insurance rates and availability are determined in part by the number and nature of claims and inquiries made on a property's policy as well as the number and nature of claims made by a prospective Purchaser. Property insurance has become difficult to secure in some cases. Seller should consult an insurance professional regarding maintaining and/or terminating insurance coverage.

25. **ASSIGNABILITY** This Contract may not be assigned without the written consent of Purchaser and Seller. If Purchaser and Seller agree in writing to an assignment of this Contract, the original parties to this Contract remain obligated hereunder until Settlement.



26. **DEFINITION** "Appraisal" means a written appraised valuation of the Property.
- A. "Day(s)" or "day(s)" means calendar day(s) unless otherwise specified in this Contract.
  - B. All reference to time of day shall refer to the time of day in the Eastern Time Zone of the United States.
  - C. For the purpose of computing time periods, the first Day will be the Day following Delivery and the time period will end at 9 p.m. on the Day specified. If the Settlement Date falls on a Saturday, Sunday, or legal holiday, then the Settlement will be on the prior business day.
  - D. "Date of Ratification" means the date of final acceptance in writing by Purchaser and Seller, of all the terms of this Contract (not the date of expiration or removal of any contingencies).
  - E. For "Delivery" and "Notices" definitions, see appropriate Jurisdictional Addendum.
  - F. "Specified Financing" means the loan type(s) and amount(s), if any, specified in the PRICE AND FINANCING paragraph.
  - G. The masculine includes the feminine and the singular includes the plural.
  - H. "Possession Date" - See POSSESSION DATE paragraph.
  - I. "Legal Expenses" means attorney fees, court costs, and litigation expenses, if any, including, but not limited to, expert witness fees and court reporter fees.
27. **MISCELLANEOUS** This Contract may be signed in one or more counterparts, each of which is deemed to be an original, and all of which together constitute one and the same instrument. Documents obtained via facsimile machines will also be considered as originals. Typewritten or handwritten provisions included in this Contract will control all pre-printed provisions that are in conflict.
28. **VOID CONTRACT** If this Contract becomes void and of no further force and effect, without Default by either party, both parties will immediately execute a release directing that the Deposit be refunded in full to Purchaser according to the terms of the DEPOSIT paragraph.
29. **HOME WARRANTY**  Yes OR  No  
 Home Warranty Policy paid for and provided at Settlement by:  Purchaser OR  Seller.  
 Cost not to exceed \$ \_\_\_\_\_ . Warranty provider to be \_\_\_\_\_
30. **TIME IS OF THE ESSENCE AS TO ALL TERMS OF THIS CONTRACT.**
31. **ENTIRE AGREEMENT** This Contract will be binding upon the parties and each of their respective heirs, executors, administrators, successors and permitted assigns. The provisions not satisfied at Settlement will survive the delivery of the deed and will not be merged therein. This Contract, unless amended in writing, contains the final and entire agreement of the parties and the parties will not be bound by any terms, conditions, oral statements, warranties or representations not herein contained. The interpretation of this Contract will be governed by the laws of the jurisdiction where the Property is located.

32. **ELECTRONIC SIGNATURES** In accordance with the Uniform Electronic Transactions Act (UETA) and the Electronic Signatures in Global and National Commerce Act, or E-Sign (the Act), and other applicable local or state legislation regarding Electronic Signatures and Transactions, the parties do hereby expressly authorize and agree to the use of electronic signatures as an additional method of signing and/or initialing this Contract. The parties hereby agree that either party may sign electronically by utilizing a digital signature service.

Seller: \_\_\_\_\_ / \_\_\_\_\_ Purchaser \_\_\_\_\_ / \_\_\_\_\_

**SELLER:**  
 9/2/12/ \_\_\_\_\_  
 Date Signature RUSSELL SELLER  
 9/2/12/ \_\_\_\_\_  
 Date Signature SUSAN SELLER

**PURCHASER:**  
 9/1/12/ \_\_\_\_\_  
 Date Signature ROBERT BUYER  
 9/1/12/ \_\_\_\_\_  
 Date Signature ROBIN BUYER

Date of Ratification (see DEFINITIONS)  
 \_\_\_\_\_  
 SEPTEMBER 2, 2012

\*\*\*\*\*  
 \*\*\*\*\*

**For information purposes only:**

Listing Company's Name and Address:

LISTING COMPANY

Selling Company's Name and Address:

SELLING COMPANY

Office # (301) 984-0000 FAX # (301) 984-1111

Office # (301) 654-0000 FAX # (301) 654-1111

MRIS Broker Code and Office ID \_\_\_\_\_

MRIS Broker Code and Office ID \_\_\_\_\_

Agent Name LISTING AGENT

Agent Name SELLING AGENT

1234567 MD  
 Real Estate License Number & Jurisdiction

89101112 MD  
 Real Estate License Number & Jurisdiction

Agent MRIS ID# LC014

Agent MRIS ID# SA01

Team Leader/Agent \_\_\_\_\_

Team Leader/Agent \_\_\_\_\_

Agent Email Address LA@LISTINGCOMPANY.COM

Agent Email Address SA@SELLINGCOMPANY.COM



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**Montgomery County Jurisdictional Addendum to Sales Contract**  
*(Required for Use with MAR and Regional Contracts)*

The Contract of Sale dated 9/1/2012, Address 1234 MAIN STREET  
 City POTOMAC, State MD Zip 20854 Lot: ONE  
 Block/Square: B Unit: N/A Section: \_\_\_\_\_ Tax ID # N/A  
 Parking Space(s) # N/A Storage Unit(s) # N/A Subdivision/Project: NICE HOMES  
 between Seller RUSSELL SELLER, SUSAN SELLER and  
 Buyer ROBERT BUYER, ROBIN BUYER is hereby  
 amended by the incorporation of this Addendum, which shall supersede any provisions to the contrary in the Contract.

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:

- a. Seller has offered the Buyer the opportunity to review the applicable Master Plan and municipal land use plan and any adopted amendment;
- b. 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;
- c. Buyer has reviewed each plan and adopted amendment or does hereby waive the right to review each plan and adopted amendment; and
- d. 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

\_\_\_\_\_ Buyer

-OR-

- B. City Of Rockville:**

Buyer acknowledges that Buyer has been afforded the opportunity to examine the Approved and Adopted Land Use Plan 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

2. **TRANSFER AND RECORDATION TAXES:** (Select either A or B)

**A. Buyer is NOT a First Time Maryland Homebuyer:** Section 14-104(b) of the Real Property Article of the Annotated Code of Maryland ("Real Property Article") 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. **BUYER AND SELLER EXPRESSLY AGREE THAT THE COST OF STATE RECORDATION TAX, STATE TRANSFER TAX AND LOCAL COUNTY TRANSFER TAX SHALL BE PAID AS FOLLOWS:**  
**SHARED EQUALLY**

---

OR

**B. Buyer is a First Time Maryland Homebuyer:**

- 1) To qualify as a First-Time Maryland Homebuyer, each Buyer must sign a statement under oath stating that:
- (a) The Buyer has never owned residential real property in Maryland that has been the individual's principal residence; AND
  - (b) The Residence will be occupied as a principal residence;

OR

- (a) The Buyer is a Co-Maker or Guarantor of a mortgage or deed of trust to be secured by the property AND the Co-Maker or Guarantor will **NOT** occupy the property as a principal residence.
- 2) If buyer is a First Time Maryland Homebuyer, then:
- (a) 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 the property is reduced from .50% to .25% and shall be paid by the seller; AND
  - (b) Under Section 14-104(c) of the Real Property Article, the entire amount of the recordation tax and the local (county) transfer tax shall be paid by the Seller unless there is an express written agreement stating otherwise. **BUYER AND SELLER EXPRESSLY AGREE THAT THE COST OF STATE RECORDATION TAX AND LOCAL (COUNTY) TRANSFER TAX SHALL BE PAID AS FOLLOWS:**
- Buyer and Seller hereby expressly agree that payment of the recordation and local (county) transfer tax shall be shared equally between Buyer and Seller unless the space provided above in this subparagraph is completed specifying a different express agreement. (Note: In the event the Buyer elects to pay all of State Recordation Tax and Local (County) Transfer Tax, the Seller must still pay the non-waived portion of the State Transfer Tax.)

3. **PRIVATE WELL AND SEPTIC:** If the property is on well and/or septic system, the  Buyer, at Buyer's expense, OR  Seller, at Seller's expense will:

- A. Provide the Buyer on or before Settlement with a certificate, dated not more than 30 days prior to Settlement, from a private water testing laboratory certified by the Maryland Department of Health and Mental Hygiene that the well water is potable.
- B. Provide the Buyer on or before Settlement with a report, dated not more than 30 days prior to Settlement, from a private company, which has proof of having attended a course for septic testing approved by the Maryland Department of Environment that the septic system is not malfunctioning, is functioning satisfactorily, or is in operating condition.
- C. If either system does not meet the requirements of A or B above, the Seller, at Seller's expense, will take appropriate remedial action to rectify the deficiency and provide the Buyer with above required documents outlined in A and B on or before Settlement.

4. **NOTICES:** All notices under the contract shall be in writing. Notices to the Seller shall be effective when delivered to the Seller or an Agent of the Seller named in the contract (including a Dual Agent or an Intra-Company Agent assigned to the Seller, as applicable, or alternatively, to the Agent's Supervising Manager). Notices to the Buyer shall be effective when delivered to the Buyer or an Agent of the Buyer named in the contract (including a Dual Agent or an Intra-Company Agent assigned to the Buyer, as applicable, or alternatively, to the Agent's Supervising Manager). "Purchaser" means "Buyer" and vice versa. "Delivery" means hand carried, sent by overnight delivery service, sent by wired or electronic medium which produces a tangible record of the transmission (such as telegram, mailgram, telecopier or "Fax", email which includes an attachment with an actual copy of the executed instruments being transmitted, or U.S. Postal mailing). In the event of overnight delivery service, Delivery will be deemed to have been made on the next business Day following the sending, unless earlier receipt is acknowledged in writing. In the event of U.S. Postal mailing, Delivery will be deemed to have been made on the third business Day following the mailing, unless earlier receipt is acknowledged in writing. The

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provisions of this paragraph regarding delivery of notices shall also be applicable to delivery of resale packages for condominiums, cooperatives and/or homeowners associations as may be required in a separate addendum.

**5. COOPERATIVE/CONDOMINIUM ASSOCIATION APPROVAL:** If this sale is subject to the approval or right of first refusal of the Council of Unit Owners or Board of Directors of the Cooperative/Condominium, then Seller agrees to immediately present this Contract to such Council or Board for their action or consideration. In the event this sale is disallowed by the appropriate Cooperative/Condominium authority, this Contract shall be null and void, and Buyer's deposit shall be refunded when an "Agreement of Release" is signed or in accordance with the provisions of the Contract.

