

SPECIAL  
MONEY-SAVING  
TIPS THROUGHOUT

# ASK THE LAWYER

A Question & Answer Guide to the  
Real Estate Transaction



Sample Contract of Sale

The New Closing Disclosure

Three Day Closing Disclosure Delivery Chart

Exclusive Settlement Cost Estimator

Settlement Checklist

**V**  
VILLAGE  
SETTLEMENTS, INC.  
PARKER, HOLLMAN,  
SIMON, HAHN & DELISI, LLC  
*Attorneys at Law*

• [www.villagesettlements.com](http://www.villagesettlements.com) •

## A NOTE FROM OUR PRESIDENT

Thank you for considering Village Settlements, Inc. to conduct your real estate settlement. Our attorneys have nearly 150 years of combined experience and have been serving the community since 1985. We recognize that buying and selling real estate is an exciting process, but is often complicated. Without experienced assistance, it can be frustrating and confusing. Village Settlements, Inc. provides the qualifications needed to ensure a smooth, professional settlement.

We believe strongly in effective communication among all parties involved in the transaction. We offer many ways for you to stay in touch with our staff, including a 24-hour law line and our "Ask a Question" link on our website, [www.villagesettlements.com](http://www.villagesettlements.com). We also offer secure e-mail methods of transmitting information to and from our offices.

Our professional staff is highly qualified and experienced in real estate law and related issues. Our state-of-the-art computer system provides the support necessary for accurate preparation of your real estate documents.

Legal advice is also available through our affiliated law firm of Parker, Hollman, Simon, Hahn & DeLisi, LLC. Our clients can obtain legal assistance with real estate matters including Contract, Deed and Power of Attorney preparation, complex settlement transactions, Foreclosures and short sales. Also, our attorneys can assist with Estate planning, Wills, Trusts, Corporate and Limited Liability Company matters.

As you review this booklet, you may find that you have other questions regarding your real estate transaction. Please feel free to contact any of our attorneys to discuss your settlement. At Village Settlements, Inc., our attorneys are always available, free of charge, to answer any questions regarding your settlement. In fact, as creators of the original 24-hour law line, we are always available to assist with legal issues that may arise. Our attorney-monitored law line can be reached at 301-406-8972, or you can go to [www.villagesettlements.com](http://www.villagesettlements.com) and click on the "Ask a Question" link.

*David Parker, Esq.*  
President

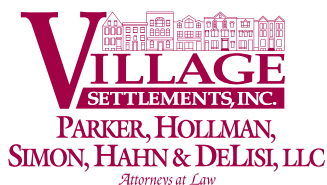
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The Fine Print: The principles provided in this booklet are designed to give the reader general information and should not be construed as legal, accounting or tax advice. For specific advice, the reader is advised to retain an attorney or accountant.

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





## WHY DO I HAVE TO SIGN THESE FORMS

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

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

### 1. UNDERSTANDING WHOM REAL ESTATE AGENTS REPRESENT

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

### 2. CONSENT FOR DUAL AGENCY

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

### 3. EXCLUSIVE RETAINER AGREEMENT

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

### 4. RESPA DISCLOSURE

Federal and state laws require that certain brokers must make disclosures to you regarding their business relationships. Specifically, certain brokers may have an ownership interest or affiliation with a mortgage lender, settlement company, homeowners insurance company or other related businesses. If such a relationship exists, the law requires that this information be disclosed. The broker/agency is also required to disclose to you the approximate costs for services. You should understand that the disclosure is designed to inform you of the business relationships. You are also free to choose a different service provider if you so desire.



## **MONEY SAVING TIP!**

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

### **5. SOME INFORMATION RELATIVE TO THE PURCHASE OF REAL ESTATE**

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

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

### **7. LEAD PAINT HAZARD NOTIFICATION**

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

### **8. GOVERNMENT REGULATIONS, EASEMENTS AND ASSESSMENTS DISCLOSURE AND ADDENDUM (REA)**

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

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



## WHO DOES THE AGENT REPRESENT?

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

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

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

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

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

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

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

## UNDERSTANDING THE CONTRACT OF SALE

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



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

The Maryland Association of Realtors has created a contract form which can be utilized throughout the State. There are a number of provisions which should be included in your contract, the majority of which will appear in the contract forms. Summarized below is a checklist of items which should appear in your contract. For reference purposes, a copy of the Maryland Residential Contract of Sale is included on pages 10-19. Reference is made, where applicable, to the specific paragraph provision. Your contract should include, at a minimum, the following:

### **TIME IS OF THE ESSENCE:**

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

### **PARAGRAPH 1: Date of Offer**

This is the date when the offer is written. When the Seller accepts the offer, then the parties will have a ratified contract.

### **PARAGRAPHS 2 AND 3: Seller and Buyer**

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

### **PARAGRAPH 4: Property Description**

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

### **PARAGRAPH 5: Estate**

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

### **PARAGRAPH 6: Purchase Price**

Total price to be paid for the land and/or house.

### **PARAGRAPH 7: Payment Terms**

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

### **PARAGRAPH 8: Settlement**

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

### **PARAGRAPH 9: Financing**

The various types of available financing are described. An addendum is required for the particular type of financing to be used.



## UNDERSTANDING THE CONTRACT OF SALE (Continued)

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### **PARAGRAPH 10:** Financing Application and Commitment

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

### **PARAGRAPH 11:** Alternate Financing

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

### **PARAGRAPH 12:** Home and/or Environmental Inspection

The Buyer is advised of its right to request a home inspection. An addendum to the contract is necessary if the Buyer desires to have the purchase contingent upon a property inspection.

### **PARAGRAPH 13:** Inclusions/Exclusions

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

### **PARAGRAPH 14:** Agriculturally Assessed Property

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

### **PARAGRAPH 15:** Forest Conservation and Management Program

This paragraph discloses whether there are additional forest conservation taxes assessed as a result of the transfer.

### **PARAGRAPH 16:** Lead Based Paint Hazards

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

### **PARAGRAPH 17:** Addenda

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

### **PARAGRAPH 18:** Wood Destroying Insect Inspection

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

### **PARAGRAPH 19:** Deposit

This paragraph provides for the placement of the deposit in escrow. The deposit may be placed in an interest-bearing account.

### **PARAGRAPH 20:** Deed and Title

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



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**PARAGRAPH 21: Condition of Property and Possession**

The property condition paragraph states that the property shall be vacant at settlement and clear of trash and debris. The property should be delivered in substantially the same condition as existed on the day the Contract was accepted. Unless otherwise specified, the property is sold “as is.”

**PARAGRAPH 22: Adjustments**

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

**PARAGRAPH 23: Settlement Costs**

The Buyer is responsible for paying all settlement costs, charges, and lender’s fees, unless the parties negotiate otherwise. The Seller will pay for clearing existing loans.

**PARAGRAPH 24: Transfer Charges**

Unless otherwise agreed, all transfer and recordation taxes are shared equally between the Buyer and Seller. If the Buyer is a First-Time Maryland Homebuyer, then it is presumed, unless otherwise negotiated, that all transfer and recordation taxes will be paid by the Seller. Also, for a first-time Buyer, the Buyer is exempt from paying the State transfer tax, and the Seller must pay a ¼% State transfer tax.

**PARAGRAPH 25: Broker Liability**

The parties acknowledge that the agents cannot be responsible for the condition of the property.

**PARAGRAPH 26: Broker’s Fee**

The settlement attorney is directed to disburse the real estate commission in accordance with the listing agreement.

**PARAGRAPH 27: Seller Responsibility**

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

**PARAGRAPH 28: Buyer Responsibility**

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

**PARAGRAPH 29: Homeowner’s Association**

This paragraph states the need for a contract addendum if the property is within a mandatory homeowner’s association.

**PARAGRAPH 31: Sale/Settlement or Lease of Other Real Estate**

This provision expressly states that the contract is not contingent on the sale or rental of other real estate unless an addendum to the contract sets forth such a condition.

**PARAGRAPH 32: Leases**

The Seller agrees not to renew any leases beyond settlement.

**PARAGRAPH 33: Default**

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





## UNDERSTANDING THE CONTRACT OF SALE (Continued)

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**PARAGRAPH 34:** Mediation of Disputes

This provision provides for mandatory mediation in the event that a dispute arises between any parties to the contract.

**PARAGRAPH 35:** Attorney's Fees

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

**PARAGRAPH 36:** Settlement Attorney

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

**PARAGRAPH 37:** Owners Title Insurance

The buyer has the right to obtain an owners title insurance policy. The lender is instructed to quote the premium for an "enhanced" policy.

**PARAGRAPH 38:** Limited Warranty

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

**PARAGRAPH 41:** Guaranty Fund

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

**PARAGRAPH 42:** Disclosure Notice

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

**PARAGRAPH 43:** Maryland Non-Resident Seller

If the property is not the Seller's principal residence and the Seller is a non-Maryland resident, money may be held back at settlement for capital gains taxes. Non-Resident Sellers should contact Village Settlements well in advance of settlement for additional instructions.

**PARAGRAPH 44:** Internal Revenue Service Filing

The parties agree to cooperate with the settlement attorney in completing the required IRS 1099 report.

**PARAGRAPH 46:** Wetlands Notice

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

**PARAGRAPH 47:** Forest Conservation Act Notice

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

**PARAGRAPH 48:** Conservation Easements

The buyer must be advised of certain conservation easements.

**PARAGRAPH 49:** Foreign Investment Taxes (FIRPTA)

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

**PARAGRAPH 50:** Criminal Activity and Sexual Offenders

The Buyer is advised of its right to review the public information regarding any criminal activity near the property.



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**PARAGRAPH 52:** Notice to the Parties

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

**PARAGRAPH 53:** Property Tax Notice

This paragraph advises the Buyer that they have the right to appeal the tax assessment during certain time periods.

**PARAGRAPH 54:** Non-Assignability

The contract cannot be assigned to a different Buyer without the Seller's consent.

**PARAGRAPH 55:** Paragraph Heading

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

**PARAGRAPH 56:** Computation of Days

This provision explains how "days" are calculated in the contract.

**PARAGRAPH 57:** Entire Agreement

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

**PARAGRAPH 58:** Electronic Delivery

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

**BROKER INFORMATION:**

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

There are other provisions which the Buyer may wish to have included in the contract. For example, the Montgomery County Jurisdictional Addendum is essential for any transaction in Montgomery County, Maryland. This addendum is discussed in detail on pages 20-23 of this book. Also, the purchaser may want the entire contract to be contingent upon an inspection of the property to determine whether any defects exist in the structure or in windows, doors, or other similar items. The Seller may want the contract to be contingent upon the purchaser providing proof that the purchaser will preliminarily qualify for financing.

