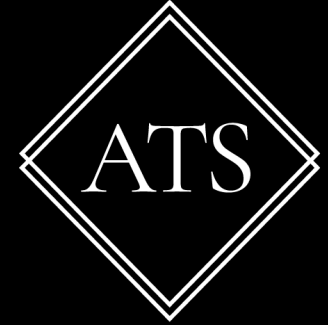


Contract FAQ's



General: Do we legally need an attorney at closing?

No, I will be there and I have never seen someone bring along an attorney (although it is your legal right). The title rep will explain every document.

General: If we decide to back out of the sale, when would be the last time that earnest money could be returned?

The last deadline you may terminate on is loan termination (right now you are "pre-approved" but the loan still needs to be finalized by an underwriter). If the underwriting falls through and you are no longer approved for the loan (usually if someone loses their job as an example), you may terminate the contract and recoup your earnest money.

4.2: What are seller concessions? Can we expect any?

Seller concessions is an amount the buyer can request from the seller to lower the purchase price which means less cash to bring to closing (we most likely won't be doing this unless you are offering on a home that has been sitting on the market and/or is not competitive).

6.2.1.2: If we opted for an appraisal and it comes back lower than estimated purchase price, what does the Appraisal Objection do for us?

It gives you the option to terminate the contract or notify the seller. What does notify the seller offer to us? The appraisal is not optional/is up to the lender. Your lender will most likely order one for the loan. This termination date is only if the house appraises under what you are under contract for, you may back out (so you don't have to bring that extra money to close, but you also may choose to bring that cash to close and continue the transaction as well. We can also negotiate with the seller to bring the purchase price down to the appraised value).

8.1.1: Title Insurance- Shouldn't the buyer select the title insurance? What are the benefits of the seller selecting the title insurance company? What are the risks with the seller selecting the title insurance company?

Seller buys the insurance so the seller chooses. We investigate the title company the seller specifies. As long as the title company has a reputable underwriter (Land Title Insurance, First American, etc.) it doesn't matter the title company as the underwriter is the company that issues the policy.

8.1.2: Does the Realtor or the Lender recommend a title insurance company?

Usually the seller chooses. If the situation is non-competitive we may (although I never have), but I will always research the title company the seller specifies and make sure they are legitimate (that they are companies backed by insurance).

8.1.3: What is Owner's Extended Coverage?

This is title insurance covering the "chain" of title (any breaks in it-or if someone comes to you claiming that the house is their property). The biggest difference in OEC and regular coverage is OEC covers from time of build (when the ground was originally broken).

8.2 - 8.3: What is the difference between the record title and off-record title?

Seller must deliver to Buyer, on or before Off-Record Title Deadline, true copies of all existing surveys in Seller's possession pertaining to the Property and must disclose to Buyer all easements, liens (including, without limitation, governmental improvements approved, but not yet installed) or other title matters (including, without limitation, rights of first refusal and options) not shown by public records, of which Seller has actual knowledge (Off-Record Matters).

8.4: What is a special taxing district? Will we need to investigate if it is a special tax district?

Usually planned communities with HOA's, for example (seen a lot in the suburbs). These communities may have substantially higher tax rates and the seller has to provide that information to us.

8.6: What is the Right of First Refusal?

This does not apply to you. This is for an "option-contract" where you offer to purchase a property and have the "option" to buy it for a specific period of time (during that time the seller has to come to you to check to see if you want to purchase before selling to anyone else).

9: What is a New ILC or a New Survey?

An ILC is an "Improvement Location Certificate", basically a land survey of the property lines and set-backs. We usually don't do one but I usually reserve the right to as an option to you guys (buyer pays for this). Usually only necessary if encroachment from a neighbor is suspected.

13: What are the differences between the deeds?

General warranty is the one we always specify in the offer. This offers the most protection against a break in the chain of title possession. Sometimes the seller will counter with a "special warranty deed" that basically protects them if someone from the past claims ownership on the land (but title insurance covers this situation anyway).

15.2: Buyer and seller to split closing costs. Is that typical?

Yes, this is typical.

15.3: What is a current status letter?

This only applies to properties with an HOA (status of the HOA, if it is "healthy" or not) and shows if there are any special assessments or liens on the property from the HOA.

Additional Questions:

Lender recommended doing a sewer pipe inspection. Should that be added to the contract?

That lies under inspection objection. We always recommend a full home inspection that does a sewer scope and also radon. You may terminate if it comes back negative (or ask seller to fix or credit you on the objection notice).

I know we talked a bit about this at one of the listings but what happens if the appraisal comes in under?

See above

How is the home warranty handled? Is that something that you talk to the seller before the contract is written or does that negotiation happen before the offer is sent in. If there is warranty can it transfer and who usually pays for it?

Usually a homes warranty is asked for in the inspection objection notice (post-inspection report)...Sometimes warranties are transferrable, sometimes not. It depends on what company they purchased through.

The mineral estate rights (pages 8, 9) what is the deal here?

Mineral rights pertain to oil/ rare earth mineral rights (basically oil). Any mineral rights will be shown on title work when we receive that.

The contract says closing costs and fees were 1/2 buyer 1/2 seller. Is this how it usually shakes out or is it usually the buyer these days?

We can specify whatever you want if it is competitive and offer to pay that, but usually it is split.

Due diligence- last paragraph- inspections of lead paint, surveys, etc. shouldn't this be part of a disclosure statement?

They are all connected and you may terminate if the info we receive is not to your liking (by the termination deadline).

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