

# Escrow 101

## Everything You Ever Wanted to Know About Escrow But Were Afraid to Ask.

Presented by  
Linda Hinshon-Canter  
Escrow BootCamp ONLINE  
[www.escrowbootcamp.com](http://www.escrowbootcamp.com)  
And Prallant Settlement Services  
Customer Support – File Quality Control

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# The Role of the Escrow Department

Prepare for and conduct closings in compliance with:

- ALTA Best Practices
- Company Practices
- Lender Closing Instructions
- All to support the company's ability to issue its policy(s) of Title Insurance.

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## ESCROW DEFINED:



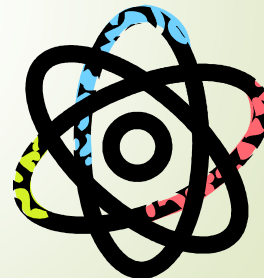
- noun** - the holding of funds or documents by a neutral third party (Escrow Agent), with a written agreement that provides instructions as to how it is to be delivered and spells out what is required for the fulfillment of that condition.
- verb** - to place in escrow: for example - The home seller agrees to escrow the sum of \$300.00 pending receipt of a Final Water Bill which will be paid that Water Escrow.
- Title Co** - the department at a title company responsible for clearing all the title requirements (curative clearance), collecting all the data relative to the transaction, producing closing papers consistent with the terms of the purchase agreement, title requirements and lender requirements, conducting the closing, moving the file forward for recording and policy production.

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## AT THE CENTER OF IT ALL!

The Escrow Department, working in coordination with the Title Department, provides Escrow/Closing services for:

- Realtors
- Sellers
- Buyers
- Borrowers
- Lenders
- Attorneys



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## FOLLOWING INSTRUCTIONS

Instructions are  
found in many forms:

- Title Commitment requirements
- Purchase Agreement
- Lender Closing Instructions
- Mortgage Payoff Letters
- Real Estate Brokers Instructions
- Every Instruction Must Lead to a Common Conclusion



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## AUDIT-PROOFING THE FILE

Your file **MUST** be able to  
stand on its own two feet it  
**without you!!**

- CLARIFY – when info conflicts
- COMMUNICATE – to all parties
- COOPERATE – in split closings
- CONFIRM & VERIFY
- DOCUMENT EVERYTHING
- WRITE IT DOWN!



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## DETAILS TO VERIFY

- Details of the Purchase Agreement
- Earnest Money Deposit Amount Correct and Received
- Commissions – Commission Split
- Water/Utility Bill Status
- Tax Status
- Mortgage Payoff Amount(s)
- Name(s) of Proposed Insured – how will the lender show names of purchasers
- Lender information – mortgage amount-concessions
- All parties will attend...or!!!!
- SURPRISE!!!
- Unexpected Power of Attorney



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## WHEN YOU ASK QUESTIONS!

### NOTE THE FILE!!

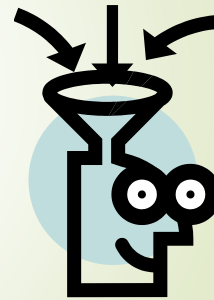
- Who did you talk to when verifying the information?
- What did they tell you?
- When did you call?  
Date and Time!
- How Much?
- Who do you pay?
- By When?



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## WHAT YOU NEED TO KNOW....

- Who Pays for What?
- Pro-ration of Taxes Methods
- Completing the Settlement Statements
- Recording Requirements
- What to look for in the Purchase Agreement
- Title Requirements – Clearing Curatives
- Tenancies
- Documents Common to a Real Estate Sale
- Holding in Escrow



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## EVERYTHING IS NEGOTIABLE

**All aspects of the transaction  
are negotiable, however..**

**Buyer's lender must approve  
cost sharing, price and credits  
from seller.**

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# WHO PAYS FOR WHAT?