**6. FOREIGN INVESTMENT TAXES - FIRPTA:** Section 1445 of the United States Internal Revenue Code of 1986 provides that a Buyer of a 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) or the purchase price is less than or equal to Three Hundred Thousand Dollars (\$300,000.00) and the property will not be owner occupied, and (b) Seller is a foreign person for purposes of U.S. income taxation. A foreign person includes, but is not limited to, 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). In the event the Seller is a foreign person (as described above), the Seller will be subject to the withholding provisions of FIRPTA. If the Seller is not a foreign person, the Seller agrees to execute an affidavit to this effect at the time of Settlement.

**7. PROTECTION OF HOMEOWNERS IN FORECLOSURE ACT NOTICE:** Buyer and Seller acknowledge that, under Section 7-310 and 7-313 of the Real Property Article of the Annotated Code of Maryland, if the Property is occupied by Seller (or Seller's spouse under a use and possession order) and any mortgage on the property is 60 days or more in default when the Contract is executed, Seller has the right to rescind the contract within 5 days of the latter of (1) Contract execution; or (2) the date all parties sign a Statement About Tenancy (See GCAAR Form 1364) if the Contract includes a provision allowing the Seller to occupy the Property after settlement. Any provision in the Contract or other agreement that attempts or purports to waive any of Seller's rights under Section 7-310 is void.

Seller hereby warrants that as of the Date of Ratification no mortgage on the Property is 60 days or more in default. Seller shall immediately give Buyer Notice if such a default occurs.

**8. DISPUTES:** In the event of any dispute between Seller and broker(s) and/or Buyer and broker(s) resulting in broker(s) or any agents, subagents or employees of broker(s) being made a party to such dispute 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, Seller and Buyer, jointly and severally, agree to indemnify and hold broker(s) and any agents, subagents and employees of broker(s) harmless from any liability, loss, cost, damage or expense (including filing fees, court costs, service of process fees, transcript fees and attorneys' fees), resulting therefrom, provided that such dispute does not result in a judgment or decision against broker(s), broker(s)' agents, subagents or employees for acting improperly.

**9. VOID CONTRACT:** If this Contract becomes void, all principals will immediately execute a release directing that the Deposit be refunded in full to the Buyer according to the terms of the DEPOSIT paragraph. Except with respect to disbursement of the deposit at Settlement hereunder, the deposit and accrued interest, if any, shall be given or returned by escrow agent to any of the principals to this transaction only when an "Agreement of Release" has been ratified by all principals, as directed by a court order, pursuant to Section 17-505(b), Business Occupations and Professions Article, Annotated Code of Maryland, or in any other manner authorized by the laws and regulations of the appropriate jurisdiction. If either Buyer or Seller refuses to execute a release of the deposit when requested to do so in writing and a court finds that that party should have executed same, that party shall be required to pay, in addition to any damages, all expenses, including reasonable attorney's fees, incurred by the adverse party in the litigation.

**10. GENERAL PROVISIONS:**

A. If not previously paid, the party making Settlement is hereby irrevocably authorized and directed to deduct and pay the brokerage fee(s) or compensation to the broker(s) from the proceeds of sale in accordance with a separate listing contract or agency representation agreement and with the multiple listing service offer of compensation to cooperating agents and Buyer brokers as of the "Date of Offer"/ "Contract Date".

B. In the event Settlement shall fail to occur within the time herein set forth, the broker(s) shall still be entitled to brokerage fee(s) referenced above.

C. The Buyer acknowledges that Buyer has worked with no other agent on this property other than the agent(s) named herein.

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- D. In the event of forfeiture or default, Broker shall receive as compensation for services, an amount specified in accordance with the appropriate brokerage agreement.
- E. The principals to the Contract mutually agree that the provisions hereof shall survive the execution and delivery of the deed herein and shall not be merged herein.

11. **DEFINITIONS:**

- A. **Days:** "Day" or "Days" means calendar days unless otherwise specified.
- B. **Business Days:** "Business Days", whenever used, means Monday through Friday, excluding federal holidays.
- C. **Computation of Time Periods:** For the purpose of computing time periods, the first Day will be the Day following Delivery, and the time period will end at 9 p.m. on the Day specified.
- D. **Date of Ratification:** This Contract shall be deemed ratified when the Contract, all addenda and any modifications thereto have been signed and initialed, where required by all parties, and Delivered to the other party pursuant to the Notices paragraph.
- E. **As-Is:** Except as otherwise specified herein, the Seller will deliver the Property free and clear of trash and debris, broom clean and in substantially the same physical condition to be determined as of the latter of the Contract Date or date of Home Inspection.

**THE FOLLOWING PARAGRAPHS (12-16) APPLY ONLY TO THE MAR CONTRACT:**

12. **PERFORMANCE:**

Settlement is to be conducted by the office of the attorney or the title company examining the title.

- A. Delivery to the attorney or to the title company of the cash payment and Settlement costs as herein stated, the executed deed of conveyance and such other papers as required of either party by the terms of this Contract shall be considered good and sufficient tender or performance in accordance with the terms hereof.
- B. It is agreed that funds arising out of this transaction at Settlement shall be used to pay off any existing encumbrances, including interest, as required by lender(s) or lien holders.
- C. Seller agrees to pay a reasonable closing fee for services rendered to the Seller.

13. **FINANCING:** The provisions of this paragraph shall supersede the "FINANCING, FINANCING APPLICATION AND COMMITMENT and ALTERNATE FINANCING" paragraphs of the MAR contract.

A. **FIRST DEED OF TRUST:** Buyer will  Obtain OR  Assume a  Fixed OR an  Adjustable rate First Deed of Trust loan of the following type:

- |  |                       |                                 |                       |
|--|-----------------------|---------------------------------|-----------------------|
| <input type="checkbox"/> Conventional                                  | See Addendum Attached | <input type="checkbox"/> VA     | See Addendum Attached |
| <input type="checkbox"/> FHA   | See Addendum Attached | <input type="checkbox"/> Other: | _____                 |
| <input type="checkbox"/> This contract is not contingent on Financing. |                       |                                 |                       |

B. **SECOND DEED OF TRUST:** Buyer will  Obtain OR  Assume a  Fixed OR an  Adjustable rate Second Deed of Trust loan.

C. **ASSUMPTION ONLY:** Assumption fee, if any, and all charges related to the assumption will be paid by the Buyer. If Buyer assumes Seller's loan(s): (i) Buyer and Seller  will, OR  will not obtain a release of Seller's liability to the U.S. Government for the repayment of the loan by Settlement, (ii) Buyer and Seller  will, OR  will not obtain substitution of Seller's VA entitlement by Settlement. Balances of any assumed loans, secondary financing and cash down payments are approximate.

D. **ALTERNATE FINANCING:** Buyer may substitute alternative financing and/or an alternative lender for Specified Financing provided: (a) Buyer is qualified for alternative financing; (b) there is no additional expense to Seller; (c) the Settlement Date is not delayed; and (d) if Buyer fails to settle except due to any Default by Seller, then the provisions of the-DEFAULT paragraph shall apply.

14. **PROPERTY MAINTENANCE AND CONDITION:** Except as otherwise specified herein, Seller will deliver the Property free and clear of trash and debris, broom clean and in substantially the same physical condition to be determined as of  Contract Date OR  Date of home inspection OR  Other: \_\_\_\_\_

Seller will have all utilities in service through Settlement or as otherwise agreed. Buyer and Seller will not hold the Broker liable for any breach of this paragraph.

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Buyer acknowledges, subject to Seller acceptance, that this Contract may be contingent upon home inspection(s) and/or other inspections to ascertain the physical condition of the Property. If Buyer desires one or more inspection contingencies, such contingencies must be included in an addendum to this Contract.

This Contract is contingent upon home inspection(s) and/or other inspections. (Addendum Attached)

OR

Buyer declines the opportunity to make this Contract contingent upon home inspection(s) and/or other inspections.

Buyer acknowledges that except as otherwise specified in this Contract, the Property, including electrical, plumbing, existing appliances, heating, air conditioning, equipment and fixtures shall convey in its AS-IS condition as of the date specified above.

**15. ELECTRONIC SIGNATURES:** In accordance with the Uniform Electronic Transactions Act (UETA) and the Electronic Signatures in Global and National Commerce Act, or E-Sign (the Act), and other applicable local or state legislation regarding Electronic Signatures and Transactions, the parties do hereby expressly authorize and agree to the use of electronic signatures as an additional method of signing and/or initialing this Contract. The parties hereby agree that either party may sign electronically by utilizing a digital signature service.

Seller: \_\_\_\_\_ / \_\_\_\_\_ Buyer: \_\_\_\_\_ / \_\_\_\_\_

**16. SETTLEMENT ENTITY:** Buyer hereby authorizes the undersigned agent to order the examination of title and the preparation of all necessary conveyance documents through \_\_\_\_\_.

**THE FOLLOWING PARAGRAPHS (17-28) APPLY ONLY TO THE REGIONAL CONTRACT:**

**17. MARYLAND NON-RESIDENT SELLER:** Except as otherwise provided by Maryland law, if the Property is not the Seller's principal residence, and the Seller is a nonresident 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 portion of the proceeds of sale may be withheld at the time of settlement and paid to the State of Maryland towards a potential capital gains tax liability. For more information see [www.marylandtaxes.com](http://www.marylandtaxes.com).

**18. SETTLEMENT COSTS: NOTICE TO BUYER.** 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.

**19. SELLER RESPONSIBILITY:** Seller agrees to keep existing mortgages free of default until Settlement. All violations of 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 the Seller and the Property conveyed free thereof.

**20. SINGLE FAMILY RESIDENTIAL REAL PROPERTY DISCLOSURE NOTICE:** Maryland buyers are advised of the right to receive a Disclosure and Disclaimer Statement from seller unless exempt (Section 10-702 Real Property Article, Annotated Code of Maryland).

**21. WETLANDS NOTICE:** The 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, subject to the Seller's acceptance, a clause making Buyer's purchase of the Property contingent upon a satisfactory wetlands inspection.

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**22. GUARANTY FUND. NOTICE TO BUYER:** The Buyer is protected by the real estate Guaranty Fund of the Maryland Real Estate Commission for losses covered by Section 17-404 of the Business Occupations and Professions Article of the Annotated Code of Maryland in an amount not exceeding \$25,000 for any claim.

**23. 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 at the time it is signed by Buyer. Buyer acknowledges that neither the brokers and/or their agents nor subagents are responsible for property defects.