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

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

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



# SAMPLE MARYLAND CONTRACT OF SALE



## RESIDENTIAL CONTRACT OF SALE

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

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

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

1. **DATE OF OFFER:** April 2, 2016

2. **SELLER:** Donald S. Seller, Donna B. Seller

3. **BUYER:** James I. Buyer, Jane M. Buyer

4. **PROPERTY:** Seller does sell to Buyer and Buyer does purchase from Seller, all of the following described Property (hereinafter "Property") known as 401 Oakwood Drive located in Gaithersburg Montgomery City/County, Maryland, Zip Code 20878, together with the improvements thereon, and all rights and appurtenances thereto belonging.

5. **ESTATE:** The Property is being conveyed: x in fee simple or n/a subject to an annual ground rent, now existing, in the amount of \_\_\_\_\_ Dollars (\$ n/a ) payable semi-annually, as now or to be recorded among the Land Records of n/a City/County, Maryland.

6. **PURCHASE PRICE:** The purchase price is Two Hundred Five Thousand, Five Hundred Dollars (\$ 205,500.00 ).

7. **PAYMENT TERMS:** The payment of the purchase price shall be made by Buyer as follows:  
(a) An initial Deposit by way of check in the amount of Ten Thousand Dollars (\$ 10,000.00 ) at the time of this offer.  
(b) An additional Deposit by way of \_\_\_\_\_ in the amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_ ) to be paid \_\_\_\_\_.

(c) All Deposits will be held in escrow by: Village Settlements, Inc.  
(If not a Maryland licensed real estate broker, the parties may execute a separate escrow deposit agreement.)

(d) The purchase price less any and all Deposits shall be paid in full by Buyer in cash, wired funds, bank check, certified check or other payment acceptable to the settlement officer at settlement.


(e) Buyer and Seller instruct broker named in paragraph (c) above to place the Deposits in: **(Check One)**  
 A non-interest bearing account;  
**OR**  An interest bearing account, the interest on which, in absence of default by Buyer, shall accrue to the benefit of Buyer. Broker may charge a fee for establishing an interest bearing account.


8. **SETTLEMENT:** Date of Settlement May 26, 2016 or sooner if agreed to in writing by the parties.

9. **FINANCING:** Buyer's obligation to purchase the Property is contingent upon Buyer obtaining a written commitment for a loan secured by the Property as follows **(Check One)**:

- Conventional Financing Addendum
- USDA Financing Addendum
- Owner Financing Addendum
- FHA Financing Addendum
- Assumption Addendum
- No Financing Contingency
- VA Financing Addendum
- Gift of Funds Contingency Addendum
- OTHER: \_\_\_\_\_

10. **FINANCING APPLICATION AND COMMITMENT:** Buyer agrees to make a written application for the financing as herein described within Five ( 5 ) days from the Date of Contract Acceptance.

 **Buyer** \_\_\_\_\_ / \_\_\_\_\_  
Palgraf Realty LLC 177 Kentlands Blvd Gaithersburg, MD 20878  
Mark Simon

**Seller** \_\_\_\_\_ / \_\_\_\_\_  
 **ASK THE LAWYER**

If a written financing commitment is not obtained by Buyer within Forty-Five (45) days from the Date of Contract Acceptance: (1) Seller, at Seller's election and upon written notice to Buyer, may declare this Contract null and void and of no further legal effect; or (2) Buyer, upon written notice to Seller, which shall include written evidence from the lender of Buyer's inability to obtain financing as provided in Paragraph 9 of this Contract, may declare this Contract null and void and of no further legal effect. In either case, the deposit shall be disbursed in accordance with the Deposit paragraph of this Contract. If Buyer has complied with all of Buyer's obligations under this Contract, including those with respect to applying for financing and seeking to obtain financing, then the Release of Deposit agreement shall provide that the deposit shall be returned to Buyer.

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

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

Inspection(s) Addenda Attached \_\_\_\_\_ Inspection(s) Declined \_\_\_\_\_  
Buyer Buyer Buyer Buyer

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

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

ADDITIONAL INCLUSIONS (SPECIFY): \_\_\_\_\_

ADDITIONAL EXCLUSIONS (SPECIFY): \_\_\_\_\_

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

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

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



# SAMPLE MARYLAND CONTRACT OF SALE (Continued)

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

\_\_\_\_\_ / \_\_\_\_\_ (BUYER)

**B. 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 paint per room for interior projects; more than 20 square feet of 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 the 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 <http://www2.epa.gov/lead/renovation-repair-and-painting-program>.

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

\_\_\_\_\_ / \_\_\_\_\_ (BUYER)

**C. MARYLAND LEAD POISONING PREVENTION PROGRAM:** Under the Maryland Lead Poisoning Prevention Program (the "Maryland Program"), any residential dwelling constructed prior to 1978 that is leased for residential purposes is required to be registered with the Maryland Department of the Environment (MDE). If the Property was built prior to 1978 and is now or has been a rental property or may become a rental property in the future, a separate Maryland Lead-Based Paint Disclosure form is attached. Detailed information regarding compliance requirements may be obtained at: <http://www.mde.state.md.us/programs/Land/LeadPoisoningPrevention/Pages/index.aspx>.

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

\_\_\_\_\_ / \_\_\_\_\_ (BUYER)

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

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

Other Addenda/Special Conditions:

**Addendum of Clauses - A**

**18. WOOD DESTROYING INSECT INSPECTION:** Buyer, at Buyer's expense, (if VA, then at Seller's expense) is authorized to obtain a written report on the state regulated form from a Maryland licensed pest control company that, based on a careful visual inspection, there is no evidence of termite or other wood-destroying insect infestation in the residence or within three (3) feet of the residence; and damage due to previous infestation has been repaired. The provisions of this paragraph also shall apply to: (1) the garage or within three (3) feet of the garage (whether attached or detached); (2) any outbuildings located within three feet of the residence or garage; and (3) a maximum of ten (10) linear feet of the nearest portion of a fence on Seller's Property within three feet of the residence or garage. If there is evidence of present infestation as described above, or if damage caused by present or prior infestation is discovered, Seller, at Seller's expense, shall repair any damage caused by present or prior infestation and have the present infestation treated by a licensed pest control

Buyer \_\_\_\_\_ / \_\_\_\_\_

Seller \_\_\_\_\_ / \_\_\_\_\_

company. If the cost of treatment and repair of such damage exceeds 2% of the purchase price, Seller may, at Seller's option, cancel this Contract, unless Buyer, at Buyer's option should choose to pay for the cost of treatment and repairs exceeding 2% of the purchase price, then this Contract shall remain in full force and effect. If such report reveals damage for which the cost of treatment and repair exceeds 2% of the purchase price, Seller's decision regarding treatment and repair of damage shall be communicated in writing to Buyer within five (5) days from receipt of the report, after which Buyer shall respond to Seller in writing with Buyer's decision within three (3) days from receipt of Seller's notification of Seller's decision. If Seller does not notify Buyer in writing of Seller's decision within five (5) days from receipt of report, Buyer may, at Buyer's option, pay for the cost of treatment and repairs exceeding 2% of the purchase price. If Buyer does not want to pay for the cost of treatment and repairs exceeding 2% of the purchase price, Buyer may terminate this Contract upon written notice delivered to Seller. In the event this Contract is terminated under the terms of this paragraph, the Deposit(s) shall be disbursed in accordance with the Deposit paragraph of this Contract.

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

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

**21. CONDITION OF PROPERTY AND POSSESSION:** At settlement, Seller shall deliver possession of the Property and shall deliver the Property vacant, clear of trash and debris, broom clean and in substantially the same condition as existed on the Date of Contract Acceptance. Buyer reserves the right to inspect the Property within five (5) days prior to settlement. **EXCEPT AS OTHERWISE SPECIFIED IN THIS CONTRACT, INCLUDING THIS PARAGRAPH, THE PROPERTY IS SOLD "AS IS."** The obligations of Seller as provided in this paragraph shall be in addition to any Disclosure and Disclaimer Statement as required by Section 10-702, Real Property Article, Annotated Code of Maryland and any provision of any inspection contingency addendum made a part of this Contract (See Property Inspections Notice).

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

Buyer \_\_\_\_\_ / \_\_\_\_\_

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Seller \_\_\_\_\_ / \_\_\_\_\_

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# SAMPLE MARYLAND CONTRACT OF SALE

(Continued)

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

**24. TRANSFER CHARGES:**

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

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

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

**STATE TRANSFER TAX:** Under Section 13-203(b) of the Tax-Property Article, Annotated Code of Maryland, the amount of state transfer tax due on the sale of property to a first-time Maryland homebuyer is reduced from 0.50% to 0.25% and shall be paid entirely by the Seller. Buyer is hereby notified that to ensure receipt of the above reduction, Buyer should so indicate on Page 10 of this Contract and complete the required affidavit at settlement indicating that the Buyer is a first-time Maryland homebuyer.

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

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

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

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

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

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

**31. SALE/SETTLEMENT OR LEASE OF OTHER REAL ESTATE:** Neither this Contract nor the granting of Buyer's loan referred to herein is to be conditioned or contingent in any manner upon the sale, settlement and/or lease of any other real estate unless a contingency for the sale, settlement and/or lease of other real estate is contained in an addendum to this Contract. Unless this Contract is expressly contingent upon the sale, settlement and/or lease of any other real estate, Buyer

Buyer \_\_\_\_\_ / \_\_\_\_\_

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Seller \_\_\_\_\_ / \_\_\_\_\_

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shall neither apply for nor accept a financing loan commitment which is contingent upon or requires as a pre-condition to funding that any other real estate be sold, settled and/or leased.

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

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

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

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

**35. ATTORNEY'S FEES:** In any action or proceeding between Buyer and Seller based, in whole or in part, upon the performance or non-performance of the terms and conditions of this Contract, including, but not limited to, breach of contract, negligence, misrepresentation or fraud, the prevailing party in such action or proceeding shall be entitled to receive reasonable attorney's fees from the other party as determined by the court or arbitrator. In any action or proceeding between Buyer and Seller and/or between Buyer and Broker(s) and/or Seller and Broker(s) resulting in Broker(s) being made a party to such action or proceeding, including, but not limited to, any litigation, arbitration, or complaint and claim before the Maryland Real Estate Commission, whether as defendant, cross-defendant, third-party defendant or respondent, Buyer and Seller jointly and severally, agree to indemnify and hold Broker(s) harmless from and against any and all liability, loss, cost, damages or expenses (including filing fees, court costs, service of process fees, transcript fees and attorneys' fees) incurred by Broker(s) in such action or proceeding, providing that such action or proceeding does not result in a judgment against Broker(s).