## SELLER

- Taxes already due
- Existing Liens
- Water Bill Balances
- Owners Title Policy
- Transfer Taxes
- Real Estate Commissions
- Other fees or charges depending on the transaction
- Pro-ration of taxes if paid in arrears



## BUYER

- Recording Fees
- Realtor Charges –Compliance, Transaction
- Purchase Price
- Loan Charges, if applicable
- Pro-ration of taxes if paid in advance

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## PRO-RATE DEFINED:

To divide, distribute, or assess proportionately

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## THINGS THAT ARE PRO-RATED

- **Property Taxes**
- **Association Dues**
- **Rent**
- **Final Water Bills**

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## PROPERTY TAXES

- **Winter Taxes** come due on December 1<sup>st</sup> Each Year
- **Summer Taxes** come due on July 1<sup>st</sup> Each Year – in most municipalities but may vary. Wyandotte on August 1<sup>st</sup>
- **Delinquency Dates** – prior to March 1<sup>st</sup> can vary from municipality to municipality.
- **Taxes unpaid on March 1<sup>st</sup>** are turned over to the County for collection.
- **Once turned over to the County**, they can only be paid to the County.
- **The Gap** between March 1<sup>st</sup> and when you can verify the amount payable to the county.
- **Warranty Deeds** are tax certified by the county treasurer before recording. Coordinate with your recording department if you have taxes payable to the county AND are recording a Warranty Deed.

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# TAX PRO-RATIONS

- Property Taxes are commonly to be treated as if paid in advance, but the method per transaction are;
- Spelled out in the language of the Purchase Agreement, or;
- Absent of terms contained in the Purchase Agreement to the contrary, taxes are:
  - Treated as paid in advance
  - Cover a period beginning with the date of closing and ending on the last day of the billing period. Buyer pays for the day of closing.
  - Calculated as a charge to buyer to reimburse the seller for taxes that were paid in advance covering a period ending after they no longer own the property.
- Purchase Agreement language is frequently determined by the "trade and practice" of the local market – in concert with the local Boards of Realtors.
- Other methods include –
  - Based on 360-day year
  - Paid in Arrears
  - Calendar Year

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## Sample Tax Proration

### Details for prorating as if paid in advance -

1. Closing Date July 8, 2020
2. Summer Taxes \$1,456.98 are paid by seller
3. Winter Taxes \$743.78 are paid by seller

Summer taxes prorated 7/8/2020 – 6/30/2021

$1456.98/365 = \$3.99$  per day X 358 days = **\$1,428.42**

**This amount paid by buyer to seller for reimbursement**

Winter taxes prorated 7/8/2020 – 11/30/2020

$743.78/365 = \$2.04$  per day X 146 days = **\$297.84**

**This amount paid by buyer to seller for reimbursement**

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## OTHER PRO-RATIONS

- Association Dues – paid in advance
- Rent – paid in advance

Whether paid monthly, quarterly or annually, pro-rations are calculated from the date of closing to the next due date. The buyer will reimburse the seller for the unused portion of the current billing assessment, beginning with the day of closing.

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## SETTLEMENT STATEMENTS

### Broker Real Estate Settlement Statements

Credits and Debits to allocate the charges relative to a transaction are listed.

Buyer and Seller Statements are produced.

### Closing Disclosure - CD

A federal form developed by the government containing all buyer and seller Credits and Debits.

All charges must be disclosed on this.

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# RECORDING REQUIREMENTS

- Are standardized throughout the state of Michigan
  - Margins – 2.5" at the top of the first page of each document
  - Paper size – Letter and Legal only (8.5" X 11" or 8.5" X 14")
  - Font size – no smaller than 10 point
  - Ink color – the body of the document can only be in BLACK ink
  - Additional Witness not required –
  - Notary only - unless signing by "X" (mark), then 2 witnesses
  - Drafted by (must be a person) and Return to
  - Names and addresses of parties to the document (Grantor/Grantee) (Mortgagor/Mortgagee)
  - Legal Description and tax parcel ID#
  - Consideration – Sale Price or mortgage amount, etc.
- Requirements must be followed in order to successfully record the documents creating or extinguishing interests in the land
- Fees for recording are standard, with a couple of exceptions:
  - Wayne County is different than every other county - \$15.00 first page, \$3.00 each additional
  - All other Counties - \$30.00 per document
  - Tax Certification (\$5.00 standard charge) When recording a warranty deed
- There are Transfer Taxes charged when recording a Warranty Deed
- It's a rule and therefore there are exemptions to the rule.

