



CHICAGO TITLE OF WASHINGTON

# TITLE & ESCROW

A GUIDE FOR BUYERS AND SELLERS

THE TITLE  
COMMITMENT

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ESCROW  
ESSENTIALS

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TOP TIPS



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# WHAT IS TITLE INSURANCE?

**Title Insurance provides the basic and essential protection for home ownership. Since a home purchase is usually the largest single financial investment most people make in their lifetime, the importance of fully protecting this investment cannot be overemphasized. As with many other insurance products with which you are probably already familiar, Title Insurance exists to minimize risk to your investment.**

## **Title insurance differs from conventional insurance in the following ways:**

- It protects the insured from future losses arising from events of the past.
- The premium is a one time fee paid at issuance.
- The Owner's policy remains in effect for as long as the owner and their heirs retain interest in the property. The Lender's policy expires when the mortgage has been fully satisfied.

## **There are two main categories of risk Title insurance covers:**

- Hidden hazards (forgery, fraud, impersonator, incompetence of grantor or mortgagor, unknown heirs, etc.) which cannot be detected in the examination of title.
- Human error - it's a fact of life that people over time have made errors on documentation that affects title to a property, and with Title insurance you are protected from issues arising from these defects.

## **The role of the title company is to search for and examine public records. The facts uncovered during the initial search will determine:**

- Whether the person selling the property is or is not, in fact, the legal owner of the property.
- That the "estate" or degree of ownership being sold is currently and accurately vested with the seller.
- The presence of any unsatisfied liens which must be satisfied before "clear title" can be conveyed.
- Existing restrictions, easements, rights of way or other rights granted to others who are not owners which may limit the right of ownership.
- The status of property taxes and other public or private assessments.

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*Chicago Title provides homeowners peace of mind by protecting their interest in the property and the safety of their investment.*

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These facts will be presented in a preliminary title commitment. This commitment is issued to the mortgage lender, in the case of a lender's policy, or purchaser, in the case of an owner's policy, before the close of escrow.



**What if a title search fails to uncover an existing defect?**

These are commonly referred to as "hidden risks" and do arise from time to time. They are undiscovered defects which may arise long after you have bought your home. Protection against loss from claims on real estate, which cannot be discovered by examination of the public records, is an important benefit which title insurance provides. The title to the home which you have paid for—and to which you have received a deed—could be seriously threatened or completely lost by circumstances such as forgery, confusion due to similar names, error in the records—to cite just a few hazards.

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*Title insurance mitigates the risk of loss of title, giving you peace of mind on your investment.*

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## **THE IMPORTANCE OF TITLE INSURANCE**

**Title insurance at its core protects you, the insured, against lawsuits challenging your interest as lawful holder of title. By taking steps to minimize risk at the time of issuance, you will be protected against loss of title. Chicago Title provides you peace of mind knowing that the investment you've made in your home is a safe one. If you have any questions concerning your coverage, please contact your local Chicago Title office.**

**How does a title insurance policy protect against all these dangers?**

If a claim is made against your title as insured, Chicago Title Insurance Company protects you by:

1. Defending your title, in court if necessary, in accordance with the terms of your policy.
2. Bearing the cost of settling the claim if it proves valid, in order to protect your title in accordance with the terms of your policy.



# THE BIG 4

## KEY ITEMS TO LOOK FOR ON YOUR TITLE COMMITMENT

1

### YOUR NAME ON THE TITLE

Is your name reflected appropriately on the commitment for how you, as the buyer, would like to take title (ex - Jane Doe vs Jane T. Doe)?

2

### YOUR PURCHASE OR LOAN PRICE

Ensure the purchase price and/or loan amount are reflected accurately on the commitment.

3

### RESTRICTIONS

Are there easements, covenants, or other restrictions on the commitment that can impact the way that you, the buyer, intend to use the property?

4

### UP-TO-DATE TITLE COMMITMENT

Is the title commitment up to date? Should the report be more than a few weeks old, please contact us to see if there are any changes or supplemental reports that have been issued.

# ADDITIONAL TITLE REVIEW

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- Confirm your name is formatted appropriately, and ensure spelling is correct.
- Confirm the policy type is accurate for the transaction.
- Confirm the seller's name matches on both the title commitment and the purchase and sale agreement.
- Confirm the purchase price and/or loan amount are reflected accurately on the commitment.
- Review easements, covenants, and any restrictions recorded against the property.
- Promptly address "Red Flags" on your report. Inquire as to the appropriate action needed to ensure a timely closing.
- Make note of "Yellow Flags" on your commitment. Confirm removal, or understand their impact, prior to closing.