Buyer \_\_\_\_\_ / \_\_\_\_\_

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Seller \_\_\_\_\_ / \_\_\_\_\_

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# SAMPLE MARYLAND CONTRACT OF SALE (Continued)

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

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

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

**37. PROPERTY OWNER'S TITLE INSURANCE:** Buyer, at Buyer's expense, may purchase owner's title insurance at either "standard" or "enhanced" coverage and rates. The coverage afforded by such title insurance would be governed by the terms and conditions thereof, and the premium for obtaining such title insurance coverage would be determined by the extent of its coverage. For purposes of owner's title insurance policy premium rate disclosures by Buyer's lender, Buyer and Seller agree that enhanced rates (if available) shall be quoted by Buyer's lender. Buyer understands that nothing herein obligates Buyer to obtain any owner's title insurance coverage at any time, including at settlement, and that the availability of owner's title insurance coverage is subject to the underwriting criteria of the title insurer.

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

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

**40. FLOOD DISCLOSURE NOTICE:**

**A. FLOOD INSURANCE PREMIUMS:** The Property or part of the Property may be located in an area established by the government as a "flood plain" or otherwise in an area where flood insurance could be required by Buyer's mortgage lender as a condition of granting a mortgage. In addition, construction on the Property could be prohibited or restricted.

The National Flood Insurance Program ("NFIP") provides for the availability of flood insurance but also establishes flood insurance policy premiums based on the risk of flooding in the area where properties are located. Due to amendments to federal law governing the NFIP those premiums are increasing, and in some cases will rise by a substantial amount over the premiums previously charged for flood insurance. As a result, Buyer should not rely on the premiums paid for flood insurance on the Property as an indication of the premiums that will apply after Buyer completes the purchase. In considering the purchase of this Property, Buyer should consult with one or more carriers of flood insurance for better understanding of flood insurance coverage, the premiums that are likely to be required to purchase such insurance and any available information about how those premiums may increase in the future. Detailed information regarding flood insurance coverage may be obtained at: <http://www.fema.gov/flood-insurance-reform-act-2012>

**B. FLOOD INSURANCE RATE MAPS:** The State of Maryland in conjunction with the Federal Emergency Management Agency has been systematically updating flood insurance rate maps. The Property may be affected. Buyer is advised to contact the Maryland Department of the Environment and consult a flood insurance carrier to inquire about the status of the Property. Detailed information regarding updated maps may be obtained at: <http://www.mdffloodmaps.net/home.html>

**41. GUARANTY FUND:** NOTICE TO BUYER: BUYER IS PROTECTED BY THE REAL ESTATE GUARANTY FUND OF THE MARYLAND REAL ESTATE COMMISSION, UNDER SECTION 17-404 OF THE BUSINESS OCCUPATIONS AND PROFESSIONS ARTICLE OF THE ANNOTATED CODE OF MARYLAND, FOR LOSSES IN AN AMOUNT NOT EXCEEDING \$50,000 FOR ANY CLAIM.

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

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

Buyer \_\_\_\_\_ / \_\_\_\_\_

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Seller \_\_\_\_\_ / \_\_\_\_\_

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Ask the Lawyer

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

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

**46. WETLANDS NOTICE:** Buyer is advised that if the Property being purchased contains waters of the United States, or if the Property contains land and/or waters regulated by the State, including, but not limited to, wetlands, approval from the U.S. Army Corps of Engineers (Corps) and/or the Maryland Department of the Environment (MDE) will be necessary before starting any work, including construction, if the work includes the discharge of dredged or fill material into a regulated area, or certain other activities conducted in a regulated area. The Corps has adopted a broad definition of waters of the United States, which occur throughout the Chesapeake Bay Region, as well as other portions of the State. The land and waters regulated by the State include tidal wetlands, nontidal wetlands and their buffers, and streams and their 100-year nontidal floodplain. For information as to whether the Property includes waters of the United States or land and/or waters regulated by the State, Buyer may contact the Baltimore District of the Corps and/or MDE. Buyer may also elect, at Buyer's expense, to engage the services of a qualified specialist to inspect the Property for the presence of Corps- or MDE-regulated areas, including wetlands, prior to submitting a written offer to purchase the Property; or Buyer may include in Buyer's written offer a clause making Buyer's purchase of the Property contingent upon a satisfactory wetlands inspection.

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

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

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

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

Buyer \_\_\_\_\_ / \_\_\_\_\_

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Seller \_\_\_\_\_ / \_\_\_\_\_

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# SAMPLE MARYLAND CONTRACT OF SALE (Continued)

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

**52. NOTICE TO THE PARTIES:**

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

- (1) Water quantity, quality, color, or taste or operating conditions of public and/or private water systems;
- (2) Location, size or operating condition of on-site sewage disposal systems;
- (3) The extensions of public utilities by local municipal authorities, existence or availability of public utilities, and any assessments, fees or costs for public utilities which might be imposed by local municipal authorities or private entities, should public utilities be extended or available to the subject Property. (Buyer should consult the Department of Public Works to determine the availability of proposed future extensions of utilities.);
- (4) Lot size and exact location. If the subject Property is part of a recorded subdivision, Buyer can review the plat upon request at the Record Office. If the subject Property is not part of a recorded subdivision, Buyer may verify exact size and location through a survey by a licensed engineer or land surveyor, at Buyer's expense;
- (5) Existing zoning or permitted uses of the Property, including, without limitation, whether any improvements to the Property required permit(s) and, if so, whether such improvements, were completed pursuant to permit(s) issued and/or whether any permit(s) issued were complied with. Buyer should contact the appropriate local government agency and/or a licensed engineer to verify zoning, permit issuance/status, and permitted uses; or
- (6) Whether properly licensed contractors have been used to make repairs, renovations and improvements to the Property.

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

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

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

**53. 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.

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

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

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

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

Buyer \_\_\_\_\_ / \_\_\_\_\_

Seller \_\_\_\_\_ / \_\_\_\_\_

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

\_\_\_\_\_  
Buyer's Signature Date  
James I. Buyer

\_\_\_\_\_  
Seller's Signature Date  
Donald S. Seller

\_\_\_\_\_  
Buyer's Signature Date  
Jane M. Buyer

\_\_\_\_\_  
Seller's Signature Date  
Donna B. Seller

DATE OF CONTRACT ACCEPTANCE: \_\_\_\_\_

Check if First-Time Maryland Homebuyer

**Contact Information:**

BUYER / NAME(S): James I. Buyer, Jane M. Buyer  
MAILING ADDRESS: \_\_\_\_\_

SELLER / NAME(S): Donald S. Seller, Donna B. Seller  
MAILING ADDRESS: \_\_\_\_\_

**Information provided for reference only:**

LISTING BROKER: Listing Broker LICENSE NUMBER: NN 0000-001

BRANCH OFFICE: \_\_\_\_\_

OFFICE PHONE: \_\_\_\_\_ FAX: \_\_\_\_\_ BROKER/AGENT MLS ID: \_\_\_\_\_

OFFICE ADDRESS: 14 Listit Road, Frederick, MD 21701

SALES ASSOCIATE: \_\_\_\_\_ E-Mail: \_\_\_\_\_ PHONE: \_\_\_\_\_

SELLING BROKER: Selling Broker LICENSE NUMBER: NN 0000-002

BRANCH OFFICE: \_\_\_\_\_

OFFICE PHONE: \_\_\_\_\_ FAX: \_\_\_\_\_ BROKER/AGENT MLS ID: \_\_\_\_\_

OFFICE ADDRESS: 135 Broker Way, Rockville, MD 20850

SALES ASSOCIATE: \_\_\_\_\_ E-Mail: \_\_\_\_\_ PHONE: \_\_\_\_\_

ACTING AS:  SELLER'S AGENT; OR  
 BUYER'S AGENT

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# SAMPLE ADDENDUM



## Montgomery County Jurisdictional Addendum to MAR Sales Contract (Required for Use with MAR Residential Sales Contract)

The Contract of Sale dated April 2, 2016 between James I. Buyer, Jane M. Buyer  
 \_\_\_\_\_ (Buyer) and Donald S. Seller, Donna B. Seller  
 \_\_\_\_\_ (Seller) for the purchase of the real property located at  
 Address 401 Oakwood Drive Unit # \_\_\_\_\_  
 City Gaithersburg State \_\_\_\_\_ Zip Code 20878, Parking Space(s) # \_\_\_\_\_  
 Storage Unit # \_\_\_\_\_ with the legal description of Lot \_\_\_\_\_ Block/Square \_\_\_\_\_  
 Section \_\_\_\_\_ Subdivision/Project Name \_\_\_\_\_  
 Tax Account # \_\_\_\_\_ is hereby amended by the incorporation of this Addendum, which shall supersede  
 any provisions to the contrary in this 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:

- 1) Seller has offered Buyer the opportunity to review the applicable Master Plan and municipal land use plan and any adopted amendment;
- 2) 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;
- 3) Buyer has reviewed each plan and adopted amendment or does hereby waive the right to review each plan and adopted amendment; and
- 4) Buyer understands that to stay informed of future changes in County and municipal land use plans, Buyer should consult the Planning Board and the appropriate municipal planning body.

\_\_\_\_\_  
 Buyer James I. Buyer

\_\_\_\_\_  
 Buyer Jane M. Buyer

-OR-

**B. City Of Rockville**

Buyer acknowledges that Buyer has been afforded the opportunity to examine the Approved and Adopted Land Use 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. **SETTLEMENT AGENT:** Buyer selects Village Settlements, Inc. ("Settlement Agent") to conduct the Settlement. Buyer agrees to contact the Settlement Agent within 10 Days after the Date of Ratification to schedule Settlement and to place a title order. The parties authorize and direct the Settlement Agent to provide a copy of the Combined Settlement Statement to Seller, Buyer, Listing Company, Selling Company, Homeowner/Condominium Association, Relocation Company and/or any third-party payees reflected on the Settlement Statement.

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3. **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 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 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:**

**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) Buyer has never owned residential real property in Maryland that has been the individual's principal residence; AND

(b) The Property 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 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 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: split equally between Buyer and Seller**

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 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.)

4. **PROPERTY MAINTENANCE AND CONDITION:** Except as otherwise specified herein, Seller will deliver the Property at Settlement vacant, free and clear of trash and debris, broom clean and in substantially the same physical condition to be determined as of  **Date of Offer** 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.

5. **HOME WARRANTY:**  Yes OR  No

Home warranty policy paid for and provided at Settlement by:  **Buyer** OR  **Seller**

Cost not to exceed \$ \_\_\_\_\_ . Warranty provider to be \_\_\_\_\_ .

6. **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 of 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.

7. **PRIVATE WELL AND/OR SEPTIC:** The Property is on private well and/or septic.  YES  NO (If yes, the MAR private well and/or septic addendum must be attached.)