Addenda Attached

*AB RB*  
Buyer's Initials

Inspections Declined

\_\_\_\_\_  
Buyer's Initials

**24. RENOVATION, REPAIR AND PAINTING OF PROPERTY:** In accordance with the Lead Renovation, Repair and Painting Rule ("RRP") as adopted by the Environmental Protection Agency ("the EPA"), effective April 22, 2010, if the improvements on the Property were built before 1978, contractor(s) engaged by Seller to renovate, repair or paint the Property must be certified by the EPA where such work will disturb more than six square feet of lead-based paint per room for interior projects; more than 20 square feet of lead-based paint for any exterior project; or includes window replacement or demolition ("Covered Work"). Before and during any Covered Work project, contractor(s) must comply with all requirements of the RRP.

A Seller who personally performs any Covered Work on a rental property is required to be certified by the EPA prior to performing such Covered Work. No certification is required for a Seller who personally performs Covered Work on a Seller's principal residence. However, Seller has the ultimate responsibility for the safety of Seller's family or children while performing such Covered Work. For detailed information regarding the RRP, Seller should visit [www.epa.gov/lead/pubs/renovation.htm](http://www.epa.gov/lead/pubs/renovation.htm).

Buyer and Seller acknowledge that they have read and understand the provisions of this Section.

*AB RB*  
Buyer's Initials

*AS SS*  
Seller's Initials

**25. CRITICAL AREAS ADDENDUM:** 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 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 the 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.

**26. NOTICE TO THE PARTIES:** Brokers, their agents, subagents and employees do not assume any responsibility for the condition of the Property or for the performance of the 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 the brokers, or any agents, subagents or employees of the brokers, except those representations expressly set forth in this Contract. Further, the brokers, their agents, subagents and employees, make no representations nor assume any responsibility with respect to the following:

- A. Condition of real or personal property.
- B. Water quality, color or taste or operating conditions of private water systems.
- C. Location, size or operating condition of private septic systems.
- D. 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. (The Buyer should consult the Department of Public Works to determine the availability of proposed future extensions of utilities.)
- E. Lot size and exact location. If the subject Property is part of a recorded subdivision, the Buyer can review the plat upon request at the Maryland National Capital Park and Planning Commission or the Circuit Court, Clerk's

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Office. If the subject Property is not part of a recorded subdivision, the Buyer may verify exact size and location through a survey by a registered engineer or a land surveyor, at Buyer's expense.

F. Existing zoning or permitted uses of the Property. Buyer should verify with the Zoning Office and/or a licensed engineer to determine zoning and permitted uses.

G. 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, mold, urea formaldehyde foam insulation (UFFI), asbestos, 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.

27. **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.

28. **DEPOSIT:** Buyer hereby authorizes and directs broker as specified in this Contract to hold the initial deposit instrument without negotiation or deposit until the parties have executed and accepted this Contract. Upon acceptance, the initial deposit and additional deposit, if any, shall be placed in escrow as provided below and in accordance with the requirements of Section 17-502(b) (1), 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. Brokers may charge a fee for establishing an interest-bearing account. Buyer and Seller instruct broker to place all deposit monies 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.

	<u>9/2/12</u>		<u>9/1/12</u>
Seller	Date	Buyer	Date
<u>RUSSELL SELLER</u>		<u>ROBERT BUYER</u>	
<hr/>		<hr/>	
Seller	<u>9/2/12</u>	Buyer	<u>9/1/12</u>
	Date		Date
<u>SUSAN SELLER</u>		<u>ROBIN BUYER</u>	
<hr/>		<hr/>	
Seller's address		Buyer's address	
<hr/>		<hr/>	
Seller's address		Buyer's address	
<hr/>		<hr/>	
Seller's telephone number		Buyer's telephone number	
<hr/>		<hr/>	
Seller's facsimile number		Buyer's facsimile number	
<hr/>		<hr/>	
Seller's email address		Buyer's email address	
<hr/>		<hr/>	

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# DEED

THIS DEED is made this 1st day of November, 2012 by and between

**RUSSELL SELLER AND SUSAN SELLER**, Husband and Wife as Tenants by the Entirety

Parties of the First Part

and

**ROBERT BUYER AND ROBIN BUYER**, Husband and Wife

Parties of the Second Part

WITNESSETH, that for and in consideration of the sum of \$650,000.00, the said Parties of the First Part do hereby grant and convey unto the said Parties of the Second Part, in fee simple, as **TENANTS BY THE ENTIRETY**, the following described land and premises, with the improvements, easements and appurtenances thereunto belonging, situate, lying and being in the State of Maryland, County of Montgomery, namely

Lot Numbered ONE (1) in Block Lettered "B" in the subdivision known as "NICE HOMES" as per plat thereof recorded among the Land Records of Montgomery County, Maryland in Plat Book 234 at Plat Number 5.

BEING all of the same property described in Liber 4566 at folio 789.

TO HAVE AND TO HOLD the same unto and to the use of the said Parties of the Second Part, in fee simple.

AND the said Party/ies of the First Part covenant(s) to warrant specially the property hereby conveyed, and to execute such further assurances of said land as may be requisite.

WITNESS their hand(s) and seal(s).

\_\_\_\_\_(SEAL)  
RUSSELL SELLER

\_\_\_\_\_(SEAL)  
SUSAN SELLER

STATE OF MARYLAND  
COUNTY OF MONTGOMERY

I HEREBY CERTIFY that on this 1st day of November, 2012, before me, the subscriber, a notary public in and for the jurisdiction aforesaid, personally appeared RUSSELL SELLER AND SUSAN SELLER, known to me (or satisfactorily proven) to be the person(s) who executed the foregoing instrument, and acknowledged the same to be their act and deed.

WITNESS my hand and notarial seal.

\_\_\_\_\_  
SHERYL NOTARY, Notary Public

My Commission Expires: October 1, 2014

This is to certify that the within instrument was prepared by or under the supervision of the undersigned, an attorney duly admitted to practice before the Court of Appeals of Maryland.

\_\_\_\_\_  
RANDALL M. ROTHSTEIN, Attorney

Parcel ID: 01-012-00123456  
Property Address: 1234 Main Street, Potomac, MD 20854

# NOTE

November 1  
[Date]

2012

Bethesda  
[City]

Maryland  
[State]

1234 Main Street, Potomac, MD 20854  
[Property Address]

## 1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$ 520,000.00 (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is GREAT RATE MORTGAGE COMPANY, INC. I will make all payments under this Note in the form of cash, check or money order.

I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

## 2. INTEREST

Interest will be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of 4.00%.

The interest rate required by this Section 2 is the rate I will pay both before and after any default described in Section 6(B) of this Note.

## 3. PAYMENTS

### (A) Time and Place of Payments

I will pay principal and interest by making a payment every month.

I will make my monthly payment on the 1<sup>ST</sup> day of each month beginning on JANUARY 1, 2013. I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest before Principal. If, on DECEMBER 1, 2042, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

I will make my monthly payments at 4567 EXECUTIVE BOULEVARD, ROCKVILLE, MD 20852 or at a different place if required by the Note Holder.

### (B) Amount of Monthly Payments

My monthly payment will be in the amount of U.S. \$ 2,482.55.

## 4. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of Principal at any time before they are due. A payment of Principal only is known as a "Prepayment." When I make a Prepayment, I will tell the Note Holder in writing that I am doing so. I may not designate a payment as a Prepayment if I have not made all the monthly payments due under the Note.

I may make a full Prepayment or partial Prepayments without paying a Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. However, the Note Holder may apply my Prepayment to the accrued and unpaid interest on the Prepayment amount, before applying my Prepayment to reduce the Principal amount of the Note. If I make a partial Prepayment, there will be no changes in the due date or in the amount of my monthly payment unless the Note Holder agrees in writing to those changes.

**5. LOAN CHARGES**

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me. If a refund reduces Principal, the reduction will be treated as a partial Prepayment:

**6. BORROWER'S FAILURE TO PAY AS REQUIRED**

**(A) Late Charge for Overdue Payments**

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 5.00% of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

**(B) Default**

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

**(C) Notice of Default**

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

**(D) No Waiver By Note Holder**

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

**(E) Payment of Note Holder's Costs and Expenses**

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

**7. GIVING OF NOTICES**

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by delivering it or by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

**8. OBLIGATIONS OF PERSONS UNDER THIS NOTE**

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

**9. WAIVERS**

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

**10. UNIFORM SECURED NOTE**

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

\_\_\_\_\_  
(Seal)  
**ROBERT BUYER - Borrower**

\_\_\_\_\_  
(Seal)  
**ROBIN BUYER - Borrower**

\_\_\_\_\_  
(Seal)  
- Borrower

*[Sign Original Only]*

After Recording Return To:  
Paragon Title & Escrow  
7415 Arlington Road  
Bethesda, MD 20814

## DEED OF TRUST

### DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) **"Security Instrument"** means this document, which is dated November 1, 2012, together with all Riders to this document.

(B) **"Borrower"** is ROBERT BUYER AND ROBIN BUYER, HUSBAND AND WIFE. Borrower is the trustor under this Security Instrument.

(C) **"Lender"** is GREAT RATE MORTGAGE COMPANY, INC. Lender is a CORPORATION organized and existing under the laws of MARYLAND. Lender's address is 4567 EXECUTIVE BOULEVARD, ROCKVILLE, MD 20852. Lender is the beneficiary under this Security Instrument.

(D) **"Trustee"** is RALPH TRUSTEE AND BETTE TRUSTEE.

(E) **"Note"** means the promissory note signed by Borrower and dated November 1, 2012. The Note states that Borrower owes Lender FIVE HUNDRED TWENTY THOUSAND AND NO/100 Dollars (U.S. \$520,000.00) plus interest. Borrower has promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than December 1, 2042.

(F) **"Property"** means the property that is described below under the heading "Transfer of Rights in the Property."

(G) **"Loan"** means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.

(H) **"Riders"** means all Riders to this Security Instrument that are executed by Borrower. The following Riders are to be executed by Borrower [check box as applicable]:

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> Adjustable Rate Rider | <input type="checkbox"/> Condominium Rider              | <input type="checkbox"/> Second Home Rider        |
| <input type="checkbox"/> Balloon Rider         | <input type="checkbox"/> Planned Unit Development Rider | <input type="checkbox"/> Other(s) [specify] _____ |
| <input type="checkbox"/> 1-4 Family Rider      | <input type="checkbox"/> Biweekly Payment Rider         |   |

(I) **"Applicable Law"** means all controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.

(J) **"Community Association Dues, Fees, and Assessments"** means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.

(K) **"Electronic Funds Transfer"** means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.

(L) **"Escrow Items"** means those items that are described in Section 3.

(M) **"Miscellaneous Proceeds"** means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i) damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Property.

(N) **"Mortgage Insurance"** means insurance protecting Lender against the nonpayment of, or default on, the Loan.

(O) **"Periodic Payment"** means the regularly scheduled amount due for (i) principal and interest under the Note, plus (ii) any amounts under Section 3 of this Security Instrument.