# TYPES OF COVERAGE

Please visit our website at [www.usechicagotitle.com](http://www.usechicagotitle.com) for a complete chart showing a deeper comparison of the three forms of coverage below:

## **1. Homeowner's Title Insurance Policy:**

The Homeowner's Policy is only available on single family homes to fourplexes. It must be owned by a "natural person" and not an entity such as a corporation or an LLC. In addition to the protections offered in the Standard Policy, the Homeowner's Policy extends coverage beyond the issue date.

### **Examples include:**

- You cannot use the land because use as a single family residence violates an existing zoning law or regulation.
- You are forced to remove your existing structures which encroach onto an easement or over a building set-back line even if the easement or building set-back line is excepted in your title policy.
- Your neighbor builds any structure after the policy date, other than boundary walls or fences, which encroach onto your land.
- You do not have both actual vehicular and pedestrian access to and from the land based upon a legal right.

## **2. ALTA Standard Owners Policy:**

The Owner's Standard Policy will cover the buyer against issues that could be discovered by an examination of Public Record.

### **Examples of these would be:**

- A document upon which your title is based was not properly filed, recorded or indexed in the Public Records.
- Someone else has a right to limit your use of the land.
- Someone else claims to have rights affecting your title arising out of forgery or impersonation.
- Someone else owns an interest in your title.

## **3. ALTA Extended Owners Policy:**

The Extended Owner's Policy offers the most extensive title insurance as it covers not only matters of Public Record but also insures issues that are revealed as a result of a physical inspection or survey of the property. This is commonly issued for high value residential properties, large parcels of vacant land and commercial properties.

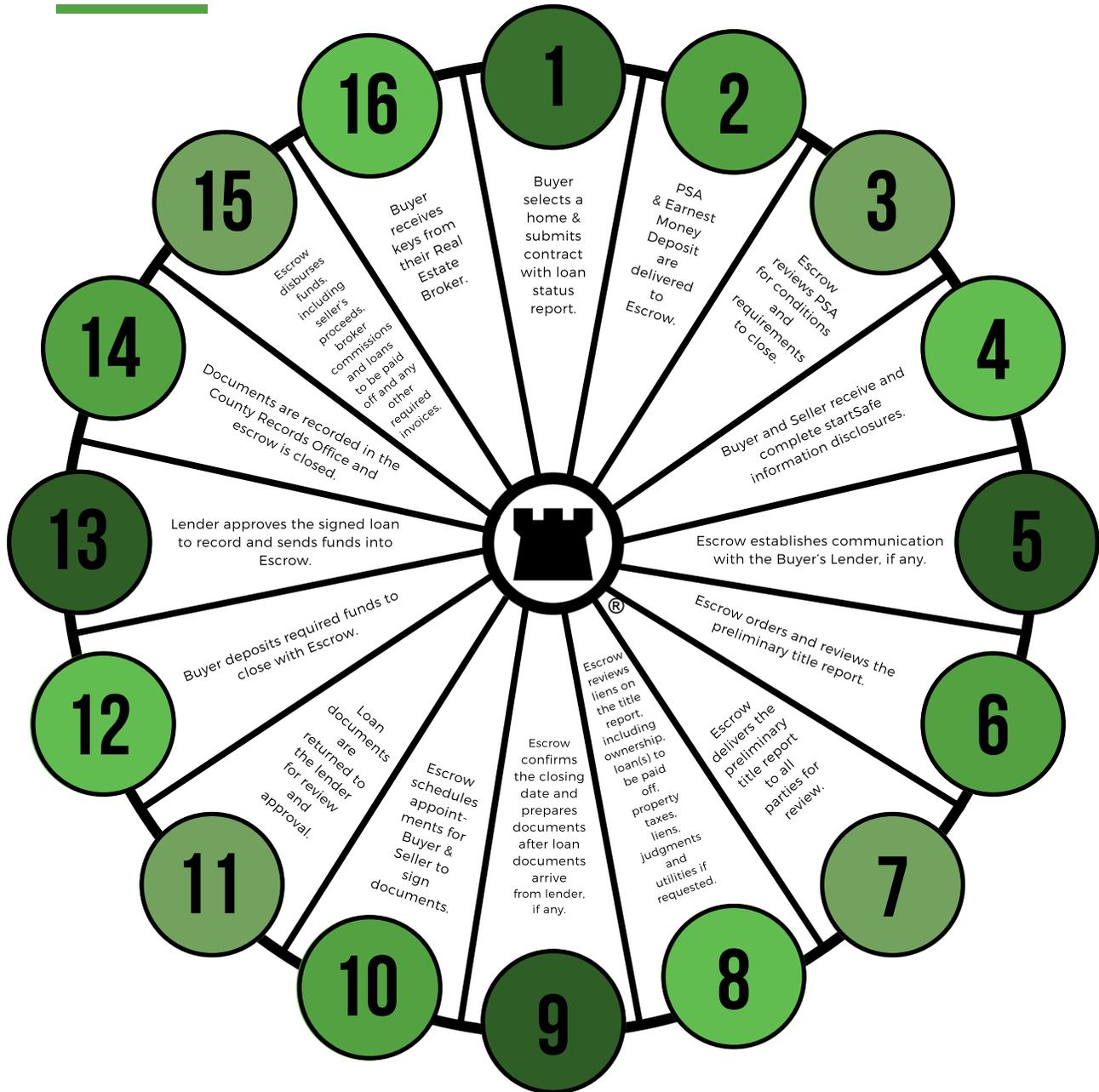
### **Policy coverage examples include:**