8. **NOTICES:** Notice means a unilateral communication from one party to another. All Notices required under this Contract will be in writing. Notices to Seller shall be effective when Delivered to Seller or an agent of Seller named in the Contract or that agent's supervising Manager. Notices to Buyer shall be effective when Delivered to Buyer or an agent of Buyer named in the Contract or that agent's supervising Manager. "Delivery" means sent by wired or electronic medium which produces a tangible record of the transmission (such as "fax" or email which includes an attachment with an actual

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GCAAR Form # 1322 - MC Jurisdictional Addendum - MAR

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Ask the Lawyer



# SAMPLE ADDENDUM (Continued)

copy of the executed instruments being transmitted), hand carried, sent by overnight delivery service 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 provisions of this paragraph regarding Delivery of Notices shall also be applicable to Delivery of resale packages for condominiums, co-operatives and/or homeowners associations as may be required in a separate addendum. Resale packages may also be Delivered to the parties identified above by Seller or agent of Seller through an electronic link provided by the management association.

**9. VOID CONTRACT:** If this Contract becomes void, Buyer and Seller will immediately execute a Release directing that the Deposit be refunded in full to 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 Buyer, Seller, and/or Broker only when an Agreement of Release ("Release") has been ratified by Buyer and Seller; as directed by a court order; pursuant to Section 17-505(b) Business Occupations and Professions Article of the 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 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 Legal Expenses, incurred by the other party in the litigation.

**10. PROPERTY INSURANCE:** Buyer agrees to make application for any lender required property insurance no later than 7 days after the Date of Ratification.

**11. 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 a Release is signed or in accordance with the provisions of this Contract.

**12. MORTGAGE DEFAULT:** 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.

**13. DEFINITIONS:**

- A. "Appraisal" means a written appraised valuation of the Property.
- B. "Day(s)" or "day(s)" means calendar day(s) unless otherwise specified in this Contract.
- C. "Business Days", whenever used, means Monday through Friday, excluding federal holidays.
- D. 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.
- E. If the Settlement Date falls on a Saturday, Sunday, or legal holiday, then the Settlement will be on the prior Business Day.
- F. "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.
- G. The masculine includes the feminine and the singular includes the plural. "Buyer" means "Purchaser" and vice versa.
- H. "Legal Expenses" means attorney fees, court costs, and litigation expenses, if any, including but not limited to, expert witness fees and court reporter fees.
- I. "Specified Financing" means the financing as set forth in the financing addendum attached hereto.

|                                     |               |                                  |               |
|-------------------------------------|---------------|----------------------------------|---------------|
| _____<br>Seller<br>Donald S. Seller | _____<br>Date | _____<br>Buyer<br>James I. Buyer | _____<br>Date |
| _____<br>Seller<br>Donna B. Seller  | _____<br>Date | _____<br>Buyer<br>Jane M. Buyer  | _____<br>Date |

# EXPLANATION OF JURISDICTIONAL ADDENDUM

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

## **MASTER PLAN DISCLOSURES**

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

## **SETTLEMENT ENTITY**

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

## **TRANSFER AND RECORDATION TAXES**

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

## **PROPERTY CONDITION**

This is where the parties can negotiate as to the condition of the property at settlement.

## **NOTICES**

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

## **VOID CONTRACT**

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

## **PROPERTY INSURANCE**

The buyer must make application for property insurance no later than 7 days after the contract is ratified.





## THE SETTLEMENT PROCESS

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

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

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

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

Next, Village Settlements, Inc., will also prepare the **title insurance binder** and **title insurance policy**. The protection afforded under a title insurance policy is discussed on pages 36--38 of this booklet. The policy is designed to protect both you (if you elect to purchase a policy) and the lender, who will require you to purchase a policy on its behalf, against any outstanding title defects which are not otherwise excepted from the policy. The title insurance premium, which you pay at closing, is a one-time charge and will protect you for as long as you own the property.

After reviewing the title report and survey and preparing the title insurance binder, Village Settlements, Inc., will forward this information to your lender in advance of settlement. Your lender will then review the entire package as part of the overall loan approval process. As the settlement date nears, Village Settlements, Inc., and the lender will be in close contact, making arrangements to deliver your loan papers to our office. These papers will be carefully reviewed by an attorney with Village Settlements, Inc., in order to determine that they are in proper form.

In October of 2015, the real estate settlement industry saw a major change in the loan disclosure laws and the settlement documents to be signed. Under the prior Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA), lenders were required to deliver to the borrower a Truth in Lending document which presumably helped the borrower to understand the true cost of their loan. Also, settlement attorneys prepared a HUD-1 Settlement Statement which outlined all of the costs and expenses



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of the settlement. Under the new law, the Consumer Financial Protection Bureau was directed to integrate the mortgage loan disclosures under TILA and RESPA. And thus, TILA-RESPA Integrated Disclosure (TRID) was born. Commonly referred to as the “Know Before You Owe” initiative, extensive information can be found here: <http://www.consumerfinance.gov/know-before-you-owe>

Many of the terms that the Lender will use have changed with the new TRID laws. The key terms that have changed are as follows: Lender=Creditor; Borrower=Consumer; Settlement Date=Date of Consummation, which is the date when you become liable on the loan; Truth in Lending and Good Faith Estimate=Loan Estimate; HUD-1 Settlement Statement and Final Truth in Lending=Closing Disclosure. You should expect that these old and new terms will be used interchangeably.

The two major changes that will affect your transaction are the Lender requirements for the new Loan Estimate (LE) and the preparation of the Closing Disclosure. The Loan Estimate is prepared by your Lender and the Lender must provide the LE to you within three business days of the receipt of your loan application.

The Closing Disclosure (CD) is now the first significant settlement document that you will see before settlement. The CD sets forth all of the costs and expenses of settlement as well as the adjustments between the buyers and the sellers. Under TRID, the Lender is required to deliver the CD to you three business days before settlement. The timing and method of the delivery by your Lender is critical. In most cases, the Lender will hand deliver the CD to you. However, you may also receive the CD via e-mail or regular United States mail. Depending upon how the CD is delivered to you, you will receive the CD anywhere from three to seven days in advance of settlement. You may want to review the chart on Page 26 which shows the timing requirements for the delivery of the CD to you. Also, a sample CD can be reviewed on Pages 28-33.

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

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

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

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

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



## THE SETTLEMENT PROCESS (Continued)

your loan package. You should stay in constant contact with your loan officer in order to ensure that all documentation is provided to the lender in a timely manner.

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

Finally, you should be prepared to bring a picture identification, such as a driver's license. Also, you should wire your closing funds to Village Settlements, Inc. or bring a certified or cashier's check, payable to Village Settlements, Inc., to closing. The amount that you will need to bring will be set forth on the Closing Disclosure in the box labeled "Cash to Close." The most important thing for you to remember is that you are working with a real estate agent, loan officer, and title attorney who have handled many transactions. Therefore, if you have any questions regarding any phase of the process, you should not hesitate to contact any of us.

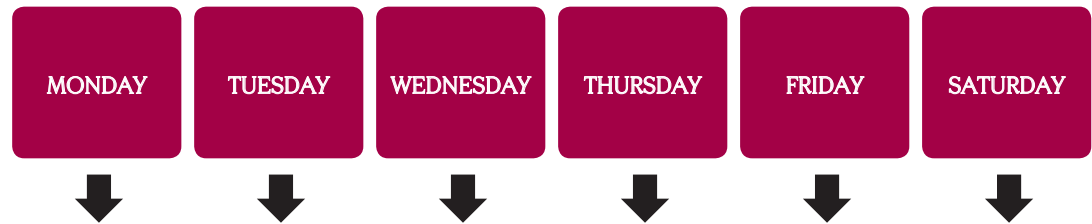
### Three-Day Closing Disclosure Rule

*Note:* If a federal holiday falls in the three-day period, add a day for disclosure delivery.

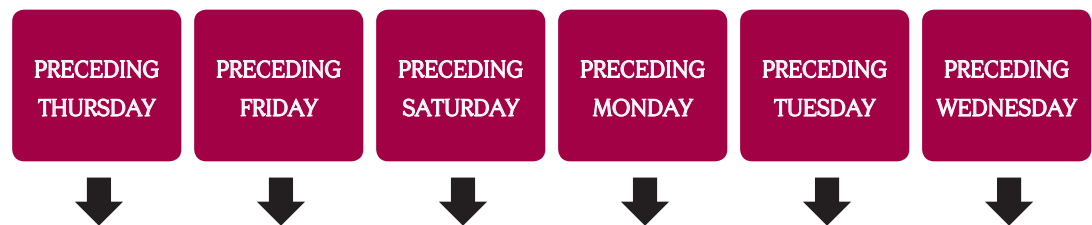
The three-day period is measured by days, not hours. Thus, disclosures must be delivered three days before closing, and not 72 hours prior to closing.

Disclosures may also be delivered electronically on the disclosures due date in compliance with E-Sign requirements.

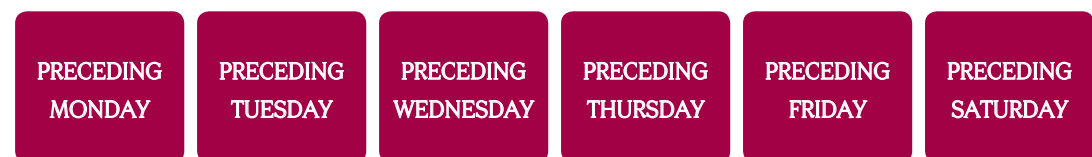
#### Closing Date



#### Disclosures Due Hand Deliver OR Deliver by courier with signed receipt



#### Mail Disclosures



Provided by: <http://www.alta.org/cfpb/>



American Land  
Title Association  
Protecting the American Dream Since 1907

## REVIEWING THE SETTLEMENT DOCUMENTS

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



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

One of the most important documents you will review and sign is the **Closing Disclosure (CD)**. This document sets forth all of the costs and expenses of settlement, as well as the adjustments between the Buyer and Seller. A sample Closing Disclosure can be reviewed on pages 28-33.

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

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

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



# SAMPLE CLOSING DISCLOSURE

## Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

### Closing Information

**Date Issued**  
**Closing Date** 05/26/2016  
**Disbursement Date** 05/26/2016  
**Settlement Agent** Village Settlements, I  
**File #** MES401  
**Property** 401 Oakwood Drive  
 Gaithersburg, MD 208  
**Sale Price** \$205,500

### Transaction Information

**Borrower** James I. Buyer, Jane M. Buyer  
 12 Old House Street  
 Greenbelt, MD 20770  
**Seller** Donald S. Seller, Donna B. Seller  
 401 Oakwood Drive  
 Gaithersburg, MD 20878  
**Lender** Money Bank, N.A.

### Loan Information

**Loan Term** 30 Years  
**Purpose** Purchase  
**Product** Fixed Uninsured  
**Loan Type**  Conventional  FHA  
 VA   
**Loan ID #** 37001  
**MIC #**

### Loan Terms

### Can this amount increase after closing?

|   |           |    |
|---|-----------|----|
| <b>Loan Amount</b>  | \$164,400 | NO |
| <b>Interest Rate</b>  | 4.500%    | NO |
| <b>Monthly Principal &amp; Interest</b><br><i>See Projected Payments below for your Estimated Total Monthly Payment</i> | \$832.99  | NO |
| <b>Does the loan have these features?</b>   |           |    |
| <b>Prepayment Penalty</b>   |           | NO |
| <b>Balloon Payment</b>  |           | NO |

The interest rate on your loan.