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# RECORDING FEES

<b>Recording Fees</b>	<b>\$30.00 per document all counties except Wayne</b>
<b>Warranty Deed</b>	<b>add \$5.00 for tax certification</b>
<b>Wayne County</b>	<b>\$15.00 for the 1<sup>st</sup> page</b>
<b>Each additional page</b>	<b>\$3.00</b>
<b>Tax Certification</b>	<b>\$5.00 per tax parcel # Check county for charges if you have multiple tax parcels to certify</b>
<b>Transfer Taxes - County consideration</b>	<b>\$ .55 per increment of \$500.00 of consideration</b>
<b>Transfer Taxes – State consideration</b>	<b>\$3.75 per increment of \$500.00 of consideration</b>

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## Transfer Taxes Calculations

- **County Transfer Taxes** - \$.55 per increment of \$500.00 or \$1.10 per \$1,000.00 of the consideration (price on the deed)
- **State Transfer Taxes** - \$3.75 per increment of \$500.00 or \$7.50 per \$1,000.00 of the consideration.
- **Sale price \$120,500.00**
  - $120.5 \times 1.10 = \$132.55$
  - $120.5 \times 7.50 = \$903.75$
- **Always round up to the next \$500.00**
  - **Sale Price \$121,540.00**
  - $\$122 \times 1.10 = \$134.20$
  - $\$122 \times 7.50 = \$915.00$

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## Exemptions from Transfer Tax

- MCLA 207.505 (5) provides a list of exceptions to the County Transfer Taxes which are calculated at the rate of \$.55 per increment of \$500.00 of the consideration shown on the warranty deed.
- MCLA 207.526 (6) provides a list of exceptions to the State Transfer Taxes which are calculated at the rate of \$3.75 per increment of \$500.00 of the consideration shown on the warranty deed.
- In both cases to calculate you round up to the next higher \$500.00 of consideration.
- Example: \$125,300.00 Would be rounded up to \$125,500.00 before calculating.
- Not to worry though, your computer knows how to do this.

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# You must have Michigan's County and State Transfer Tax Exemptions In Your Toolbox

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## REVIEWING THE PA

(Purchase Agreement)

### Details to Look for:

- Purchase Price
- Terms
- Is it fully executed?
- Items that may be included in the sale price
- Manner for Pro-Rating Taxes
- Final Water or other Utility Bill handling
- Good Faith Deposit
- Type of Title Policy desired
- Will there be an Occupancy Escrow
- Are there additional fees to the brokers

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# PURCHASE AGREEMENT

**1. PROPERTY** Buyer agrees to buy from Seller the property located at:

**11234 College Drive, Wayne County, Michigan, City of Livonia 48150**

legally described as: **Lot 1, Livonia Subdivision IV as recorded in Liber 3456, Page 2, WCR**

together with all buildings; gas, oil, and mineral rights owned by Seller; plumbing, heating, and electrical fixtures; built-in appliances; water softener, water pumps and pressure tanks; stationary laundry tubs; radio and television antennas and any mechanical controls; shades, shutter, window blinds, and curtain/drapery rods; attached floor covering; attached fireplace doors and screens; garage door opener and controls; screens, storm windows and doors; landscaping, fences, mailboxes; and

**Kitchen Appliances and Throw Rug in Living Room**

but does not include: **Stove and Refrigerator**

The property is purchased subject to easements, restrictions and zoning ordinances of record.

**2. SALES PRICE** The sales price is: **\$189,500.00** (Dollars)

**3. DEPOSIT** Buyer deposits **\$ 3,500.00** showing good faith. Deposit to be held by (Seller/Attorney/Title Company).

Deposit will be applied to sale price. If the conditions in this contract cannot be met, the deposit will be refunded to Buyer in full, subject to the default provision (refer to paragraph 16).

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## 4. Method of Purchase:

**CASH** Buyer will pay the sales price by certified check upon Seller's delivery of a warranty deed conveying marketable title.

**X NEW MORTGAGE** This contract is contingent on Buyer's ability to obtain a **Conventional** mortgage (VA, FHA, Conventional) loan in the amount of **\$150,000.00**. Buyer will apply for the loan within 5 days after Seller's acceptance. If Buyer fails to deliver to Seller evidence of the loan approval within days, Seller may cancel this contract and deposit will be refunded to Buyer in full. The sale will be completed upon Seller's delivery of a warranty deed conveying marketable title.