- You are forced to remove your existing structures because they encroach onto our neighbor's land.
- Someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it because your neighbor's existing structures encroach onto the land.



# ESCROW FLOW

The role of the Escrow Agent is to act as a neutral third party to fulfill the terms of a Real Estate Purchase & Sale Agreement (PSA) and facilitate the successful transfer of ownership from seller to buyer. Below is a general step-by-step description of the process.





## UNDERSTANDING THE SETTLEMENT STATEMENT

**Based on the terms of the Purchase and Sale Agreement and instructions from the lender (when financing is applicable), your escrow officer balances the debits and credits for both the buyer and seller for the transaction. Both parties will receive a settlement statement to review and acknowledge all of the debits & credits for their perspective sides of the transaction. When financing from an institutional lender is involved, both buyer and seller will receive not only a settlement statement but also a closing disclosure, as required by the Consumer Financial Protection Bureau (CFPB).**

### **Closing Disclosure**

For a buyer, the closing disclosure is a form your lender provides to you, a minimum of three days before your consummation (signing of the loan documents). It outlines the final terms and costs of your mortgage as well as the costs to purchase the property. For a seller the closing disclosure is a form your escrow officer provides to you outlining the final costs of the sale. For both the buyer and seller it is one of the most important pieces of paperwork you'll receive, so be sure to take a few moments to review the details.

### **Net Proceeds**

Net proceeds refers to the amount received by the seller arising from the sale of a property. This is different from the homeowner's equity, or gross proceeds in the home, because it takes into account all costs and expenses that are due from the seller as part of the sale.

### **Right of Rescission**

The right of rescission is a right, set forth by the Truth in Lending Act (TILA) under U.S. Federal Law of a borrower to cancel a home equity loan or line of credit with a new lender, or to cancel a refinance transaction done on a primary residence, within three days of consummation.

### **Closing Costs**

Closing costs are the expenses, over and above the price of the property that buyers and sellers incur to complete a real estate transaction. These costs can include, but are not limited to, any expenses related to obtaining a loan, governmental charges such as property taxes and real estate excise tax, homeowners insurance, title & escrow charges, commissions and Homeowners Association (HOA) charges, to name a few.