(P) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. §2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to time, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Instrument, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.

(Q) "Successor in Interest of Borrower" means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.

#### TRANSFER OF RIGHTS IN THE PROPERTY

This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the COUNTY of MONTGOMERY :  
[Type of Recording Jurisdiction] [Name of Recording Jurisdiction]

LOT NUMBERED ONE (1) IN BLOCK LETTERED "B" IN THE SUBDIVISION KNOWN AS "NICE HOMES", AS PER PLAT THEREOF DULY RECORDED AMONG THE LAND RECORDS OF MONTGOMERY COUNTY, MARYLAND IN PLAT BOOK 234 AT PLAT NUMBER 5.

which currently has the address of 1234 MAIN STREET  
[Street]  
POTOMAC, Maryland 20854 ("Property Address"):  
[City] [Zip Code]

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. **Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges.** Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or

prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

**2. Application of Payments or Proceeds.** Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (a) interest due under the Note; (b) principal due under the Note; (c) amounts due under Section 3. Such payments shall be applied to each Periodic Payment in the order in which it became due. Any remaining amounts shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note.

If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments.

**3. Funds for Escrow Items.** Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community Association Dues, Fees, and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with Applicable Law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow



Items, unless Lender pays Borrower interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is made in writing or Applicable Law requires interest to be paid on the Funds, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than 12 monthly payments. If there is a deficiency of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA, but in no more than 12 monthly payments.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

**4. Charges; Liens.** Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property which can attain priority over this Security Instrument, leasehold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items, Borrower shall pay them in the manner provided in Section 3.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) contests the lien in good faith by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are pending, but only until such proceedings are concluded; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10 days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan.

**5. Property Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the preceding sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may require Borrower to pay, in connection with this Loan, either: (a) a one-time charge for flood zone determination, certification and tracking services; or (b) a one-time charge for flood zone determination and certification services and subsequent charges each time remappings or similar changes occur which reasonably might affect such determination or certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold

the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

**6. Occupancy.** Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

**7. Preservation, Maintenance and Protection of the Property; Inspections.** Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property. Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

**8. Borrower's Loan Application.** Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

**9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument.** If (a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

**10. Mortgage Insurance.** If Lender required Mortgage Insurance as a condition of making the Loan, Borrower shall pay the premiums required to maintain the Mortgage Insurance in effect. If, for any reason, the Mortgage Insurance coverage required by Lender ceases to be available from the mortgage insurer that previously provided such insurance and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the Mortgage Insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, from an alternate mortgage insurer selected by Lender. If substantially equivalent Mortgage Insurance coverage is not available, Borrower shall continue to pay to Lender the amount of the separately designated payments that were due when the insurance coverage ceased to be in effect. Lender will accept, use and retain these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such loss reserve shall be non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall not be required to pay Borrower any interest or earnings on such loss reserve. Lender can no longer require loss reserve payments if Mortgage Insurance coverage (in the amount and for the period that Lender requires) provided by an insurer selected by Lender again becomes available, is obtained, and Lender requires separately designated payments toward the premiums for Mortgage Insurance. If Lender required Mortgage Insurance as a condition of making the Loan and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect, or to provide a non-refundable loss reserve, until Lender's requirement for Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender providing for such termination or until termination is required by Applicable Law. Nothing in this Section 10 affects Borrower's obligation to pay interest at the rate provided in the Note.

Mortgage Insurance reimburses Lender (or any entity that purchases the Note) for certain losses it may incur if Borrower does not repay the Loan as agreed. Borrower is not a party to the Mortgage Insurance.

Mortgage insurers evaluate their total risk on all such insurance in force from time to time, and may enter into agreements with other parties that share or modify their risk, or reduce losses. These agreements are on terms and conditions that are satisfactory to the mortgage insurer and the other party (or parties) to these agreements. These agreements may require the mortgage insurer to make payments using any source of funds that the mortgage insurer may have available (which may include funds obtained from Mortgage Insurance premiums).

As a result of these agreements, Lender, any purchaser of the Note, another insurer, any reinsurer, any other entity, or any affiliate of any of the foregoing, may receive (directly or indirectly) amounts that derive from (or might be characterized as) a portion of Borrower's payments for Mortgage Insurance, in exchange for sharing or modifying the mortgage insurer's

risk, or reducing losses. If such agreement provides that an affiliate of Lender takes a share of the insurer's risk in exchange for a share of the premiums paid to the insurer, the arrangement is often termed "captive reinsurance." Further:

(a) Any such agreements will not affect the amounts that Borrower has agreed to pay for Mortgage Insurance, or any other terms of the Loan. Such agreements will not increase the amount Borrower will owe for Mortgage Insurance, and they will not entitle Borrower to any refund.

(b) Any such agreements will not affect the rights Borrower has - if any - with respect to the Mortgage Insurance under the Homeowners Protection Act of 1998 or any other law. These rights may include the right to receive certain disclosures, to request and obtain cancellation of the Mortgage Insurance, to have the Mortgage Insurance terminated automatically, and/or to receive a refund of any Mortgage Insurance premiums that were unearned at the time of such cancellation or termination.

11. **Assignment of Miscellaneous Proceeds; Forfeiture.** All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

**12. Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

**13. Joint and Several Liability; Co-signers; Successors and Assigns Bound.** Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"): (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Subject to the provisions of Section 18, any Successor in Interest of Borrower who assumes Borrower's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Security Instrument. Borrower shall not be released from Borrower's obligations and liability under this Security Instrument unless Lender agrees to such release in writing. The covenants and agreements of this Security Instrument shall bind (except as provided in Section 20) and benefit the successors and assigns of Lender.

**14. Loan Charges.** Lender may charge Borrower fees for services performed in connection with Borrower's default, for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys' fees, property inspection and valuation fees. In regard to any other fees, the absence of express authority in this Security Instrument to charge a specific fee to Borrower shall not be construed as a prohibition on the charging of such fee. Lender may not charge fees that are expressly prohibited by this Security Instrument or by Applicable Law.

If the Loan is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the Loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge (whether or not a prepayment charge is provided for under the Note). Borrower's acceptance of any such refund made by direct payment to Borrower will constitute a waiver of any right of action Borrower might have arising out of such overcharge.

**15. Notices.** All notices given by Borrower or Lender in connection with this Security Instrument must be in writing. Any notice to Borrower in connection with this Security Instrument shall be deemed to have been given to Borrower when mailed by first class mail or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless Applicable Law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure. There may be only one designated notice address under this Security Instrument at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Security Instrument shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Security Instrument is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Security Instrument.

**16. Governing Law; Severability; Rules of Construction.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision.

As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

**17. Borrower's Copy.** Borrower shall be given one copy of the Note and of this Security Instrument.

**18. Transfer of the Property or a Beneficial Interest in Borrower.** As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

**19. Borrower's Right to Reinstate After Acceleration.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (c) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.

**20. Sale of Note; Change of Loan Servicer; Notice of Grievance.** The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing

obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

**21. Hazardous Substances.** As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products).

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

**NON-UNIFORM COVENANTS.** Borrower and Lender further covenant and agree as follows:

**22. Acceleration; Remedies.** Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to assert in the foreclosure proceeding the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale, assent to decree, and/or any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall mail or cause Trustee to mail a notice of sale to Borrower in the manner prescribed by Applicable Law. Trustee shall give notice of sale by public advertisement and by such other means as required by Applicable Law. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale and by notice to any other persons as required by Applicable Law. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, Trustee's fees of 5.0% of the gross sale price and reasonable attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

Borrower, in accordance with Title 14, Chapter 200 of the Maryland Rules of Procedure, does hereby declare and assent to the passage of a decree to sell the Property in one or more parcels by the equity court having jurisdiction for the sale of the Property, and consents to the granting to any trustee appointed by the assent to decree of all the rights, powers and remedies granted to the Trustee in this Security Instrument together with any and all rights, powers and remedies granted by the decree. Neither the assent to decree nor the power of sale granted in this Section 22 shall be exhausted in the event the proceeding is dismissed before the payment in full of all sums secured by this Security Instrument.

23. **Release.** Upon payment of all sums secured by this Security Instrument, Lender or Trustee, shall release this Security Instrument and mark the Note "paid" and return the Note to Borrower. Borrower shall pay any recordation costs. Lender may charge Borrower a fee for releasing this Security Instrument, but only if the fee is paid to a third party for services rendered and the charging of the fee is permitted under Applicable Law.

24. **Substitute Trustee.** Lender, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the city or county in which this Security Instrument is recorded. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by Applicable Law.

25. **Possession of the Property.** Borrower shall have possession of the Property until Lender has given Borrower notice of default pursuant to Section 22 of this Security Instrument.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any Rider executed by Borrower and recorded with it.

Witnesses:

\_\_\_\_\_ (Seal)  
ROBERT BUYER - Borrower

\_\_\_\_\_ (Seal)  
ROBIN BUYER - Borrower

STATE OF MARYLAND  
COUNTY OF MONTGOMERY                      SS:

I hereby certify that on this 1<sup>ST</sup> day of November, 2012, before me, the subscriber, a Notary Public of the State of Maryland in and for the County Aforesaid, personally appeared **ROBERT BUYER and ROBIN BUYER**, known to me or satisfactorily proven to be the person(s) whose name(s) are subscribed to the within instrument and acknowledge that they executed the same for the purposes herein contained

WITNESS my hand and Notarial seal.

\_\_\_\_\_  
SHERYL NOTARY - Notary Public

My Commission Expires: **10/1/2014**





# A. Settlement Statement (HUD-1)

## B. Type of Loan

1. <input type="checkbox"/> FHA    2. <input type="checkbox"/> RHS    3. <input checked="" type="checkbox"/> Conv. Unins. 4. <input type="checkbox"/> VA    5. <input type="checkbox"/> Conv. Ins.	6. File Number: DISSECTION	7. Loan Number: 1234567	8. Mortgage Insurance Case Number:
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**C. Note:** This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent 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.