**LAND CONTRACT** Buyer will pay \$ \_\_\_\_\_ down payment upon Buyer and Seller signing a Land Contract calling for the payment of the remaining Sales Price. Buyer will pay monthly installments of \$ \_\_\_\_\_ or more, including annual interest of percent and which DO/ DO NOT include prepaid taxes and insurance. Buyer will pay the entire balance, which may require a jump-sum payment, within \_\_\_\_\_ years after closing.

**MORTGAGE ASSUMPTION or LAND CONTRACT ASSIGNMENT** If the holder of the mortgage or land contract agrees, Buyer will assume and pay the existing mortgage or land contract according to its terms. Buyer will pay the difference between the sales price and the existing balance of approximately \$ \_\_\_\_\_ upon Seller's delivery of a warranty deed or a land contract assignment. Buyer will reimburse Seller at closing for any funds held in escrow.

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5. **CLOSING DATE** Buyer and Seller will close the sale within 7 days after all necessary documents are ready, but in no event later than August 15, 2020.
6. **OCCUPANCY** Seller will give occupancy within 45 days of closing. Seller will pay Buyer \$ 46.50 per day, from the day following closing to the day Seller vacates and surrenders the keys to Buyer. At closing, Wonderful Title will retain from the amount due seller \$ 2,092.50 to hold in escrow for the occupancy charge. Upon Seller vacating property and surrendering keys to buyer, Wonderful Title will pay Buyer the amount due and return to Seller any unused portion. Seller is liable for any damage to property after closing and before vacating.

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## GENERAL CONDITIONS

THIS IS A LEGAL DOCUMENT. BOTH BUYER AND SELLER ARE ADVISED TO CONSULT AN ATTORNEY.

7. **TITLE INSURANCE** Seller will provide and pay for an owner's policy of title insurance without standard exceptions from Wonderful Title insuring Buyer's marketable title in the amount of the Sales Price. Buyer will pay for land survey if needed. Seller will apply for a commitment for title insurance within 5 days of the date of this contract. Upon receipt of the commitment, Buyer will have 30 days to provide Seller with written notice of any title objections. Seller will then have 30 days after receiving written notice to remedy the claimed defects. If Seller is unable to remedy the defects within 30 days, this contract will be terminated, and any deposit refunded to Buyer.
8. **CLOSING COSTS** Unless agreed otherwise, Seller will pay all State transfer taxes and costs required to convey marketable title. Unless agreed otherwise, Buyer will pay the cost of recording the deed and/or security interests and all mortgage closing costs.
9. **TAXES/FEE PRORATIONS** Seller will pay in full all taxes, which are due and payable at time of closing. Current taxes will be prorated and adjusted as of the date of closing as though they are paid in advance on the due date. Condominium and/or association fees, interest and rents will be adjusted in a like manner.
10. **SPECIAL ASSESSMENTS** Seller will pay in full all public authority charges (including, but not limited to, special assessments, paving charges, water or sewer contracts, weed cutting and lighting charges), which are a lien as of the date of this contract. Condominium association assessments will be paid in a like manner.
11. **WATER/SEWER ESCROW** Seller will pay in full all water and/or sewer usage charges through the day of possession. At closing, Seller will give a minimum of \$200.00 for water/sewer escrow. Seller will obtain a final bill or reading covering usage through day of possession. Final charges will be paid from escrow and any unused portion returned to Seller.

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**12. SELLER'S DISCLOSURE (Check One)**

- ☐ Buyer acknowledges that a Seller Disclosure Statement has been provided to Buyer.
- ☐ Seller will provide a Seller Disclosure Statement with Seller's acceptance of this offer. Pursuant to Public Act 92 of 1993, Buyer will have 72 hours after hand-delivery of the disclosure statement (or 120 hours after delivery by registered mail) to terminate this contract by delivery of a written notice to Seller or Seller's agent.

**13. PROPERTY INSPECTION (Check One)**

- ☐ This offer is contingent upon a satisfactory inspection of the property, at Buyer's expense, no later than five (5) business days after the date of this contract. If Buyer is not satisfied with the results of the inspection, upon written notice from Buyer to Seller within two (2) days of the inspection, this contract will terminate, and any deposit refunded to Buyer.
- ☐ Buyer does not desire to obtain an inspection of the property.