# UNDERSTANDING THE SETTLEMENT STATEMENT



	BUYER	SELLER
<p><b>Financial Consideration:</b> This section will reflect the final sales or purchase price of the home as well as any agreed upon credits. This will also reflect the amount of the earnest money deposit and the principal balance of the new loan, if applicable.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>Prorations/Adjustments:</b> Common types of proration and/or adjustments that may be found here would be property taxes, HOA dues, capacity charges or other assessments. The prorations adjust for items prepaid or outstanding that have to be split between the parties based on the date of ownership transfer.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>HOA Charges:</b> Each Homeowners Association specifies certain costs for the buyer and/or seller that are due upon the transfer of ownership. This can be for any property subject to an association and is not limited to condominiums. Some common charges are move-in/move-out fees, demand fees, transfer fees and prepaid dues, just to name a few.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>Commissions:</b> Commission amounts due to the real estate brokers as agreed to in the listing agreement, buyer's agency agreement or the Purchase and Sale Agreement.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>Title &amp; Escrow Charges:</b> The seller in a real estate transaction pays for the owner's title premium which provides coverage to the buyers. The title premium is based on the sales price of the home and the type of policy called for in the Purchase and Sale Agreement. If there is financing involved the buyer pays for the loan coverage based on the amount of the loan. The buyer and seller each pay a portion of the escrow fee, an amount which is also based upon the sales price.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>Government Charges:</b> Real estate excise tax (REET) is a tax on the sale of real estate. The real estate excise tax is typically paid by the seller of the property, based on the sales price. Recording fees can be paid by the buyer or the seller depending on the document that is being recorded as part of the transaction. The buyer typically pays to record the Deed (transfer of ownership) and the Deed of Trust (security document for the loan). If the seller is using a Power of Attorney for the sale, this is an example of a document the seller would pay to record.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>New Loan Charges:</b> New loan charges are all applicable charges associated with the financing. Some common line items may be an origination fee, application fee, appraisal, credit report, tax service fee, flood certification, per diem interest, homeowner's insurance or reserve account deposits for taxes, and insurance. Depending on your specific loan type, the fees may vary.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>Payoffs:</b> Existing loan(s) or lien(s) secured by the property will be paid off through closing. Escrow will work with the sellers to obtain the necessary account information, to order demands for any loans or liens secured by the property, and these amounts will be reflected accordingly on the settlement statement.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>Miscellaneous:</b> This section will reflect any costs that are not allocated to an earlier section of the statement, yet are necessary costs of the transaction. Things you may see in this section are utility estimates and mobile notary fees, or any other costs that are specific or unique to the transaction.</p>	<input type="checkbox"/>	<input type="checkbox"/>



## **STARTSAFE: MOBILE EARNEST MONEY DEPOSIT**

DELIVER EARNEST MONEY  
IN SECONDS

**startSafe is a secure, digital workspace for home buyers and sellers to engage with Chicago Title as they begin their real estate transaction in a more secure and intuitive digital consumer experience.**

*startSafe Mobile Deposit is a contact-free and safe way to deliver earnest money.*

### **What are the benefits of Mobile Deposit?**

startSafe Mobile Deposit allows buyers to enjoy the safety and simplicity of depositing their earnest money from the convenience of their smartphone.

### **How does Mobile Deposit work?**

With just a few clicks, startSafe Mobile Deposit makes delivering earnest money as easy as taking a picture of the front and back of a check. Deposits can be made as the buyer completes the startSafe questionnaire process or as a separate initial step.

# FEES: WHO PAYS FOR WHAT?

Closing costs may be confusing. Let's break it down by buyer and seller cost.

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## THE SELLER PAYS FOR:

- Real estate commission
- Real Estate Excise Tax, if any
- Payoff of all loans in seller's name
- Interest accrued to lender being paid off
- Statement fees, reconveyance fees and any prepayment penalties
- Any judgments, tax liens, etc. against the seller
- Tax proration
- Any unpaid homeowner's dues
- Recording charges to clear all documents of record against seller
- Any bonds or assessments
- Any and all delinquent taxes
- Notary fees
- Homeowner's transfer fees
- Title insurance premium for owner's policy
- Escrow fee





## **THE BUYER PAYS FOR:**

- Title insurance premium for the lender's policy
- Escrow fee
- Document preparation (if applicable)
- Mobile Notary fees, if any
- Recording charges for all documents in buyer's name
- Tax proration from the closing date
- All new loan charges (except those required by lender for seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Inspection fees (roofing, property inspection, geological, etc.)
- Fire insurance premium for first year



## A WORD OF CAUTION: WIRE FRAUD ALERT

INQUIRE BEFORE YOU WIRE.

Realtors, closing attorneys, buyers and sellers may all be targets of wire fraud. This has caused the loss of hundreds of thousands of dollars in some transactions, simply because respective parties relied on the wire instructions received via e-mail.

### How it happens:

A fraudster will hack into a participant's e-mail account to obtain information about upcoming real estate transactions. After monitoring the account to determine the likely timing of a closing, the fraudster will send an email to the buyer purporting to be the escrow agent or another party to the transaction. The fraudulent email will contain new wiring instructions and will request that the buyer send funds to a fraudulent account.

We urge everyone to inquire before you wire and to never rely solely on e-mail communication. Always follow the simple steps below:

*Inquire before you wire.  
Call your escrow officer  
to confirm.*

**Step 1:** Obtain the phone number of your realtor, closing attorney, and escrow officer as soon as escrow is open.

**Step 2:** Prior to wiring funds, call your escrow officer at the trusted phone number to confirm the wire instructions. If at any time you receive a change in wiring instructions, **BE SUSPICIOUS**, as Chicago Title rarely changes wiring instructions.