<b>D. Name and Address of Borrower:</b>  Robert Buyer and Robin Buyer 1234 Main Street Potomac, MD 20854	<b>E. Name and Address of Seller:</b>  Russell Seller and Susan Seller	<b>F. Name and Address of Lender:</b>  Great Rate Mortgage Company 4567 Executive Boulevard Rockville, MD 20852
<b>G. Property Location:</b> 1234 Main Street Potomac, MD 20854 Montgomery County, Maryland	<b>H. Settlement Agent:</b> 52-1709374 Paragon Title & Escrow Company 7415 Arlington Road Bethesda, MD 20814 Ph. (301)986-1114  <b>Place of Settlement:</b> 7415 Arlington Road Bethesda, MD 20814	<b>I. Settlement Date:</b>  November 1, 2012

J. Summary of Borrower's transaction	
100. Gross Amount Due from Borrower:	
101. Contract sales price	650,000.00
102. Personal property	
103. Settlement Charges to Borrower (Line 1400)	22,859.82
104.	
105.	
<b>Adjustments for items paid by Seller in advance</b>	
106. City/Town Taxes	to
107. County Taxes	11/01/12 to 01/01/13      994.57
108. FFBC	to
109.	
110.	
111.	
112.	
<b>120. Gross Amount Due from Borrower</b>	<b>673,854.39</b>
<b>200. Amounts Paid by or in Behalf of Borrower</b>	
201. Deposit or earnest money	32,500.00
202. Principal amount of new loan(s)	520,000.00
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
<b>Adjustments for items unpaid by Seller</b>	
210. City/Town Taxes	to
211. County Taxes	to
212. FFBC	to
213.	
214.	
215.	
216.	
217.	
218.	
219.	
<b>220. Total Paid by/for Borrower</b>	<b>552,500.00</b>
<b>300. Cash at Settlement from/to Borrower</b>	
301. Gross amount due from Borrower (line 120)	673,854.39
302. Less amount paid by/for Borrower (line 220)	( 552,500.00)
<b>303. Cash</b> <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	<b>121,354.39</b>

K. Summary of Seller's transaction	
400. Gross Amount Due to Seller:	
401. Contract sales price	650,000.00
402. Personal property	
403.	
404.	
405.	
<b>Adjustments for items paid by Seller in advance</b>	
406. City/Town Taxes	to
407. County Taxes	11/01/12 to 01/01/13      994.57
408. FFBC	to
409.	
410.	
411.	
412.	
<b>420. Gross Amount Due to Seller</b>	<b>650,994.57</b>
<b>500. Reductions in Amount Due Seller:</b>	
501. Excess deposit (see instructions)	
502. Settlement charges to Seller (Line 1400)	46,962.00
503. Existing loan(s) taken subject to	
504. Payoff First Mortgage to Lender	554,887.58
505. Payoff Second Mortgage	
506.	
507. (Deposit disb. as proceeds)	
508.	
509.	
<b>Adjustments for items unpaid by Seller</b>	
510. City/Town Taxes	to
511. County Taxes	to
512. FFBC	to
513.	
514.	
515.	
516.	
517.	
518. Water Escrow to Paragon Title & Escrow Company	300.00
519.	
<b>520. Total Reduction Amount Due Seller</b>	<b>602,149.58</b>
<b>600. Cash at settlement to/from Seller</b>	
601. Gross amount due to Seller (line 420)	650,994.57
602. Less reductions due Seller (line 520)	( 602,149.58)
<b>603. Cash</b> <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	<b>48,844.99</b>

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.

<b>L. Settlement Charges</b>						
<b>700. Total Real Estate Broker Fees</b>			<b>\$ 39,000.00</b>			
<i>Division of commission (line 700) as follows:</i>						
701. \$ 19,850.00	to Listing Company plus \$350					
702. \$ 19,850.00	to Selling Company plus \$350					
703. Commission paid at settlement				350.00		39,350.00
704.						
705.						
<b>800. Items Payable in Connection with Loan</b>						
801. Our origination charge Includes Origination Point (1.000% or \$ 5,200.00)	\$ 5,450.00	(from GFE #1)				
802. Your credit or charge (points) for the specific interest rate chosen	\$	(from GFE #2)				
803. Your adjusted origination charges		(from GFE #A)		5,450.00		
804. Appraisal fee	to Appraisal Company	(from GFE #3)	POC:B400.00			
805. Credit Report	to Credit Reporting Company	(from GFE #3)	POC:B80.00			
806. Tax service	to Tax Service Company	(from GFE #3)		80.00		
807. Flood certification	to Flood Certification Company	(from GFE #3)		27.00		
808.		(from GFE #3)				
809.		(from GFE #3)				
810.		(from GFE #3)				
811.		(from GFE #3)				
<b>900. Items Required by Lender to Be Paid in Advance</b>						
901. Daily interest charges from 11/01/12 to 12/01/12	30 @ \$56.830600/day	(from GFE #10)		1,704.92		
902. Mortgage insurance premium for	months to	(from GFE #3)				
903. Homeowner's insurance for 1.0 years to	Insurance Company	(from GFE #11)	POC:B1200.00			
904.		(from GFE #11)				
905.		(from GFE #11)				
<b>1000. Reserves Deposited with Lender</b>						
1001. Initial deposit for your escrow account		(from GFE #9)		4,200.00		
1002. Homeowner's insurance	2.000 months @ \$ 100.00 per month	\$	200.00			
1003. Mortgage insurance	months @ \$ per month	\$				
1004. Property taxes		\$	4,000.00			
County Taxes	8.000 months @ \$ 500.00 per month	\$				
1005.		\$				
County Taxes	months @ \$ per month	\$				
1006.		\$				
1007.		\$				
1008.		\$				
1009. Aggregate Adjustment		\$				
<b>1100. Title Charges</b>						
1101. Title services and lender's title insurance		(from GFE #4)		2,036.30		239.50
1102. Settlement or closing fee	to Paragon Title & Escrow Company	\$	750.00			195.00
1103. Owner's title insurance to Fidelity National Title		(from GFE #5)		1,424.10		
1104. Lender's title insurance to Fidelity National Title		\$	1,286.30			
1105. Lender's title policy limit	\$ 520,000.00					
1106. Owner's title policy limit	\$ 650,000.00					
1107. Agent's portion of the total title insurance premium	to Paragon Title	\$	2,303.84			
1108. Underwriter's portion of the total title insurance premium	to Fidelity National Title	\$	406.56			
1109.		\$				
1110.						
1111.						
1112.						
1113.						
<b>1200. Government Recording and Transfer Charges</b>						
1201. Government recording charges	to Clerk of the Circuit Court	(from GFE #7)		120.00		
1202. Deed \$ 60.00	Mortgage \$ 60.00	Releases \$	Other \$			
1203. Transfer taxes	to Montgomery County/Clerk of Court	(from GFE #8)		7,177.50		
1204. City/County tax/stamps	\$ 6,500.00	\$				3,250.00
1205. State tax/stamps	\$ 4,605.00	\$				2,302.50
1206. State Transfer Tax	\$ 3,250.00	\$	\$ 1,625.00			1,625.00
1207.						
<b>1300. Additional Settlement Charges</b>						
1301. Required services that you can shop for		(from GFE #6)				
1302. Survey	to Capitol Surveys, Inc.			225.00		
1303. Termite Inspection	to Termite Company			65.00		
1304.						
1305.						
<b>1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)</b>				<b>22,859.82</b>		<b>46,962.00</b>

THE PRECEDING PAGES HAVE INCLUDED SAMPLES OF THE GCAAR REGIONAL SALES CONTRACT, NOTICE AND DISCLOSURE ADDENDUM, A DEED, A PROMISSORY NOTE, A DEED OF TRUST AND A SETTLEMENT STATEMENT WITH A COMPILATION OF CHARGES THAT WOULD TYPICALLY BE ASSESSED IN THE TRANSACTION DESCRIBED ON PAGE ONE OF THIS BROCHURE. FOR YOUR INFORMATION, A SETTLEMENT STATEMENT IS FREQUENTLY REFERRED TO AS A RESPA FORM, HUD-1 FORM, HUD SETTLEMENT STATEMENT OR SETTLEMENT SHEET.

IN HOPES OF BROADENING YOUR UNDERSTANDING OF THE SETTLEMENT STATEMENT, THE FOLLOWING PAGES INCLUDE A LINE BY LINE, "PLAIN LANGUAGE" EXPLANATION OF EACH SETTLEMENT CHARGE INCLUDED THEREIN.

## PURCHASER'S TRANSACTION

Since most of the costs related to the Purchaser's transaction are derived from the calculations on Page Two of the Settlement Statement, we shall begin our explanation with an examination of those charges.

- Line 703            **COMMISSION PAID AT SETTLEMENT:** This amount reflects the portion of the Real Estate Commission agreed to be paid by the Purchaser at settlement, pursuant to a Buyer-Broker Agreement.
- Line 801            **OUR ORIGINATION CHARGE:** This item includes the Loan Origination Fee or Points which compensates the lender for making and processing the loan, as well as impacts the interest rate charged on your loan. With few exceptions, each Point is equal to 1% of the loan amount. The number of Points paid by the Purchaser is negotiable between the Purchaser and the Lender. In addition to Points being paid on the loan, Origination Charges, also include any fees payable directly to your lender for services provided by them to you. In our example, the Origination Charge of \$5,450 includes one Point (\$5200) based on a loan amount of \$520,000 plus \$250 for Document Preparation by your lender. Other lender fees that could be included in the Origination Charges might be Underwriting and Document Review.
- Line 803            **YOUR ADJUSTED ORIGINATION CHARGES.** The amount entered on this line equals the Origination Charge of \$5,450, shown on Line 801, above, less any credit offered by the lender towards those charges or plus any premium charged by the lender for the loan. In this example there is no credit from the lender, nor any premium charged.
- Line 804            **APPRAISAL FEE:** Most lenders have a maximum loan they will make in relation to the purchase price of the property. To determine if the loan amount applied for is within the lender's acceptable loan to value ratio, an appraisal is procured. The fee for an appraisal may vary from lender to lender, and may also be impacted by the type of financing that the borrower is getting, as well as the price of the property being purchased. In most instances, and as in this example, this fee is prepaid at the time of application for the loan. Thus, the charge is shown on the settlement sheet as being paid outside of closing (i.e., "P.O.C."). It is not included in any totals. It is just included for record keeping purposes.
- Line 805            **CREDIT REPORT:** This charge, which is also approximate, and typically collected by the lender at the time of loan application, pays for a report by a credit reporting agency of the borrower's credit history. The results of this report are evaluated by the lender in determining the borrower's creditworthiness. As with the appraisal fee, in this example, the charge for the Credit Report is also shown as "P.O.C."
- Line 806            **TAX SERVICE FEE:** Sometimes referred to as TRETs or Real Estate Tax Service Fee, this one-time charge pays for the establishment and maintenance of an account with your lender for the purpose of escrowing and paying property taxes. Escrowing is the process whereby the lender requires you to include 1/12<sup>th</sup> of the annual obligation for real estate taxes in your monthly mortgage payment. This subject will be further examined in the analysis of Section 1000, below. When a borrower is not required to escrow, this one-time fee is still usually charged by the lender to pay the cost of establishing an account with the tax service company for the purpose of confirming that the Purchaser has actually paid the real estate taxes each time they are due. This fee is typically required to be paid by the seller in FHA and VA Cases.
- Line 807            **FLOOD CERTIFICATION:** This fee, also a one-time charge, compensates a lender for procuring a verification as to whether or not the property is located in a dangerous Flood Hazard Area. If it is, the lender will require the Purchaser to pay for Flood Insurance as part of the monthly mortgage payment.
- Line 901            **PREPAID INTEREST:** It is essential to understand that each time you make a mortgage payment you are paying for the use of the loan for the preceding month. (i.e. Interest is paid in "arrears".) In this hypothetical case, therefore, the borrowers' first mortgage payment will not be due until January 1, 2013. That payment will include interest in arrears for the month of December, 2012. Thus, the logical question arises: "What about interest for the balance of the month of November?" The lender does not loan the borrower this money for free.
- In this example we have the lender collecting at settlement on Line 901, interest in advance (i.e. the actual amount of interest that would have accrued between the date of closing and December 1, 2012.) This is the common practice for most lenders in Maryland and D.C.