### Projected Payments

| Payment Calculation                                      | Years 1 - 30   |                |
|--|----------------|----------------|
| Principal & Interest                                     | \$832.99 min   | \$832.99 max   |
| Mortgage Insurance                                       | +              | -              |
| Estimated Escrow<br><i>Amount can increase over time</i> | +              | \$233.08       |
| <b>Estimated Total Monthly Payment</b>                   | \$1,066.07 min | \$1,066.07 max |

Your Monthly Payment

|  |                     |  |  |
|--|---------------------|--|--|
| <b>Estimated Taxes, Insurance &amp; Assessments</b><br><i>Amount can increase over time See page 4 for details</i> | \$301.33<br>a month | <b>This estimate includes</b><br><input checked="" type="checkbox"/> Property Taxes<br><input checked="" type="checkbox"/> Homeowner's Insurance<br><input checked="" type="checkbox"/> Other: HOA 68.25/month<br><i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i> | <b>In escrow?</b><br><input checked="" type="checkbox"/> YES<br><input checked="" type="checkbox"/> YES<br><input type="checkbox"/> NO |
|--|---------------------|--|--|

### Costs at Closing

|                      |             |   |
|----------------------|-------------|---|
| <b>Closing Costs</b> | \$9,647.48  | Includes \$4,617.75 in Loan Costs + \$5,029.73 in Other Costs - \$0.00 in Lender Credits. See page 2 for details. |
| <b>Cash to Close</b> | \$38,235.06 | Includes Closing Costs. See Calculating Cash to Close on page 3 for details.                                      |

The amount due from the Buyer at Closing

**Closing Cost Details**

| Loan Costs  | Borrower-Paid     |                | Seller-Paid |                | Paid by Others |
|---|-------------------|----------------|-------------|----------------|----------------|
|   | At Closing        | Before Closing | At Closing  | Before Closing |                |
| <b>A. Origination Charges</b>                                   | <b>\$2,636.00</b> |                |             |                |                |
| 01 1% of Loan Amount (Points)                                   | \$1,644.00        |                |             |                |                |
| 02 Document Preparation to Money Bank, N.A.                     | \$480.00          |                |             |                |                |
| 03 Tax Service Fee to Money Bank, N.A.                          | \$87.00           |                |             |                |                |
| 04 Underwriting Fee to Money Bank, N.A.                         | \$425.00          |                |             |                |                |
| <b>B. Services Borrower Did Not Shop For</b>                    | <b>\$516.00</b>   |                |             |                |                |
| 01 Appraisal Fee to Valuelit                                    |                   | \$450.00       |             |                |                |
| 02 Credit Report to Scorelit                                    |                   | \$53.00        |             |                |                |
| 03 Flood Certification to Floodcheck                            | \$13.00           |                |             |                |                |
| 04  |                   |                |             |                |                |
| 05  |                   |                |             |                |                |
| 06  |                   |                |             |                |                |
| 07  |                   |                |             |                |                |
| <b>C. Services Borrower Did Shop For</b>                        | <b>\$1,465.75</b> |                |             |                |                |
| 01 Survey/Location Drawing to XYZ Surveyors                     | \$180.00          |                |             |                |                |
| 02 Title - Abstract to Abstracts, Ltd.                          | \$200.00          |                |             |                |                |
| 03 Title - Deed Prep/Seller Closing Fee to Village Settlements, |                   |                | \$395.00    |                |                |
| 04 Title - Lender's Policy to Commonwealth Land Title Insuran   | \$486.75          |                |             |                |                |
| 05 Title - Settlement Fee to Village Settlements, Inc.          | \$599.00          |                |             |                |                |
| 06  |                   |                |             |                |                |
| 07  |                   |                |             |                |                |
| 08  |                   |                |             |                |                |
| <b>D. TOTAL LOAN COSTS (Borrower - Paid)</b>                    | <b>\$4,617.75</b> |                |             |                |                |
| Loan Costs Subtotals (A + B + C)                                | \$4,114.75        | \$503.00       |             |                |                |
| <b>Other Costs</b>  | <b>\$1,683.98</b> |                |             |                |                |
| <b>E. Taxes and Other Government Fees</b>                       | <b>\$1,683.98</b> |                |             |                |                |
| 01 Recording Fees Deed: \$60.00 Mortgage: \$60.00               | \$120.00          |                |             |                |                |
| 02 County Transfer Tax to Montgomery County                     | \$1,027.50        |                | \$1,027.50  |                |                |
| 03 FTHB State Transfer Tax to Clerk of the Circuit Court        |                   |                | \$513.75    |                |                |
| 04 Recordation Tax Discount to Montgomery County                | -\$172.50         |                | -\$172.50   |                |                |
| 05 State Recordation Tax to Montgomery County                   | \$708.98          |                | \$708.98    |                |                |
| <b>F. Prepaids</b>  | <b>\$645.30</b>   |                |             |                |                |
| 01 Homeowner's Insurance Premium 12 mo. to XYZ Insurance        |                   | \$522.00       |             |                |                |
| 02 Mortgage Insurance Premium mo. to                            |                   |                |             |                |                |
| 03 Prepaid Interest \$20.55 from 05/26/2016 to 06/01/2016       | \$123.30          |                |             |                |                |
| 04 Property Taxes mo. to  |                   |                |             |                |                |
| 05  |                   |                |             |                |                |
| <b>G. Initial Escrow Payment at Closing</b>                     | <b>\$1,603.63</b> |                |             |                |                |
| 01 Homeowner's insurance \$43.50 per month for 2 mo.            | \$87.00           |                |             |                |                |
| 02 Mortgage Insurance per month for mo.                         |                   |                |             |                |                |
| 03 Property Taxes \$189.58 per month for 8 mo.                  | \$1,516.64        |                |             |                |                |
| 04 Aggregate Adjustment   | -\$0.01           |                |             |                |                |
| 05  |                   |                |             |                |                |
| 06  |                   |                |             |                |                |
| 07  |                   |                |             |                |                |
| 08  |                   |                |             |                |                |
| <b>H. Other</b>   | <b>\$1,096.82</b> |                |             |                |                |
| 01 HOA/Condo Capital Contribution to                            |                   |                |             |                |                |
| 02 HOA/Condo Dues - June to HOA Management                      | \$68.25           |                |             |                |                |
| 03 HOA/Condo Processing Fees to                                 |                   |                |             |                |                |
| 04 HOA/Condo Setup Fees to HOA Management                       | \$50.00           |                |             |                |                |
| 05 Pest Inspection Fee to Termite Inspector                     | \$45.00           |                |             |                |                |
| 06 Real Estate Broker Buyer's Flat Commission to Selling Brok   | \$195.00          |                |             |                |                |
| 07 Real Estate Broker Seller's Flat Commission to Listing Brok  |                   |                | \$399.00    |                |                |
| 08 Real Estate Commission Buyers Broker to Selling Broker       |                   |                | \$6,165.00  |                |                |
| 09 Real Estate Commission Sellers Broker to Listing Broker      |                   |                | \$6,165.00  |                |                |
| 10 Title - Owner's Policy(Optional) to Commonwealth Land Titl   | \$738.57          |                |             |                |                |
| 11 Title - Release-Track/Obtain/Prepare and/or Record to Villa  |                   |                | \$195.00    |                |                |
| 12 Water&Sewer Final Bill/Escrow to Village Settlements, Inc.   |                   |                | \$200.00    |                |                |
| <b>I. TOTAL OTHER COSTS (Borrower-Paid)</b>                     | <b>\$5,029.73</b> |                |             |                |                |
| Other Costs Subtotals (E + F + G + H)                           | \$4,507.73        | \$522.00       |             |                |                |
| <b>J. TOTAL CLOSING COSTS (Borrower-Paid)</b>                   | <b>\$9,647.48</b> |                |             |                |                |
| Closing Costs Subtotals (D + I)                                 | \$8,622.48        | \$1,025.00     | \$15,596.73 | \$0.00         | \$0.00         |
| Lender Credits  | \$0.00            |                |             |                |                |

Lender Charges

Village Settlements Fee and Title report from courthouse

Interest from date of closing until the end of the month

Owners Title Insurance. See pages 36-38

Fee for survey of the property. See Page 24.

Transfer and recordation taxes (varies by county)

Escrows for taxes and insurance

Commission paid to real estate agents

Money held for final water bill



# SAMPLE CLOSING DISCLOSURE

## (Continued)

### Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

|  | Loan Estimate      | Final              | Did this change?   |
|--|--------------------|--------------------|--|
| Total Closing Costs (J)                                | \$9,164.00         | \$9,647.48         | YES • See Total Loan Costs (D) and Total Other Costs (I) |
| Closing Costs Paid Before Closing                      | -\$450.00          | -\$1,025.00        | YES • You paid these Closing Costs before closing.       |
| Closing Costs Financed<br>(Paid from your Loan Amount) | \$0.00             | \$0.00             | NO   |
| Down Payment/Funds from Borrower                       | \$41,100.00        | \$41,100.00        | NO   |
| Deposit  | -\$10,000.00       | -\$10,000.00       | NO   |
| Funds for Borrower                                     | \$0.00             | \$0.00             | NO   |
| Seller Credits   | -\$2,055.00        | -\$2,055.00        | NO   |
| Adjustments and Other Credits                          | \$0.00             | \$567.58           | YES • See details in Sections K and L.                   |
| <b>Cash to Close</b>                                   | <b>\$37,759.00</b> | <b>\$38,235.06</b> |  |

### Summaries of Transactions

Use this table to see a summary of your transaction.