# 74%

*of homebuyers believed their title company or bank could recover funds that are wired to the wrong account*

*(Retrieved from Alta.org, May 2020)*

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# 52%

*of homebuyers are completely unaware of wire fraud in real estate*

*(Retrieved from Notarize.com, May 2020)*

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# \$3.5 B

*was attempted to be diverted and wired to “criminally controlled” accounts in 2019*

*(Retrieved from fbi.gov, May 2020)*



## TOP TIPS FOR A SMOOTH CLOSING



Promptly complete and return escrow's disclosure forms upon receipt (typically sent digitally).



Out of state buyers or sellers? Let your escrow officer know immediately to allow adequate time for delivery of appropriate documents.



Are the buyers or sellers out of the country? If so, the client must have the documents notarized at an American Consulate or Embassy. As an alternative, your client may opt to appoint another individual as their attorney in fact.



# THE CLOSING DAY

You've made it through to the end. Let's make sure you are prepared for your signing appointment. When closing documents are ready for you to sign, we will contact you to schedule an appointment with a notary. Make sure to bring the following items to your appointment:

## Identification

There are several forms of identification that are acceptable to use during the escrow process.

- A current driver's license
- A valid passport
- A government issued identification card

Some lenders require two forms of identification at signing. When this is the case, you will be provided with a list of additional identification options acceptable to your lender.

## Depositing Funds to Close Escrow

In order to prevent possible delays in the escrow closing, be prepared to deposit into escrow the amount requested by your escrow officer. Wire instructions will be provided through Chicago Title's startSafe. You will never receive wire instructions in an email.

## Lender's Requirements

Make sure you have satisfied your lender's requirements before coming to the escrow company to sign papers.

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# CHANGE OF ADDRESS CHECKLIST



## UTILITIES & SERVICES

- Electric
- Cellphone
- Internet
- Cable
- Gas
- Water
- Sewer
- Garbage
- Recycle
- Home security

## FAMILY/PERSONAL

- Employer/benefits/401K
- Schools & alumni associations
- Children's organizations
- Clubs (athletic, miscellaneous)
- Relative, friends, business
- Child care provider

## GOVERNMENT

- Department of licensing
- Post office
- Voter registration
- IRS
- Veterans affairs

## FINANCIAL INSTITUTIONS

- Banks/credit unions
- Finance company
- Credit cards
- Charities
- Financial advisor/investments

## INSURANCE AGENCIES

- Life
- Home
- Auto
- Health

## NOTES

# ONLINE RESOURCES

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## MAIL

USPS Online: [www.usps.com](http://www.usps.com)

- Safe and secure - safeguard your information with ID verification for a simple \$1 charge to your credit or debit card.
- Speed and convenience - save a trip to the post office.
- Email confirmation - receive an immediate email confirmation of your change of address.

A credit card is required to complete the form online. You can also go to any post office and request a Mover's Guide packet to fill out a printed form you can submit back to them.

## DRIVER'S LICENSE AND VEHICLE REGISTRATION

Department of Licensing: <https://www.dol.wa.gov/>

- You have 10 days after you move to change your address on your driver's license.
- There is no cost to update your address. There is an additional fee for getting a new card with your updated address on it.
- Updating your address on your driver's license doesn't change your address on your vehicle registration, you need to do that separately.

## ELECTIONS AND VOTING

Whatcom County Elections Division: <https://www.whatcomcounty.us/1832/Register-to-Vote>

311 Grand Avenue | Suite 103 | Bellingham, WA 98225  
360.778.5102 | Fax: 360.778.5101 | [elections@co.whatcom.wa.us](mailto:elections@co.whatcom.wa.us)

San Juan Elections Office: <https://www.sanjuanco.com/1225/Voter-Information>

55 Second St. | Suite A | Friday Harbor, WA 98250  
360.378.3357 | Fax: 360.378.8856 | [elections@sanjuanco.com](mailto:elections@sanjuanco.com)

Island County Elections Office: [www.islandcountywa.gov/Auditor/Elections/Pages/Home.aspx](http://www.islandcountywa.gov/Auditor/Elections/Pages/Home.aspx)

400 N Main Street | Coupeville, WA 98239  
Phone: 360.679.7366 | Fax: 360.678.2326 | [Elections@islandcountywa.gov](mailto:Elections@islandcountywa.gov)

STRENGTH | EXPERTISE | SERVICE