Line 902

**MORTGAGE INSURANCE PREMIUM (FREQUENTLY CALLED "PMI"):** In most instances, with **Conventional Loans**, when a Purchaser's down payment is less than 20% of the purchase price of the property, lenders will usually require the Purchaser to pay for a mortgage insurance policy. In the event that during the term of the loan the borrower were to default, the property were foreclosed upon, and the foreclosure sale did not yield enough proceeds to pay off the mortgage, the mortgage insurance policy would pay the lender what they otherwise would have lost. The type of conventional financing and the size of the down payment will determine what PMI programs are available for your loan. Some programs require that an up-front premium be paid in advance at settlement plus monthly premiums included in your mortgage payment. There are also PMI programs with monthly premium payments and **no up-front** premium. Occasionally a Purchaser can even find a PMI program with a one-time up-front partially "financeable" premium. There are also programs with no apparent PMI premium, at all, where the Lender just charges a higher than market interest rate on the loan. Your mortgage lender will be able to provide you with all of the information you need to select the best PMI program for you.

*In our hypothetical, since the Purchaser has procured an 80% loan, no PMI is required.*

On all **FHA loans** mortgage insurance is required, notwithstanding the amount of your down payment. You will be required to pay an up front premium at settlement. In addition, you will also be required to pay a monthly premium. Your Mortgage Lender can calculate the amounts of the up-front and monthly premiums for you, as well as how all or most of the **up-front fee** can be financed.

**VA loans** also have a "financeable", one-time, up front charge called the VA Funding Fee, which affords the lender protection similar to that of mortgage insurance. Your mortgage lender also can help you determine the amount of the VA funding fee

Line 903

**HOMEOWNER'S INSURANCE:** Most lenders require that a one year paid-in-full homeowner's insurance policy be delivered to them before settlement. This policy should name the lender (or both lenders if you are getting a first and second mortgage) as insured(s) (i.e., "First Loss Payee" and "Second Loss Payee, if applicable). It should be effective commencing on the date of settlement and continue for one year, having the amount of coverage required by your lender. In **Maryland**, for other than government loans, most lenders will allow you to have coverage only up to the replacement cost of the dwelling, even if your loan amount may be greater. In **D.C.**, coverage at least in the amount of the loan is usually always required. In the event that the Purchaser has not paid for the first year's premium by settlement date, it will be collected on Line 903. Such a policy is typically not required for DC condominium transactions. However, lenders will require a special Homeowner's Insurance Policy for Maryland condominium purchases.

Notwithstanding what your lender's insurance requirements are, you should still get a policy to cover your personal belongings, liability and anything else relative to the property that is not covered by the master insurance policy for the Condominium. Contact your lender to confirm their specific requirements regarding insurance coverage.

Section 1000

**RESERVES DEPOSITED WITH LENDER:** In a transaction where the lender will be paying the annual renewals of Homeowner's Insurance (Line 1002), and/or Mortgage Insurance Premiums, where applicable, (Line 1003), and/or Property Taxes (Line 1004), the borrower will, at settlement, usually be required to make an Initial Deposit (See Line 1001, below) into an escrow account maintained by the lender of a certain portion of each of these annual obligations. It is expected that this Initial Deposit when combined with contributions included in the monthly mortgage payments of 1/12<sup>th</sup> of the yearly taxes, hazard insurance and/or mortgage insurance, as applicable, will ensure that the lender will have enough funds in the "coffer" to pay these recurring obligations as they become due. With the exception of VA and FHA loans, where escrowing is always required, when the Purchaser has a down payment greater than or equal to 20% of the purchase price of the property, a few lenders will not require escrowing for property taxes and/or insurance. In the **District of Columbia**, escrowing in most instances, is optional, when you have a 20% or greater down payment. Many Lenders charge a one-time fee at settlement when an escrow account will not be established. Check with your lender about their policies and charges.

*In our hypothetical, property taxes will be paid on a semi-annual basis, and the Purchaser will be escrowing for taxes and insurance monthly.*

Line 1001 INITIAL DEPOSIT FOR YOUR ESCROW ACCOUNT: In this example, the amount shown on Line 1001 of \$4,200 is the sum of the deposits into escrow that will be applied the future payment of homeowner's insurance, shown on line1002 (\$200), and for the payment of real estate taxes, shown on line1004 (\$4,000).

**Section 1100** TITLE CHARGES: These charges are generated as a result of the services performed or arranged for by the Title Company and Title Insurance Company, which are enumerated on Lines 1101 through 1108.

Line 1101 TITLE SERVICES AND LENDER'S TITLE INSURANCE The amount shown on this line is comprised of two components: (1) Paragon Title's Flat Fee of \$750.00 (see Line 1102) for a Maryland Transaction (\$785.00 for D.C.) which includes the following services provided in preparation for Settlement: Settlement or Closing Fee, Title Search, Title Examination, Title Binder, Notary Fee, Procurement of Tax Certificate, Recordation Service Fee; Land Records Copies, Document Processing and Handling; and (2) The lender's portion of the Title Insurance in the amount of \$1,286.30 (see line 1104).

Line 1103 OWNER'S TITLE INSURANCE: This one-time premium in the amount of \$1,424.70 is the cost for an insurance policy which protects the Buyer against defects in or liens or encumbrances on the title, which may affect the marketability of the property. Typical matters for which Owner's Title Insurance offers protection are: outstanding taxes and/or assessments, inconsistent deed descriptions, missing heirs, fraudulent conveyances, unreleased or defectively released prior liens, improper indexing, typographical errors, etc. The most comprehensive coverage (i.e. enhanced policy), which the purchaser in our hypothetical selected, also includes protection for certain survey matters, violations of set-back requirements, violation of covenants, and includes inflation coverage which provides for increases in coverage as the property increases in value up to 150% of the original purchase price. As of the date of this printing, a more basic title insurance policy with less protection is also available for approximately a 20% lower premium. While Lenders always require a Lender's Title Insurance Policy in the amount of the loan to ensure the that the property is good collateral for their loan, the purchase of an Owner's Title Insurance Policy is optional for the Purchaser.

As a matter of course, most Title Companies arrange for the Owner's Title Insurance prior to settlement. In Maryland and D.C., a Buyer may be able to get a reduced rate (i.e., "reissue rate") for this coverage. To determine if a re-issue rate is available, prior to closing, Paragon Title needs to be provided with a copy of the Seller's existing Owners Title Insurance Policy, if applicable.

**Section 1200** GOVERNMENT RECORDING AND TRANSFER CHARGES: This section includes the State and County and/or City charges generated by the transaction which are required to be paid by the parties. In Maryland and D.C., the parties may negotiate between themselves as to who pays the Transfer and Recordation Taxes. In this example, the Purchaser and Seller have agreed to share these taxes equally.

Line 1201 GOVERNMENT RECORDING CHARGES: These are the total actual charges assessed by the Clerk of the Court for the recordation of the Deed and Mortgage Instruments in the Land Records. The breakdown of this total amount is shown on line 1202, below. For D.C. you should estimate this charge to be approximately \$190.00. The amount is simply a variable of the number of pages and/or documents being recorded.

Line 1202 DEED/MORTGAGE: This line shows the allocation of the actual Government Recording Charges between the deed and the Mortgage.

Line 1203 TRANSFER TAXES: In nearly all real estate sales transactions, transfer taxes are assessed. Maryland and D.C. permit the parties to negotiate between themselves as to who pays these Transfer Taxes. In this example, the Purchaser and Seller have agreed to share them equally.

In Montgomery County, Maryland, except in the case when the purchaser is a first time Maryland owner occupant homebuyer, there are three separate transfer taxes that are assessed. While the Federal Government requires these three taxes to be combined into one charge in the amount of \$7,177.50 on line 1203, the actual breakdown of the Buyer's half of those taxes are as follows: (1) \$3,250.00 for the Montgomery County Transfer Tax ("County Tax/ Stamps") as discussed on line 1204, below, (2) \$2,302.50 for the State Recordation Tax ("State Tax/Stamps") as described on line 1205, below, and (3) \$1,625.00 for the State Transfer Tax discussed on Line 1206, below.

LINE 1204 **County Tax Stamps (for improved residential real estate).** This transfer tax is based on a percentage of the purchase price of the property, pursuant to the following schedule:

1. 1% of the Sales Price for properties greater than or equal to \$70,000.00;
2. 1/2% of the Sales Price for properties greater than or equal to \$40,000.00, but less than \$70,000.00;  
and
3. 1/4% of the Sales Price for properties less than \$40,000.00.

This sliding scale does not apply to unimproved land purchases. Thus, the Montgomery County Transfer Tax for land transactions is a flat 1% of the sales price.

*Since in our hypothetical, the Purchaser and the Seller have contracted to share the cost of the Montgomery County Transfer Tax equally, only ½ of total \$6,500 tax (or \$3,250) is lumped into the total Transfer Taxes of \$7,177.50, as shown on line 1203.*

In Prince George's County, the County Transfer Tax is equal to 1.4% of the purchase price of the property.

In the District of Columbia a "City Transfer Tax" is typically, by contract, paid by the Seller. This tax, which would actually appear on Line 1204 if our example were a DC transaction, is equal to 1.1% of the purchase price for residential-use properties under \$400,000.00 and 1.45% of the purchase price for all other properties.

Line 1205 STATE TAX/STAMPS

In Montgomery County, the State Tax Stamps or State Recordation Tax is equal to \$6.90 for each one thousand dollars of the first \$500,000.00 of purchase price of the property. The tax increases to \$10.00 per one thousand dollars on any portion of the purchase price greater than \$500,000.00. If the Purchaser intends to occupy the property as his/her principal residence at least seven of the first 12 months after closing ("owner-occupied"), the first \$50,000.00 of the purchase price is exempt from this tax. Therefore the total tax would be reduced by \$345.00.

In Prince George's County, the State Recordation Tax is based on \$5.00 for each one thousand dollars of purchase price of the property.