**14. CONDITION OF PROPERTY** Buyer has personally inspected the property and accepts it in its AS IS present condition (subject to Buyer's right to have a property inspection, if any). Seller will obtain certification of occupancy from the municipality, if necessary, and comply with required corrections. Seller agrees to maintain the property in its present condition until possession. Seller agrees to leave property broom clean upon vacating.**15. WALK THROUGH** Buyer reserves the right to walk through the property within 24 hours prior to closing.**16. DEFAULT** If Buyer defaults Seller may enforce this contract or may cancel the contract, keep the deposit, and pursue legal remedies

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**17. HEIRS AND SUCCESSORS**

This contract binds Buyer, Seller, their personal representatives and heirs, and anyone succeeding to their interest in the property. Buyer shall not assign this contract without Seller's prior written permission.

**18. OFFER/COUNTEROFFER**

It is understood that this offer is irrevocable for five (5) days from its date, and if not accepted by the Seller within that time, the deposit shall be returned to the Buyer. If this offer is countered, Buyer must initial the changes, sign it and deliver it to Seller by \_\_\_\_\_ (a.m.) (p.m.) of \_\_\_\_\_ or the offer will be null and void and the deposit returned to the buyer.

**19. ENTIRE AGREEMENT**

This contract constitutes the entire agreement between Buyer and Seller. This contract supersedes all prior understandings and agreements, written or oral.

**20. ADDITIONAL CONDITIONS (if any)** \_\_\_\_\_**BUYER AND SELLER HAVE READ THE GENERAL CONDITIONS**

**Buyer Initials** \_\_\_\_\_ **Seller Initials** \_\_\_\_\_

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# TITLE COMMITMENT REVIEW

## The Title Commitment as Instructions

### Review for:

- Effective Date
- Amount of Title Insurance to be provided
- Names of Proposed Insured
- Name of Fee Simple Title Holder
- Legal Description of the property
- Tax Item/ID # of the Property
- Curatives to Clear
  - Extinguish Current Ownership
  - Liens to be Discharged
  - Taxes due at closing
  - Breaks in the chain repaired

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# TENANCIES

**How two or more people hold title to property**

**In Michigan, 3 commonly used tenancies:**

**Tenancy by the Entireties** – Husband and Wife or Wife and Husband

**Joint Tenants with Full Rights of Survivorship** – when two or more individuals share ownership, so that if one dies, their interest passes to the surviving joint tenant(s)

**Tenants in Common** – when two or more individuals share ownership, so that if one dies, their interest passes to their heirs.

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# DOCUMENTS COMMON TO A REAL ESTATE SALE

- Buyer/Seller Settlement Statements
- Bill of Sale for Personal Property Remaining with the Property
- Compliance Agreement
- Owner's Affidavit
- Water Escrow Agreement
- Rent or Occupancy Agreement
- Privacy Policy
- 1099 or Certification of No Reporting of 1099
- Homestead Exemption Affidavit
- Rescission of Homestead
- Property Transfer Affidavit
- Acknowledgment of Responsibility
- Other Hold Harmless documents depending on company

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## Homestead Exemption Affidavit

- To be completed at closing by the purchaser IF they will claim this property as their Homestead.
- They add their social security number(s) and sign below
- The form is filed with the local Assessor's Office adding themselves as the owner/occupant after the Seller has rescinded their Homestead status
- The form is frequently given to the seller to file along with a copy of the document to have date stamped at the Assessor's Office.

Official Statement of Taxes  
Form 1-100  
Revised July 1998  
Please print clearly. If you need to correct an exemption, please print "N/A" in the space provided.

### HOMESTEAD EXEMPTION AFFIDAVIT

An Affidavit that by an owner or a Homestead Exemption certificate of personal exemption (hereby this owner) that they must be filed with the assessor for the city or township where the property is located.

**Property Information (Always complete this section.)**  
Type or print legibly. Use a separate sheet for each property owner.