#### BORROWER'S TRANSACTION

| K. Due from Borrower at Closing |  | \$214,690.06 |
|---------------------------------|--|--------------|
| 01                              | Sale Price of Property                               | \$205,500.00 |
| 02                              | Sale Price of Any Personal Property Included in Sale |              |
| 03                              | Closing Costs Paid at Closing (J)                    | \$8,622.48   |
| 04                              |  |              |

#### Adjustments

05  
06  
07

#### Adjustments for Items Paid by Seller in Advance

|    |                               |                          |          |
|----|-------------------------------|--------------------------|----------|
| 08 | City/Town Taxes               | to                       |          |
| 09 | County Taxes                  | 05/26/2016 to 06/30/2016 | \$223.77 |
| 10 | Assessments                   | 05/26/2016 to 05/31/2016 | \$13.21  |
| 11 | FFBC 05/26/2016 to 12/31/2016 |                          | \$330.60 |
| 12 |                               |                          |          |
| 13 |                               |                          |          |
| 14 |                               |                          |          |
| 15 |                               |                          |          |

#### L. Paid Already by or on Behalf of Borrower at Closing

| L. Paid Already by or on Behalf of Borrower at Closing |  | \$176,455.00 |
|--|--|--------------|
| 01   | Deposit                                      | \$10,000.00  |
| 02   | Loan Amount                                  | \$164,400.00 |
| 03   | Existing Loan(s) Assumed or Taken Subject to |              |
| 04   |  |              |
| 05   | Seller Credit                                | \$2,055.00   |

#### Other Credits

06  
07

#### Adjustments

08  
09  
10  
11

#### Adjustments for Items Unpaid by Seller

|    |                 |    |  |
|----|-----------------|----|--|
| 12 | City/Town Taxes | to |  |
| 13 | County Taxes    | to |  |
| 14 | Assessments     | to |  |
| 15 |                 |    |  |
| 16 |                 |    |  |
| 17 |                 |    |  |

#### CALCULATION

|  |                    |
|--|--------------------|
| Total Due from Borrower at Closing (K)   | \$214,690.06       |
| Total Paid Already by or on Behalf of Borrower at Closing (L)                                      | -\$176,455.00      |
| <b>Cash to Close</b> <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower | <b>\$38,235.06</b> |

#### SELLER'S TRANSACTION

| M. Due to Seller at Closing |  | \$206,067.58 |
|-----------------------------|--|--------------|
| 01                          | Sale Price of Property                               | \$205,500.00 |
| 02                          | Sale Price of Any Personal Property Included in Sale |              |
| 03                          |  |              |
| 04                          |  |              |
| 05                          |  |              |
| 06                          |  |              |
| 07                          |  |              |
| 08                          |  |              |

#### Adjustments for Items Paid by Seller in Advance

|    |                               |                          |          |
|----|-------------------------------|--------------------------|----------|
| 09 | City/Town Taxes               | to                       |          |
| 10 | County Taxes                  | 05/26/2016 to 06/30/2016 | \$223.77 |
| 11 | Assessments                   | 05/26/2016 to 05/31/2016 | \$13.21  |
| 12 | FFBC 05/26/2016 to 12/31/2016 |                          | \$330.60 |
| 13 |                               |                          |          |
| 14 |                               |                          |          |
| 15 |                               |                          |          |
| 16 |                               |                          |          |

#### N. Due from Seller at Closing

| N. Due from Seller at Closing |  | \$144,770.13 |
|-------------------------------|--|--------------|
| 01                            | Excess Deposit                               |              |
| 02                            | Closing Costs Paid at Closing (J)            | \$15,596.73  |
| 03                            | Existing Loan(s) Assumed or Taken Subject to |              |
| 04                            | Payoff of First Mortgage Loan                | \$127,118.40 |
| 05                            | Payoff of Second Mortgage Loan               |              |
| 06                            |  |              |
| 07                            |  |              |
| 08                            | Seller Credit                                | \$2,055.00   |
| 09                            |  |              |
| 10                            |  |              |
| 11                            |  |              |
| 12                            |  |              |
| 13                            |  |              |

#### Adjustments for Items Unpaid by Seller

|    |                 |    |  |
|----|-----------------|----|--|
| 14 | City/Town Taxes | to |  |
| 15 | County Taxes    | to |  |
| 16 | Assessments     | to |  |
| 17 |                 |    |  |
| 18 |                 |    |  |
| 19 |                 |    |  |

#### CALCULATION

|   |                    |
|---|--------------------|
| Total Due to Seller at Closing (M)  | \$206,067.58       |
| Total Due from Seller at Closing (N)  | -\$144,770.13      |
| <b>Cash</b> <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller | <b>\$61,297.45</b> |

Purchase Price

Reimbursement to seller for pre-paid taxes & association dues

Buyer's deposit (usually paid at the time the contract is presented) to ensure performance by Buyer

Amount due from Buyer at closing

Reimbursement to seller of pre-paid taxes & association dues

Settlement costs carried forward from page 2

Payoff of Seller's existing loan

Total sum payable to Seller

## Additional Information About This Loan

### Loan Disclosures

#### Assumption

If you sell or transfer this property to another person, your lender

- will allow, under certain conditions, this person to assume this loan on the original terms.
- will not allow assumption of this loan on the original terms.

A future Buyer cannot take over your loan payments

#### Demand Feature

Your loan

- has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
- does not have a demand feature.

#### Late Payment

If your payment is more than 15 days late, your lender will charge a late fee of 5% of the payment

#### Negative Amortization (Increase in Loan Amount)

Under your loan terms, you

- are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
- may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
- do not have a negative amortization feature.

#### Partial Payments

Your lender

- may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
- may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
- does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

The lender can foreclose on the house if you do not make the payments

#### Security Interest

You are granting a security interest in 401 Oakwood Drive  
Gaithersburg, MD 20878

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

#### Escrow Account

For now, your loan

- will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

Taxes and insurance are part of the monthly payment

| Escrow                                  |            |   |
|---|------------|---|
| Escrowed Property Costs over Year 1     | \$2,796.96 | Estimated total amount over year 1 for your escrowed property costs:<br>Property Taxes, Homeowner's Insuranc                      |
| Non-Escrowed Property Costs over Year 1 | \$819.00   | Estimated total amount over year 1 for your non-escrowed property costs:<br>HOA 68.25/month<br>You may have other property costs. |
| Initial Escrow Payment                  | \$1,603.63 | A cushion for the escrow account you pay at closing. See Section G on page 2.   |
| Monthly Escrow Payment                  | \$233.08   | The amount included in your total monthly payment.  |

- will not have an escrow account because  you declined it  your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

#### No Escrow

|                                      |  |  |
|--------------------------------------|--|--|
| Estimated Property Costs over Year 1 |  | Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year. |
| Escrow Waiver Fee                    |  |  |

#### In the future,

Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.





# SAMPLE CLOSING DISCLOSURE

## (Continued)

### Loan Calculations

|  |               |
|--|---------------|
| <b>Total of Payments.</b> Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled. | \$ 302,685.45 |
| <b>Finance Charge.</b> The dollar amount the loan will cost you.   | \$ 138,285.45 |
| <b>Amount Financed.</b> The loan amount available after paying your upfront finance charge.  | \$ 159,183.25 |
| <b>Annual Percentage Rate (APR).</b> Your costs over the loan term expressed as a rate. This is not your interest rate.                                  | 4.7770%       |
| <b>Total Interest Percentage (TIP).</b> The total amount of interest that you will pay over the loan term as a percentage of your loan amount.           | 82.4900%      |

**Questions?** If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at [www.consumerfinance.gov/mortgage-closing](http://www.consumerfinance.gov/mortgage-closing)

### Other Disclosures

#### Appraisal

If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

#### Contract Details

See your note and security instrument for information about

- what happens if you fail to make your payments,
- what is a default on the loan,
- situations in which your lender can require early repayment of the loan, and
- the rules for making payments before they are due.

#### Liability after Foreclosure

If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

- state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.
- state law does not protect you from liability for the unpaid balance.

#### Refinance

Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

#### Tax Deductions

If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

### Contact Information

|                              | Lender                                  | Mortgage Broker | Real Estate Broker (B)                | Real Estate Broker (S)                | Settlement Agent                             |
|------------------------------|---|-----------------|---------------------------------------|---------------------------------------|--|
| <b>Name</b>                  | Money Bank, N.A.                        |                 | Selling Broker                        | Listing Broker                        | Village Settlements, I                       |
| <b>Address</b>               | 309 Financial Lane<br>Hometown, MD 2087 |                 | 135 Broker Way<br>Rockville, MD 20850 | 14 Listit Road<br>Frederick, MD 21701 | 177 Kentlands Blvd, S<br>Gaithersburg, MD 20 |
| <b>NMLS ID</b>               | 3737321                                 |                 |                                       |                                       |  |
| <b>MD License ID</b>         |   |                 | NN 0000-001                           | NN 0000-002                           |  |
| <b>Contact</b>               | Joe Loanofficer                         |                 |                                       |                                       |  |
| <b>Contact NMLS ID</b>       | 373321-1                                |                 |                                       |                                       |  |
| <b>Contact MD License ID</b> |   |                 |                                       |                                       |  |
| <b>Email</b>                 |   |                 |                                       |                                       |  |
| <b>Phone</b>                 |   |                 |                                       |                                       |  |

### Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature

Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

PAGE 5 OF 6 LOAN ID # 37001

## Addendum

### Closing Information:

Date Issued:

File No: MES401

Closing Date: 05/26/2016

Property Information: 401 Oakwood Drive  
Gaithersburg, MD 20878

### Transaction Information:

**Borrower:** James I. Buyer

Address: 12 Old House Street

City/ST/Zip: Greenbelt, MD 20770

**Borrower:** Jane M. Buyer

Address: 12 Old House Street

City/ST/Zip: Greenbelt, MD 20770

**Seller:** Donald S. Seller

Address: 401 Oakwood Drive

City/ST/Zip: Gaithersburg, MD 20878

**Seller:** Donna B. Seller

Address: 401 Oakwood Drive

City/ST/Zip: Gaithersburg, MD 20878

| Loan Costs   | Borrower-Paid |                | Seller-Paid |                | Paid by Others |
|--|---------------|----------------|-------------|----------------|----------------|
|  | At Closing    | Before Closing | At Closing  | Before Closing |                |
| <b>C. Services Borrower Did Shop For</b>                             |               |                |             |                |                |
| 03 Title - Deed Prep/Seller Closing Fee to Village Settlements, Inc. |               |                | \$395.00    |                |                |
| 04 Title - Lender's Policy to Commonwealth Land Title Insurance Co.  | \$486.75      |                |             |                |                |

| Other Costs  | Borrower-Paid |                | Seller-Paid |                | Paid by Others |
|--|---------------|----------------|-------------|----------------|----------------|
|  | At Closing    | Before Closing | At Closing  | Before Closing |                |
| <b>H. Other</b>  |               |                |             |                |                |
| 06 Real Estate Broker Buyer's Flat Commission to Selling Broker                    | \$195.00      |                |             |                |                |
| 07 Real Estate Broker Seller's Flat Commission to Listing Broker                   |               |                | \$399.00    |                |                |
| 10 Title - Owner's Policy(Optional) to Commonwealth Land Title Insurance Co.       | \$738.57      |                |             |                |                |
| 11 Title - Release-Track/Obtain/Prepare and/or Record to Village Settlements, Inc. |               |                | \$195.00    |                |                |

### Contact Information

Contacts that could not fit are shown in full here.

|                       | Lender                                 | Settlement Agent                                      |
|-----------------------|--|---|
| Name                  | Money Bank, N.A.                       | Village Settlements, Inc.                             |
| Address               | 309 Financial Lane, Hometown, MD 20877 | 177 Kentlands Blvd, Suite 200, Gaithersburg, MD 20878 |
| NMLS ID               | 3737321                                |   |
| MD License ID         |  |   |
| Contact               | Joe Loanofficer                        |   |
| Contact NMLS ID       | 373321-1                               |   |
| Contact MD License ID |  |   |
| Email                 |  |   |
| Phone                 |  |   |



## TAKING TITLE TO REAL PROPERTY

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

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

### 1. JOINT TENANTS

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

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

### 2. TENANTS IN COMMON

The key distinguishing factor between a Tenancy in Common and Joint Tenants with Right of Survivorship is that a Tenancy in Common is concurrent ownership with no right of survivorship. Each individual owner has a distinct, proportionate, undivided interest in the property, which is freely transferable by inheritance and is subject to the claims of the creditors of the particular owners. Tenants in Common do not necessarily need to own equal undivided interests in the property. Although each owner is entitled to possession of the whole property, Tenants in Common may acquire their interests at different times by different instruments and may have undivided interests. Unless otherwise stated, however, each Tenant in Common is presumed to take an equal share in the property. For example, A and B own a parcel of property as Tenants in Common. A has an undivided forty percent (40%) ownership interest, and B has an undivided sixty percent (60%) ownership interest. A still has the right to possess and enjoy the property in a manner equal to that of B, so long as the concurrent ownership lasts. However, either concurrent owner may, at any time, and without the consent of the other, freely sell, assign, or convey his ownership interest.