*In our hypothetical, the Purchaser and the Seller have elected to share the cost of the State Recordation Tax equally, and the Purchaser will be an owner-occupant. Thus, the total tax has been reduced by \$345.00, resulting in a State Recordation Tax of \$4,605.00. This amount was then divided in half resulting in \$2,302.50 being lumped into the Transfer Taxes of \$7,177.50 shown on line 1203, above.*

In the District of Columbia a "City Recordation Tax" is typically, by contract, paid by the Purchaser. This tax, which would actually appear on Line 1203 if our example were a D.C. transaction, is equal to 1.1% of the purchase price for residential-use properties under \$400,000.00 and 1.45% of the purchase price for all other properties.

Line 1206 STATE TRANSFER TAX: In Maryland, the State Transfer Tax is ½ of 1% of the purchase price of the property. In the event that the Purchaser is a First Time Buyer of Maryland real property that will be their principal residence, the State Transfer Tax is reduced to 1/4 of 1% of the purchase price, and that tax is then paid by the Seller.

*In this example, the Purchaser is NOT a First Time Maryland Owner-Occupant Homebuyer and has elected to share the cost of Transfer Taxes equally with the Seller. Thus, you will note that the total State Transfer Tax amount shown in the middle of line 1206 is \$3,250.00 (1/2 of 1%, of which \$1,625.00 has been lumped into the total transfer taxes of \$7,177.50 shown on line 1203 above.*

Line 1302 SURVEY: This approximate charge compensates a licensed surveyor for an inspection of the lot to ensure that the house and all other improvements are situated appropriately within the property lines. The type of survey charged for in this example (i.e. House Location Survey) does not actually result in stakes or markers being placed at the property corners. The House Location Survey is actually a drawing that merely sites (i.e. identifies the location of) the improvements and does not certify the boundary lines of the property. The cost for a House Location Survey will typically increase based on the size and configuration of the lot. A Purchaser may elect to have a stake-out or boundary survey done. This type of survey, not frequently used in the residential resale context, would certify the lot lines and would cost considerably more. Please feel free to call us for more information. Surveys are typically required when a purchaser is obtaining financing and are optional in cases involving assumed loans, owner-financing and cash transactions. Surveys are usually not required for condominiums since the Purchaser does not own the ground on which the condominium is built.

Line 1303 PEST INSPECTION: A pest inspection is carried out to determine whether there is evidence of wood-destroying insect infestation requiring treatment and/or damage requiring repair. This charge varies from one company to another. The form of Contract used for the purchase transaction, and sometimes the type of financing the Purchaser is getting, or the negotiation between the parties determines whether the Seller or Purchaser pays for the Pest Inspection. In all VA cases, the seller is required to reimburse the Purchaser for the reasonable cost of this inspection, where applicable. In this case, the Purchaser has elected to pay for the pest inspection.

Line 1400 TOTAL SETTLEMENT CHARGES: This figure is the total of all the above-described charges. This amount is then brought over to Line 103 on Page One of the Settlement Statement.

Line 101 CONTRACT SALES PRICE: This is the price agreed upon between the buyer and the seller for the purchase of the subject property.

Line 103 SETTLEMENT CHARGES TO BORROWER (Line 1400): This figure is the total of the Purchaser's settlement charges brought over from Line 1400 on Page Two of the Settlement Statement.

Line 106 and/or 107 COUNTY/CITY TAXES:

For most **Maryland transactions** where the property is owner-occupied, property taxes are paid semi-annually, in advance, on a July fiscal year. Other than at the beginning of the fiscal year (or fiscal half), in most instances at the time of settlement, sellers will have prepaid their property taxes through the end of the current billing period. In our example, the figure on this line represents a pro-rata reimbursement from the Purchaser to the Seller for the portion of the real estate taxes paid in advance by the Seller through the end of the first half of the 2012/2013 fiscal year (i.e. from Settlement day through December 31, 2012) which pre-payment after settlement will inure to the benefit of the Purchaser.

For **D.C. transactions**, since taxes are paid every six months in arrears on an October fiscal year, rarely will there be an instance when a Purchaser would be reimbursing a Seller for prepaid real estate taxes. In fact, in most situations, the Sellers will be crediting the Purchaser for the Seller's real estate tax liability that accrued from the beginning of the fiscal half (i.e. either from April 1st or October 1st) through the date of settlement.

Line 120 GROSS AMOUNT DUE FROM BORROWER: This figure represents the total investment requirement from the Purchaser to acquire the property.

SECTION 200 AMOUNTS PAID BY OR IN BEHALF OF THE BORROWER: This section enumerates the credits that will be applied against the Gross Amount Due From Borrower (Line 120). In order to determine how much cash the borrower needs at settlement, the total of this section is subtracted from the figure on Line 120, above.

Line 201 DEPOSIT: This figure represents the amount of earnest money the Purchaser submitted with the offer to Purchase the subject property. For purposes of this transaction, the deposit is \$32,500.00.



- Line 202            NEW LOAN: This figure represents the total amount of first mortgage financing procured by the Purchaser.
- Line 212            FRONT FOOT BENEFIT CHARGE (F.F.B.C.): This is a fee levied on **Maryland** properties by the Washington Suburban Sanitary Commission which pays for the cost of construction of the water and sewer lines that run in front of the property. The F.F.B.C. is charged on a calendar year basis, and is included in the annual real estate tax bill. Since the property tax bill is paid Semi-Annually on a July fiscal year, and, in this instance, the Purchaser will be paying the Second Half tax bill which will include FFBC from July 1, 2012 to December 31, 2012, it is, therefore, appropriate for the Seller to credit the Purchaser the amount of \$334.24 for FFBC that has accrued from July 1, 2012 to the date of settlement, November 1, 2012.
- Line 220 and 302    TOTAL PAID BY/FOR BORROWER: This amount represents the total of credits to be applied against the Gross Amount Due From Borrower (Line 120).
- Line 303            CASH FROM BORROWER: This figure represents the total amount the Purchaser will need at settlement to complete the transaction. Pursuant to your purchase contract, these funds are required to be brought to closing in the form of a CERTIFIED, TREASURER'S or CASHIER'S CHECK(S) and should be payable to Paragon Title. These funds may also be provided by electronic transfer.

## SELLER'S TRANSACTION

As with the Purchasers' transaction, since some of the essential figures on Page One of the Settlement Statement are derived from calculations on Page Two, our explanation, also, begins with Page Two.

- Line 700           TOTAL REAL ESTATE BROKER FEES: This amount, while shown as a flat fee, is typically a previously agreed upon percentage of the sales price of the property. It compensates the Real Estate Agents/Brokers for their valuable efforts in consummating the sale.
- Lines 701, 702  
and 703           DIVISION OF COMMISSION: These figures represent how the total amount of commission will be apportioned between the Listing and Selling Companies, as well as which of the parties actually pays the commission.
- Line 1101           TITLE SERVICES: This fee varies from one settlement firm to another. The amount shown on this line is Paragon Title's current charge for the procurement of payoff figures for an existing mortgage secured by the property, the accomplishment of the payoff and release of that mortgage. This charge varies depending upon the number of payoffs and/or releases of mortgages that need to be accomplished.
- Line 1102           This is Paragon Title's current charge to the seller for the preparation and the actual conducting of the settlement.
- Line 1204           COUNTY (OR CITY) TRANSFER TAX: See explanation of Line 1204 on Page 38.
- Line 1203           STATE (OR CITY) RECORDATION TAX: See explanation of Line 1205 on Page 38.
- Line 1204           STATE TRANSFER TAX: See explanation of Line 1206 on Page 38.
- Line 1400           TOTAL SELLER'S SETTLEMENT CHARGES: This figure is the total of all of the above-described charges. This amount is now brought over to Line 502 on Page One of the Settlement Statement.
- Line 401           CONTRACT SALES PRICE: This is the price agreed upon between the buyer and the seller for the purchase of the subject property.
- Line 406 and/or  
407           COUNTY/CITY TAXES:

For **Maryland transactions**, other than at the beginning of the fiscal year, in most instances at the time of settlement, sellers will have prepaid their property taxes through the end of the current billing period. The figure on this line represents a pro-rata reimbursement from the Purchaser to the Seller for the portion of real estate taxes paid in advance by the Seller (i.e. from settlement day through December 31, 2012) which, after settlement, will inure to the benefit of the Purchaser.

For **D.C. transactions**, since taxes are paid every six months in arrears on an October fiscal year, rarely will there be an instance when a Purchaser would be reimbursing a Seller for prepaid real estate taxes. In fact, in most situations, the Sellers will be crediting the Purchaser for the Seller's real estate tax liability that accrued from the beginning of the fiscal half (i.e. either from April 1st or October 1st) through the date of settlement.

- Line 420           GROSS AMOUNT DUE TO SELLER: This figure represents the gross amount due to the seller against which charges will be assessed to arrive at the final net proceeds to the seller.
- Line 502           SETTLEMENT CHARGES TO SELLER: This figure represents the total of seller's settlement charges brought over from Line 1400 on Page Two of the Settlement Statement.

- Line 504      **FIRST MORTGAGE PAYOFF:** This figure represents the payoff of the seller's existing mortgage on the property adjusted to an estimated date of receipt by the seller's lender. Since interest is paid in arrears (i.e., after you use the money), and, therefore, continues to accrue each day until the loan payoff has been received and posted by the lender, the settlement attorney will typically collect from the Seller five to seven days of interest beyond settlement. The lender being paid off then refunds to the seller any unearned interest received by them. In addition, following loan payoff, the lender will also return to the Seller any funds remaining in the escrow account for taxes and insurance, if applicable.
- Line 512      **FRONT FOOT BENEFIT CHARGE:** See Explanation of Line 212 on Page 40.
- Line 518      **WATER ESCROW:** Since an unpaid water bill can result in a lien against the property, and since it is typically not possible to determine the seller's actual water usage and appropriate charges up to the date of closing, it is customary that the Title Company withhold approximately \$300.00 from the Seller's proceeds to pay the final water bill. With the exception of Maryland transactions where the seller is remaining in the property after closing, (commonly called "renting back" or a "post-settlement occupancy"), Paragon Title will contact WSSC in Maryland or DC Water prior to closing to order a final reading, request a change of name on the account from the seller to the buyer, request that the final bill be sent to Paragon to pay that bill out of the water escrow. For properties with an inside water meter, the Buyer will need to take the reading and call it in to WSSC on the date of closing, and request a changeover of the account from the seller to the buyer's name(s). In Maryland transactions where the seller is renting back, the buyer and the seller, each, need to contact WSSC to changeover the account and to request that the final bill be send to Paragon for payment out of the escrow.
- Line 520      **TOTAL REDUCTION AMOUNT DUE FROM SELLER:** This figure represents the total of all settlement costs and adjustments required to be paid by the seller.
- Line 601      **GROSS AMOUNT DUE TO SELLER:** This is the total gross amount due to the seller brought down from Line 420 above.
- Line 520      **LESS REDUCTIONS DUE (FROM) SELLER:** This is the total of all settlement costs and adjustments brought down from Line 520 above, which will be subtracted from the Gross Amount Due to Seller (Line 601)
- Line 603      **BOTTOM LINE:** This figure represents the actual net proceeds due to the Seller.