1. Property description (address, lot, etc.)		2. City	
3. Owner address of property	4. Name of Township or City	5. County	
	Residing Yes <input type="checkbox"/> No <input type="checkbox"/>		
6. Enter the date this property is claimed as Homestead			
The property owner(s) I declare as: <input type="checkbox"/> 1. Principal residence <input type="checkbox"/> 2. Second residence <input type="checkbox"/> 3. Third residence <input type="checkbox"/> 4. Fourth residence <input type="checkbox"/> 5. Fifth residence			
7. Name of Owner (first, middle, last)	8. Owner's Social Security Number		
9. Name of Co-Owner (first, middle, last)	10. Co-Owner's Social Security Number		
11. Property owner's phone number			
12. If the owner has more than one property in the city and you own and live in one of them, please indicate the property that you own and live in. (If you own and live in more than one, please indicate the property that you own and live in. If you own and live in more than one, please indicate the property that you own and live in.)			
13. Have you claimed a Homestead exemption on another property in the city? <input type="checkbox"/> Yes <input type="checkbox"/> No			
14. If yes, have you rescinded that Homestead exemption? <input type="checkbox"/> Yes <input type="checkbox"/> No			
15. Owner's Signature	Date	16. Co-Owner's Signature	Date
17. Making witness (different from property owner) to take this affidavit			
18. County Assessor's Name & Address			

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## Request to Rescind/ Withdraw Homestead Exemption

- To be completed at closing by the sellers IF they claim this property as their homestead until now.
- They add the last 4 digits of their social security number(s) and sign below
- The form is filed with the local Assessor's Office removing themselves as the owner/occupant to allow the purchaser to step in as the owner/occupant.
- The form is frequently given to the seller to file along with a copy of the document to have date stamped at the Assessor's Office

Request to Rescind/Withdraw Homestead Exemption  
Form to be completed by the seller at closing of the property to be sold.

**PROPERTY INFORMATION: Please complete this section.**

1. Property location (address, lot, block, subdivision, etc.)

2. Assessor's Office (name, address, phone, fax)

3. Assessor's Office (name, address, phone, fax)

4. Assessor's Office (name, address, phone, fax)

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100. Assessor's Office (name, address, phone, fax)

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## Property Transfer Affidavit

- Must be filed with the local Assessor's office within 45 days of the dated date of the document.
- There is a \$5.00 penalty per day, up to \$200.00 total if filed after 45 days.
- Frequently given to the buyer to file along with a copy of the document to have date stamped when the original is presented to the Assessor's Office.

Michigan Department of Treasury  
7500 Macomb, Detroit, MI 48202

**PROPERTY TRANSFER AFFIDAVIT**

This form is required under authority of P.A. 413 of 1984. Filing is mandatory. This form should be filed with the Assessor's Office within 45 days of the date of the transfer. It is used by the Assessor's Office to ensure the property is assessed properly and to ensure the correct taxable value. It must be filed by the transferor or the transferee, or both, if the property is transferred to a transferee who is not the transferor. This information on this form is NOT CONFIDENTIAL.

1. Name of Transferor (Full Name)

2. Name of Transferee (Full Name)

3. City/Town/Village of Real Estate

4. County

5. Property Identification Number (PIN) If you don't know a PIN, check legal description.

6. Date of Transfer (Month/Day/Year)

7. Type of Transfer (Check one)

8. Assessor's Office (Name, Address, Phone, Fax)

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## Warranty Deed

- Document is used to convey title from the seller to the buyer.
- It warrants that there are no remaining interests, liens or taxes.
- It is recorded at the County Register of Deeds to make a "public record" of the change in ownership.

**WARRANTY DEED**

GRANTOR: \_\_\_\_\_ GRANTOR'S ADDRESS: \_\_\_\_\_

GRANTEE: \_\_\_\_\_ GRANTEE'S ADDRESS: \_\_\_\_\_

PROPERTY DESCRIPTION: \_\_\_\_\_

WITNESSES: \_\_\_\_\_

NOTARIES: \_\_\_\_\_

DATE: \_\_\_\_\_

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## Certification of No Reporting Of Substitute 1099S

This form is used to determine if Substitute Form 1099-S must be filed to report the sale of Real Estate.

Seller is asked if the following are true:

1. Did they own and occupy the property at least 2 of the last 5 years?
2. Did they sell any other principal residence during that time?
3. Was any portion of the house used for rental or business purposes?
4. If a single person, was the sale price for this transaction less than \$250,000.00 or, if married, was the sale price less than \$500,000.00.
5. Was the acquisition of this property part of a 1031 Exchange?

**stewart**  
TITLE

**CERTIFICATION**  
1099-S Certification Form  
(as Required by the Internal Revenue Service)

SELLER'S INFORMATION: \_\_\_\_\_

PROPERTY INFORMATION: \_\_\_\_\_

SALE PRICE: \_\_\_\_\_

DATE OF SALE: \_\_\_\_\_

SELLER'S SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

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# HOLDING IN ESCROW

Escrow Agreements are **ABSOLUTELY REQUIRED** anytime funds and/or documents are held by the Title Company pending completion of, or satisfaction of something necessary to complete the transaction.