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### 3. TENANTS BY THE ENTIRETY

Ownership as Tenants by the Entirety is similar to a Joint Tenancy with Right of Survivorship, subject to three significant differences. First, Tenants by the Entirety must be married. Second, neither spouse can sever his or her ownership interest in the property without the consent of the other. In other words, an attempted conveyance to a third party by one spouse alone will not eliminate the right of survivorship, as such conveyance would be invalid. This means that one spouse cannot sell or mortgage any part of the property without the consent of the other spouse. Finally, with the exception of certain Federal tax liens, the ownership interest of one Tenant by the Entirety cannot be reached by the other spouse's individual creditors.

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

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

#### 1. SPECIAL WARRANTY DEED

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

#### 2. GENERAL WARRANTY DEED

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

#### 3. QUITCLAIM DEED

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



## DO I NEED TITLE INSURANCE?

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

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

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

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

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

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

### **FORGERY**

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

### **THE MISSING SPOUSE**

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



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### **THE MINOR OR MENTAL INCOMPETENT**

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

### **MISSING HEIRS**

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

### **SIMILARITY OF NAMES**

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

### **IMPROPER DEEDS**

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

### **MISTAKE**

One of the most common title claims results from a simple mistake in the Courthouse land records. A lien may be improperly filed or a judgment may have been incorrectly indexed.

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



## MONEY SAVING TIP!

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

# SAMPLE TITLE INSURANCE PREMIUMS

## Title Insurance - Schedule of Premiums

| TITLE INSURANCE AMOUNT | FULL OWNERS PREMIUM | REFINANCE LENDERS PREMIUMS |
|------------------------|---------------------|----------------------------|
| 100,000.00             | 522.00              | 177.00                     |
| 125,000.00             | 652.50              | 221.25                     |
| 150,000.00             | 783.00              | 265.50                     |
| 200,000.00             | 1,044.00            | 354.00                     |
| 225,000.00             | 1,174.50            | 398.25                     |
| 250,000.00             | 1,305.00            | 442.50                     |
| 275,000.00             | 1,417.50            | 482.25                     |
| 300,000.00             | 1,530.00            | 522.00                     |
| 325,000.00             | 1,642.50            | 561.75                     |
| 350,000.00             | 1,755.00            | 601.50                     |
| 375,000.00             | 1,867.50            | 641.25                     |
| 400,000.00             | 1,980.00            | 681.00                     |
| 425,000.00             | 2,092.50            | 720.75                     |
| 450,000.00             | 2,205.00            | 760.50                     |
| 500,000.00             | 2,430.00            | 840.00                     |
| 550,000.00             | 2,622.00            | 912.00                     |
| 600,000.00             | 2,814.00            | 984.00                     |
| 650,000.00             | 3,006.00            | 1,056.00                   |
| 700,000.00             | 3,198.00            | 1,128.00                   |
| 800,000.00             | 3,582.00            | 1,272.00                   |

\* When an owner's policy and one or more mortgage policies are issued at the same time, the total additional premium for the mortgage policy(ies) will be \$150.00 each above the owner's premium. Premiums are based on the 2016 Commonwealth Land Title Insurance rates.

### EXAMPLE

If the purchase price is \$200,000, then the cost of lender's and owner's title insurance is \$1,194.00. This is calculated by adding \$150.00 to the Owner's premium of \$1,044.00. If the purchaser does not obtain a loan and purchases the property ALL CASH, then the cost of the owner's title policy will be \$1,044.00.

*For an exact premium quote, please contact any of our attorneys or utilize the Maryland Title Insurance Premium Calculator at [www.villagesettlements.com](http://www.villagesettlements.com).*

## DO I GET A HOMEOWNER'S WARRANTY

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

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

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

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

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



### MONEY SAVING TIP!

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





## IF I SELL MY RESIDENCE, MUST I PAY TAXES ON THE GAIN?

I am considering selling my house and purchasing a new house. However, I have owned my current house for over fifteen years and have built up over \$100,000.00 in equity. If I sell my current residence, will I have to pay tax on the gain? Additionally, am I required to utilize all of the cash in the purchase of my next residence? Finally, who files the 1099 with the IRS?

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

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

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

In many cases, Village Settlements, Inc. is required to file a 1099-S with the Internal Revenue Service. Unless a separate allocation of proceeds has been requested at or prior to settlement, we will report the gross proceeds for each Seller.

Also, it is important to understand that under Maryland law, if you are not a Maryland resident or entity, Village Settlements, Inc. may be required to withhold a percentage of your sales proceeds for capital gains withholding taxes. Those funds are then deposited with the State of Maryland. Information regarding this law can be found at [www.marylandtaxes.com](http://www.marylandtaxes.com). Please contact our office immediately if there is any possibility that you may not be identified as a Maryland resident.

## TAX-DEFERRED EXCHANGES OF INVESTMENT REAL ESTATE



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

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

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

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

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

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



## MONEY SAVING TIP!

The new  
discounted  
Refinance Rate  
is available  
for residential  
properties!

## REFINANCING

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

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

Regarding the settlement costs, you will find that most of the expenses incurred at settlement are similar to those at a regular purchase settlement. In that regard, you may want to refer to the sample Closing Disclosure on page 28-33 for a description of the specific charges. There are some ways to save on the settlement costs and these are discussed below.

Under the new title insurance rules, you no longer need to present a copy of your Owner's Title Insurance Policy in order to obtain the discounted Re-issue Rate for a refinance. Instead, the Refinance Rate will be utilized. Sample rates can be found on page 38. Also, rates can be calculated on our Title Insurance Premium Calculator at [www.villagesettlements.com](http://www.villagesettlements.com).

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

Regarding transfer taxes, most jurisdictions in Maryland do not require you to pay new transfer taxes at the time of your refinance settlement. However, in most jurisdictions, you must pay the State Revenue Stamps (this amount varies by county) on the new money being borrowed. In other words, you will only be responsible for paying revenue stamps on the difference between the outstanding principal balance of your existing loan and the principal balance of your new

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loan. Thus, if you owe Ninety-Five Thousand Dollars (\$95,000.00) on your current loan and you are borrowing One Hundred Thousand Dollars (\$100,000.00) on your new refinance loan, you would only pay State Revenue Stamps on the Five Thousand Dollar (\$5,000.00) difference.

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

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

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



## **MONEY SAVING TIP!**

**Prior Village  
Settlements  
clients will receive  
a discount on  
their refinance  
settlement fees!**



## UNDERSTANDING SHORT SALES

I purchased a town home in the spring of 2005 for \$355,000.00. At that time, I was able to qualify for 100% financing. Shortly after settlement on the purchase of the property, my company downsized, and I lost my job. I accepted a job with another company with a significantly reduced salary. Also, because of an impending divorce, my expenses increased, making it impossible to afford the monthly payments on the loan. Facing foreclosure, I had no choice but to list the property for sale. Unfortunately, in the few years since I purchased the property, the bottom has fallen out of the real estate market. As a result, while my loan balance is about \$335,000.00, the market value of my home is about \$310,000.00. Factoring in the costs and expenses of sale, I will need to bring about \$50,000.00 to the table to complete settlement. Other than foreclosure, are there any other options for me?

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

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

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

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

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

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

## ABOUT OUR OWNERS/ATTORNEYS



### DAVID PARKER

Mr. Parker is a well-respected attorney in Montgomery County, engaged in the practice of Real Estate Law since 1985. In addition to real estate settlements, his other area of concentration includes complex commercial transactions. He also leads the company in the American Land Title Association Best Practices compliance division. He is highly visible in the industry as an author and lecturer on real estate related issues.

As an educator, he instructs continuing education courses for real estate agents and brokers. His columns have appeared regularly in local newspapers, magazines and newsletters. He also co-authored the book “Real Estate Practice in DC, Maryland and Virginia.” The book can be found in the library of many law firms and law schools throughout the United States. Mr. Parker is active in community endeavors, including fund raising for The Children’s Inn at the National Institutes of Health. He received his Juris Doctorate from William and Mary School of Law, where he was the winner of the William and Mary Negotiating Competition and runner-up at the United States Eastern Regional Negotiating Competition. He received his Bachelor of Arts degree, Magna Cum Laude, with Distinction in Political Science from James Madison University. His professional affiliations include the Maryland State, Montgomery County and the American Bar Associations.



### MICHAEL C. HOLLMAN

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

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



### MARK E. SIMON

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

Mr. Simon received his Bachelor of Arts Degree from Denison University. He earned his Juris Doctor from The University of Baltimore, Cum Laude, and won the prestigious American Jurisprudence Awards in Contracts and Real Property Law. In addition to being admitted to practice law in the State of Maryland, Mr. Simon is also a licensed real estate broker and a member of the National, Maryland, and Greater Capital Area Association of Realtors. He is also a member of the Maryland State and Montgomery County Bar Associations.

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## ABOUT OUR OWNERS/ATTORNEYS

(Continued)

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### DAVID C. HAHN

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

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

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

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



### CHRISTOPHER T. DELISI

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

Mr. DeLisi is a Cum Laude graduate of The Dickinson School of Law of The Pennsylvania State University. While at Penn State, he was the Comments Editor of The Dickinson Journal of Environmental Law

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

Mr. DeLisi concentrates his practice in the areas of Real Estate Law and Contracts. He has served on the Board of Directors and Legal Counsel to the Gaithersburg/Germantown Chamber of Commerce. He has also served on the Board of Directors of Housing Charities, Inc. He is admitted to practice law in the State of Maryland. His professional affiliations include the Maryland Bar Association.