## GLOSSARY

TITLE ABSTRACT TITLE SEARCH)	The condensed history of a title to a particular parcel of real property estate, (AKA consisting of a summary of conveyances, covenants, encumbrances and transactions affecting the property. In Maryland and D.C., it is customary to search a title for the prior sixty (60) years.
DEED	A written instrument that, when executed, delivered and recorded conveys title to or an interest in real estate.
DEED OF TRUST	An instrument used to create a lien against real property. This instrument puts up the subject property as security or collateral for the mortgage loan, and, therefore, provides protection to the lender in the case of a default on the part of the borrower. The term Deed or Trust is often times loosely used interchangeably with the term Mortgage.
FEE SIMPLE	The maximum possible estate or right of ownership of real property.
MORTGAGEE	The lender in a mortgage loan transaction.
MORTGAGOR	The borrower in a mortgage loan transaction.
NOTE	This is the instrument by which the borrower promises to repay the loan.
SPECIAL WARRANTY DEED	A type of Deed in which the grantor (i.e. Seller) warrants the title only against defects (problems with the title), which arose during the period of the grantor's ownership of the property and not against defects which existed before that time. This is the type of Deed generally used in Maryland and D.C.

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FOR FHA AND VA PURCHASERS, PARAGON TITLE AND ESCROW COMPANY WILL BE HAPPY TO PROVIDE, UPON REQUEST, AT NO CHARGE, COPIES OF THE APPROPRIATE PROMISSORY NOTE AND DEED OF TRUST.

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TIPS ON TITLING YOUR PROPERTY

JOINT TENANTS WITH THE  
RIGHT OF SURVIVORSHIP  
(J/T)

As indicated by its title, the key characteristic of this type of ownership is "survivorship". That is, when one (J/T) owner dies the survivor(s) automatically become(s) the owner of the deceased owner's interest in the property. Joint Tenants must each own equal percentage interests [i.e., if there are two owners, each must have a one-half (1/2) interest in the property. If there are three owners, each must hold a one-third (1/3) interest, etc. (Example: In a situation where one of three Joint Tenants dies, the survivors automatically own the property 50:50.).

TENANTS BY THE  
ENTIRETY (T/E)

This type of entitlement may only be taken by a married couple. As with Joint Tenants, T/E has the characteristic of survivorship. However, with the exception of Federal Tax Liens, T/E owners may also have the benefit of the property being shielded from the claims of most individual creditors (i.e., creditors of only one of the spouses).

TENANTS IN COMMON  
(T/C)

Tenants in Common is distinguished from J/T and T/E by not having the characteristic of survivorship. However, T/C affords the owners the flexibility of assigning any percentage interest of ownership between themselves that they desire. In the event of death, the deceased co-owner's interest would pass to his/her estate and be distributed under the terms of the deceased co-owner's Will.

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**NOTE:**

These "tips" are only intended to be a **GUIDE** on how to entitle real property. It is essential that you always **GET SPECIFIC LEGAL ADVICE** to assist you in making your decision.

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## PREVENTATIVE PRE-SETTLEMENT TIPS

1. **UTILITIES:** Subject to the special instructions below for transferring water, you need to contact all of the other utility companies directly to set up the accounts in your name(s). To facilitate this process, the following listing of utility providers and their contact information is shown below:

	<u>MARYLAND</u>	<u>DISTRICT OF COLUMBIA</u>
<b>WATER</b>	<b>Washington Suburban Sanitary Commission (WSSC)</b> <a href="http://www.wssc.dst.md.us/">http://www.wssc.dst.md.us/</a> (301) 206-4001	<b>D. C. Water</b> <a href="http://www.dcwater.com">http://www.dcwater.com</a> (202) 354-3600
	<b>City of Rockville</b> <a href="http://www.rockvillemd.gov/residents/utility.htm">http://www.rockvillemd.gov/residents/utility.htm</a> (240) 314-8420	
<b>ELECTRIC</b>	<b><u>MARYLAND AND D.C.</u></b> <b>Potomac Electric Power Company (PEPCO)</b> <a href="http://www.pepco.com/home/">http://www.pepco.com/home/</a> (202) 833-7500	
<b>GAS</b>	<b><u>MARYLAND AND D.C.</u></b> <b>Washington Gas Company</b> <a href="http://www.washingtongas.com/">http://www.washingtongas.com/</a> (703) 750-1000	

For Maryland transactions, when setting up the water in your name, please request WSSC, or the City of Rockville, if applicable, to send the final water bill to our office for payment out of escrow. For District of Columbia transactions, our office will order the final water meter reading and bill directly from the District of Columbia Government. **In the event that the Seller is remaining in the property beyond the Settlement date (commonly called "Renting Back" or a "Post-Settlement Occupancy"), then both the Buyer and Seller will need to be involved further. (See Page 42, Line 518 for a complete explanation)**

2. **HOMEOWNERS INSURANCE:** Procure and pay for a Homeowners Insurance Policy (also called a "hazard insurance" policy) for one year in advance. The policy must name your new lender(s) as the "Loss Payee". The coverage must be in an amount satisfactory to your lender. Most D.C. and some Maryland mortgage lenders require coverage in the amount of the loan. Most Maryland and some D.C. lenders will accept replacement cost. If your lender has not required you to deliver the policy to them prior to settlement, please bring the original, with the paid receipt to settlement. Some lenders will accept a binder in lieu of a policy. A separate hazard insurance policy is usually not required when your home is a condominium. With a condominium, you still should get a policy to cover your personal belongings and anything else not covered by the condominium master policy. Contact your insurance agent and lender for more information.
3. **FUNDS FOR CLOSING:** PLEASE CALL OUR OFFICE TWO (2) DAYS BEFORE SETTLEMENT to find out the amount which your CERTIFIED, TREASURER'S or CASHIER'S check(s) ("bank checks") should be. Since there still exists a school of thought that says writing a separate check for points may facilitate tax deductibility, we welcome your separate bank check payable to our office, if you desire to bring one.
4. **SPECIAL DC TAX PROGRAMS:** You may be entitled to a reduced tax rate (i.e. Homestead Exemption) if the property is going to be your principal residence, and you satisfy other criteria. This special rate must be applied for. D.C. also has a program where Buyers who meet certain guidelines may get a five year exemption from the payment of Real Estate Taxes. If you believe you qualify for this Program, please advise your Lender and contact our office well in advance of closing so that the proper Application can be prepared. Applying for a Homestead Exemption in Maryland is handled outside of closing. At some point following the recordation of your deed, the County will send you an application form to complete and file with the taxing authorities. The qualifying information for the DC Lower Income Home Ownership Tax Abatement Program is as follows:

**NOTE:** The D.C. Lower Income Home Ownership Tax Abatement Program may provide substantial savings for you. As of the date of this printing, if you are a **first time Purchaser in the D.C., you will be an owner-occupant of the property you are purchasing (i.e., will be applying for a Homestead exemption), the purchase price does not exceed \$332,000.00, and the total income for your household falls within the guidelines described on the following chart,** you should contact our office as early as possible to can find out how to apply for an exemption from the District of Columbia Recordation Tax, a credit towards closing costs from the seller in the amount of the D. C. Transfer Tax, as well as an exemption from Annual Real Estate Taxes for a period of five full fiscal years after the date of closing.

<u>Persons In Household</u>	<u>Household * Income Limits</u>
1	\$ 56,820.00
2	\$ 64,920.00
3	\$ 73,020.00
4	\$ 81,120.00
5	\$ 87,660.00
6	\$ 94,140.00
7	\$100,620.00
8	\$107,100.00

\* Effective May 31, 2011

5. **APPEALING HIGH REAL ESTATE TAX ASSESSMENTS:** Maryland law requires your seller to disclose to you approximately what your real estate taxes will be in the first fiscal year following closing. You can also get additional information regarding your taxes and the right to appeal if your property is over-assessed by calling the Montgomery County branch of the State Department for Assessments and Taxation at (240) 314-4510. The State Department for Assessments and Taxation can also be found online at <http://www.dat.state.md.us/>

For District of Columbia properties, there is also an appeal procedure to follow. For further information, and/or to procure the Appeal form used by the DC Office of Tax and Revenue for Real Property Assessments, please contact either the DC Office of Tax & Revenue at (202) 727-4829 or our offices. The DC Office of Tax & Revenue can also be found online at <http://www.taxpayerservicecenter.com>.

6. **POWERS OF ATTORNEY:**

**PURCHASERS:** If any or all of the Purchasers and/or Sellers will not be at settlement, please let us and your Lender (if applicable) know immediately. This will provide sufficient time to coordinate the preparation and circulation of a Power of Attorney (and any other requisite documents), and will ensure their prompt return to our office prior to closing. Our fee for this service is \$125.00. Even if you already have a Power of Attorney which you intend to use at settlement (that has been prepared by someone else), our office will need to review a copy prior to closing to ensure that the document is satisfactory.

**SELLERS:** In the event that our office needs to prepare a Power of Attorney for you, please contact us immediately to ensure that we have adequate time to have it signed, notarized and returned to us prior to closing. Our fee for this service is also \$125.00.

In the event that you have already had a Power of Attorney prepared, our offices will need to receive a copy as soon as possible to ensure that it will be acceptable for closing. In the event that the Power of Attorney is acceptable, we will need the original executed and notarized document in our possession prior to or at settlement. In this case, the original Power of Attorney will be recorded among the Land Records and will not be returned to us for up to several month while we await the return of the recorded documents. If you need this document sooner, please contact our office to discuss recording the Power of Attorney separately in the Land Records prior to settlement.

7. **NONRESIDENT'S TRANSFER OF PROPERTY IN MARYLAND.** Sellers or exchangors of real estate in Maryland who are nonresidents will have taxes withheld at settlement. The amount to be withheld at settlement is 6.75% of the **net proceeds** for nonresident individuals and 8.25% for non-resident entities. Net proceeds means the total sales price less secured debts paid at settlement and other transfer expenses disclosed on the settlement statement. The law (Maryland House Bill 935, Chapter 203, Section 10-912) provides that a deed may not be recorded unless the tax is paid to the Clerk of the County Circuit Court or the Department of Assessments and Taxation. No tax need be collected if the nonresident seller or exchangor presents a Certificate issued by the Comptroller stating no tax is due or a reduced amount of tax is due. Also, no tax will be collected if the seller certifies that the property was their principal residence. Paragon Title's Fee for filing the withholding amount is \$200.00.