## Samples of Common Escrows

- Water Escrow
- Occupancy Escrow
- Tax Escrow
- Earnest Money Deposit Escrow
- Closing in Escrow
- Deed in Escrow (Land Contract)

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# COMPONENTS OF A SUCCESSFUL ESCROW AGREEMENT

- Escrow Agent Neutrality
- Sunset Clause
- Failure to Notify the Escrow Agreement
- Triggering Events - Evidence
- Authority
- Hold Harmless
- In Writing
- No Favors!!**

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# PREPARING FOR THE CLOSING

- ✓ Title Commitment Curatives Cleared
- ✓ Any kinks worked out
- ✓ Real Estate Closing Docs Approved
- ✓ Lender Package – Received
- ✓ CD-1 Settlement Statement - Approved
- ✓ Lender \$\$ - Received
- ✓ File is in Balance – not ready until you balance
- ✓ If a SPLIT – Both companies are in Balance

NOW IT'S TIME TO GO TO THE CLOSING



41

# Along Came RON



42



# Remote Online Notarization

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## The Industry Prepares

- For years, the title, lender and real estate industries have been studying and anticipating the notion
- Researching the advantages
- Looking into software
- Making Plans
- It was coming soon
  
- And then;

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# Covid 19 Happened

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## It's Been a Long Time Coming

### **Michigan Passes Remote Online Notarization Bill June 19, 2018**

- Michigan's new law permits remote electronic notarizations using a technology platform and identity proofing process approved by the state, enabling closings to take place without Notary and Customer being physically in the same space.
- Michigan Notaries must also make an audio/visual record of the remote notarization along with the standard journal entry.
- Though many title companies were seriously planning to implement RON procedures once the laws were in place, the Covid-19 Pandemic made it a top priority.
- Its implementation enabled countless transactions to successfully and safely close during that time.
- Title Companies everywhere had a chance to implement and perfect their processes.

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## Governor and Underwriters Devise a Temporary Interim Solution

- Rules already in place, were rewritten to accommodate the need to conduct business and stay safe.
- Closing while distancing
- Each of Michigan's Underwriters released their Bulletins to provide guidance to their operations and agents
- This enabled a whole industry to remain essential and stay alive.

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## How We Do It

What made it work is our sensitivity to the needs and demands of our customers.

### A Variety of Approaches

- Complete Remote – Computer to Computer with cameras
- Parking Lot Closings – Like a Drive-In
- Hybrid – partial Computer, with some wet signatures on hard copies

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# THE CLOSING



## Closer/Notary Responsibilities

Conducting the Closing obligates the title company to insure the parties.

- Follow any Instructions they are given
- Must be a Notary Public
  - When Notarizing, they are attesting that they not only witnessed the signing of the documents, but...
  - They also were able to verify the identify of the parties.
- Documents are presented to the parties with a brief explanation.
- All documents are executed properly
- Money is collected and distributed
- Copy packages are made for the parties and are distributed with checks
- File is returned to the Disbursement Department

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## Title Company Expectations

- Being on time shows respect for the client and the customer and is more easily accomplished with RON
- Appropriate attire demonstrates professionalism and appreciation for the sensitivity of the documents.
- Prepare for closing with a quick review prior to meeting the customer.
- Taking 5 minutes prior to wrapping up to check the signatures, initials and dates throughout the package is time well spent. Better to delay 5 minutes than to have to reconvene.
- Identify the need for funding follow-up by fax or scan/email immediately following the closing.

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# POST CLOSING

## Last, but certainly not least

### Final Audit of Closed File for:

- ✓ File in Balance
- ✓ Proper and Complete Execution
- ✓ All Forms are Completed
- ✓ Recording Documents are in Recordable Form
- ✓ Recordables are forwarded to ROD
- ✓ 1099 Information is Complete
- ✓ All Payments are made
- ✓ Lender Package is Returned to Lender
- ✓ Short Form Loan Policy may be issued
- ✓ Owners Policy may be issued to the new owner at closing, or may be mailed after all the above steps have been completed.

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