## REAL ESTATE TERMS YOU SHOULD KNOW

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

**CLOSING DISCLOSURE** - The document which sets forth all of the expenses for the Buyer and the Seller. See pages 28-33 for a sample.

**CONSUMER** - Another name for the Borrower. As the purchaser, if you take out a loan, you are the consumer.

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

**CONSUMMATION** - Another term for the settlement or closing.

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

**DEED** - The legal document which transfers ownership of real property. Recording the Deed in the land records is notice to the world as to ownership of the property. The title may be issued solely to the purchaser or with another individual(s) by (1) Tenancy in Common, (2) Joint Tenancy, or (3) Tenancy by the Entirety. For a more detailed discussion of the methods of taking title, see pages 34-35 of this book.

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

**DEPOSIT** - An amount of money paid with the initial contract offer and held by the settlement company or broker until settlement.

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

**HAZARD INSURANCE** - Insurance which protects the borrower and lender against losses due to fire and other natural hazards. Sometimes this is called Homeowners insurance.

**INTEREST ADJUSTMENT** - Unlike rent, which is generally paid in advance, interest on mortgage loans is paid after it is earned. The one exception occurs at settlement. Lenders collect interest from the date of settlement until the end of the month in which settlement occurs. This allows subsequent mortgage payments to fall due on the first day of the month.

**LOAN ESTIMATE** - The lender's estimated summary of your settlement charges. You will receive this within 3 days of loan application.

**LENDER** - The company that gives you the loan. Also called the "creditor."

**LOAN ORIGATION FEE OR ORIGATION CHARGES** - Lender's fee for administration and processing of a loan. A "point" is equal to 1% of the loan amount. This fee will appear on the Closing Disclosure as part of the Origination Charges.

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

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

**PROPERTY TAX ADJUSTMENT** - Reimbursement to the seller for taxes prepaid by seller from the date of settlement through the end of the tax period.

**RECORDING FEES** - Fees paid to the Clerk of the Court for recording the documents among the County land records. Recording of a Deed costs approximately \$60.00 and recording a Deed of Trust or Mortgage costs approximately \$60.00.

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

**STATE REVENUE STAMPS** - Tax on recording of a document of title or security, such as a Deed of Trust. In Montgomery County, the charge is \$6.90 per \$1,000.00 of consideration paid for the first \$500,000, then \$10.00 per \$1,000.00. In Prince George's County, the charge is \$5.50 per \$1,000.00 of consideration paid, while in Frederick County the charge is \$12.00 per \$1,000.00 of consideration paid.

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

**TITLE ABSTRACT** - Report of the land, lien and judgment records to ascertain ownership and status of title to real property.

**TITLE EXAMINATION** - At Village Settlements, Inc., an attorney will carefully review every title abstract and survey. The fee for this service is included in the Settlement Fee

**TITLE INSURANCE** - Insurance which protects against defects in the title such as forged Deeds, missing heirs, outstanding liens or mortgages. It is a one-time premium, and the insurance coverage is in effect for as long as you own the property. Lenders usually require that buyers pay for a policy of title insurance to insure the amount of the loan. Title insurance to protect the purchaser in the amount of the sales price is optional. For a detailed discussion of title insurance see pages 36-38 of this book.

**TRID** - A short term name for the new loan disclosure laws. It stands for Truth-In-Lending, Real Estate Settlement Procedures Act Integrated Disclosures.



## SETTLEMENT COST ESTIMATOR

| Line Number<br>Closing<br>Disclosure | Amount | Description and Explanation  |
|--------------------------------------|--------|--|
| <b>CHARGES</b>                       |        |  |
| K-01                                 |        | <b>Purchase Price</b>  |
| K-11                                 |        | <b>Condominium/Homeowners Association Dues</b> - One to Three months.  |
| K-09                                 |        | <b>Property Tax Adjustment-</b> Reimbursement to the Seller for taxes which have been paid in advance. The normal tax year runs from July 1 through June 30. If you settle on January 10, you will reimburse the Seller for taxes from January 10 through June 30.   |
| A-01                                 |        | Loan Origination Fee, Discount Fee, Points, Buy down Subsidy. One point equals one percent of the loan amount.   |
| B-01                                 |        | <b>Appraisal Fee</b> - Usually paid outside closing to the Lender at time of application.  |
| B-02                                 |        | <b>Credit Report Fee</b> - Usually paid outside closing to the Lender at time of application.  |
| B-03                                 |        | <b>Lender Fees</b> - Consult with your lender. Fees can include Flood Certification, Inspection Fee and Tax Service Fee.   |
| F-03                                 |        | <b>Interest Adjustment</b> - This amount will vary depending on the settlement date. Interest is charged on the new loan amount from the date of settlement through the last day of the month.   |
| F-02                                 |        | <b>Mortgage Ins. Premium</b> - Consult your Lender for the exact amount. Depending on loan type, this amount will vary between one(1) month of mortgage insurance to 2.25% or more, of the loan.   |
| F-01                                 |        | <b>Hazard Ins. Premium</b> - Usually paid to insurance agent outside closing, in advance of settlement.  |
| G-01 to 04                           |        | <b>Escrow Items:</b> Property Taxes, Hazard Insurance, Mortgage Insurance - The Lender will usually collect two months of hazard and mortgage insurance. For property taxes, a sufficient amount will be held so that the Lender will have enough money to pay the tax bill when due.                              |
| C-05                                 |        | <b>Settlement Fee</b> to Village Settlements, Inc.   |
| C-02                                 |        | <b>Title Abstract</b> - The cost of the search through the Land Records to verify the status of title.   |
|                                      |        | <b>Title Examination</b> - Attorney review of the title abstract. Included in Line C-05.   |
|                                      |        | <b>Title Binder Fee</b> - Preparation of preliminary commitment for title insurance policy. Included in Line C-05.   |
| C-04 and H-11                        |        | <b>Title Insurance</b> - Lenders and Owners coverage can be calculated at <a href="http://www.villagesettlements.com">www.villagesettlements.com</a> .   |
| E-01                                 |        | <b>Recording Deed</b> - Courthouse fee for recording Deed.   |
| E-01                                 |        | <b>Recording Deed of Trust</b> - Courthouse fee for recording Deed of Trust  |
| E-02                                 |        | <b>County Transfer Tax</b> - County Transfer Tax varies by county. Montgomery County charges 1% of the sales price; Prince George's County charges 1.4% of the sales price. Certain exemptions and discounts apply. Please call our office for the latest exemption and/or discounts.                              |
| E-03                                 |        | <b>State Transfer Tax</b> - The State charges a 1/2% transfer tax. First Time Maryland Homebuyers are exempt from the State Transfer Tax.  |
| E-06                                 |        | <b>State Revenue Stamps</b> - Varies by county. Based on the sales price (or loan amount, if higher). Montgomery County charges \$6.90/\$1,000, (\$10.00/\$1000 in excess of \$500,000) Prince George's County charges \$5.50/\$1,000, and Frederick County charges \$12.00/\$1,000.                               |
| H-06                                 |        | <b>House Location Survey</b> - The Builder will provide the survey at a cost ranging from \$200 to \$350. On a resale, the cost is usually \$180-\$250 for a house location survey.  |
| H                                    |        | <b>Other</b> - Other costs include homeowners association dues, preparation of Power of Attorney, termite inspection.  |
| J                                    |        | <b>Add all the above charges for Purchaser's total settlement charges.</b>   |
| <b>CREDITS</b>                       |        |  |
| L-01                                 |        | <b>Deposit</b> - The deposit is normally held by the Builder. For a resale, one of the Brokers will hold the deposit. Village Settlements, Inc. will also hold the deposit, if requested.  |
| L-02                                 |        | <b>First Mortgage and Second Mortgage</b> - This is the loan amount(s).  |
| L-05                                 |        | <b>Other Closing Cost Credits</b> - (i.e., Builder Allowance, Lender Allowance, Closing Cost Credit) See Contract for Builder/Seller allowance. Contact Lender for amount of Lender credit, if any.  |
| L                                    |        | <b>Add all of the above credits for total credits.</b>   |
| <b>FUNDS NEEDED FOR SETTLEMENT</b>   |        |  |
| 1                                    |        | <b>Add up all of the settlement charges</b> (line K-3 of the Closing Disclosure). Items which have been paid in advance should not be included, such as the pre-paid appraisal fee and credit report.  |
| 2                                    |        | <b>Add up all the credits</b> (line L of the Closing Disclosure).  |
| 3                                    |        | <b>Subtract Item 2 from Item 1</b> - This is the amount which the Purchaser should be prepared to bring to settlement, in the form of a wire, cashier's or certified check, payable to "Village Settlements, Inc." Purchasers are encouraged to call any of our attorneys for an explanation of the above charges. |

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 Note: Some of the line numbers may vary on your Closing Disclosure

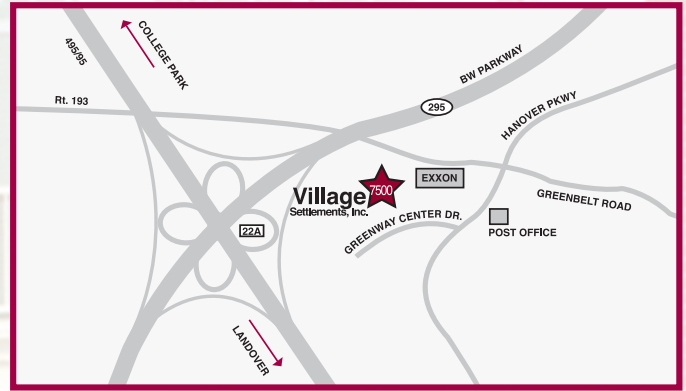


**PARKER, HOLLMAN,  
SIMON, HAHN & DELISI, LLC**  
*Attorneys at Law*



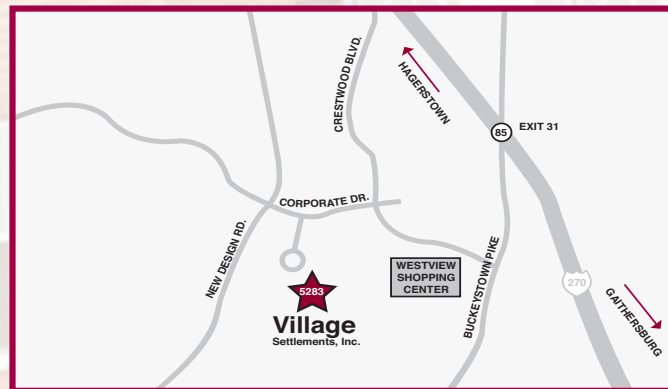
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QUESTIONS?

Go to [www.villagesettlements.com](http://www.villagesettlements.com) and click "Ask a Question"

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