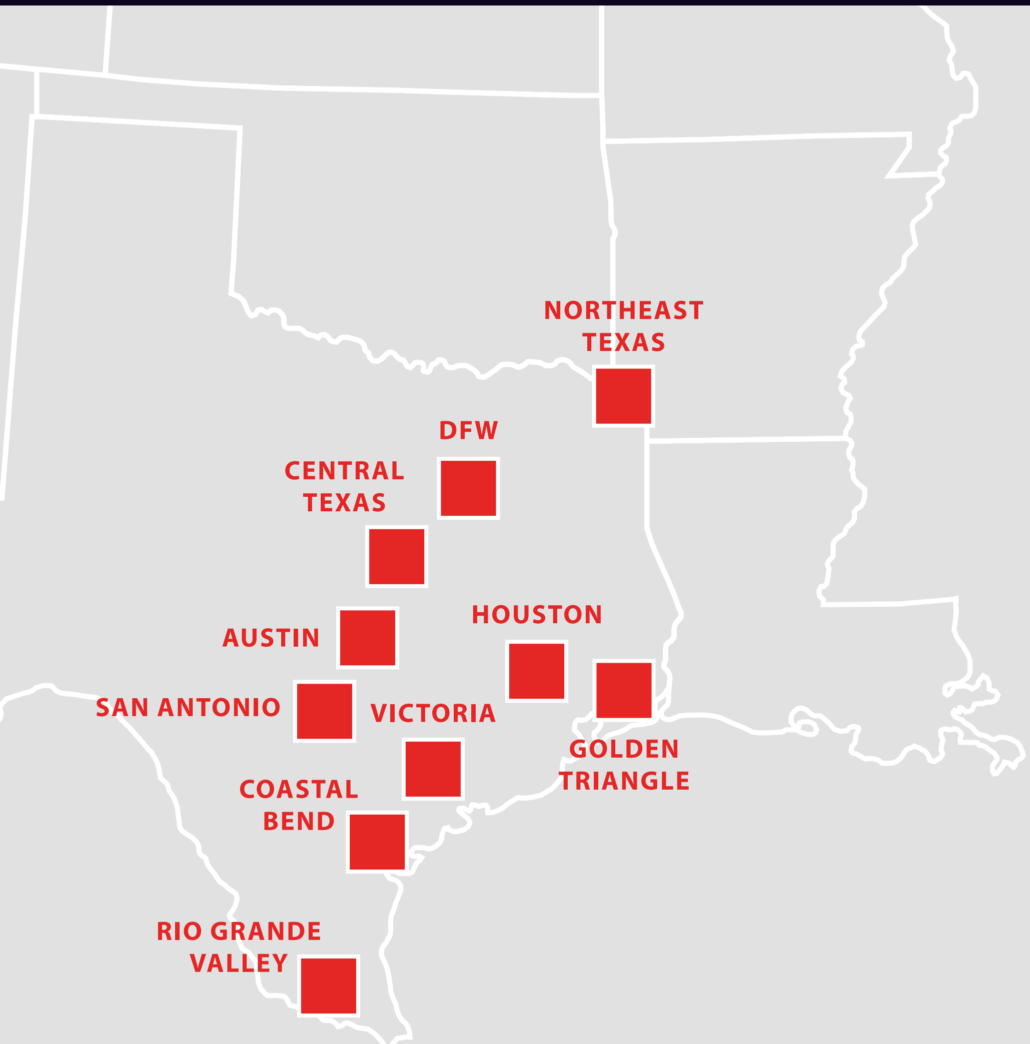
BUYING YOUR HOME

A Homebuyer's Guide to Escrow and Closing

Capital Title℠
A Shaddock Company

The closing teams at Capital Title represent some of the most experienced and reliable residential and commercial escrow officers in the title industry, assisting over a thousand people a month in realizing their dream of home ownership. We count as our customers leading residential and commercial real estate professionals locally, statewide, and nationally.



Regions

Austin

Dallas Fort Worth

Houston

San Antonio

Rio Grande Valley

Northeast Texas

Coastal Bend

Golden Triangle

Central Texas

Victoria

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Capital Title is the Largest Independent Title Company in the United States.

It provides its statewide customers with over 100 branch offices serving the Dallas-Fort Worth, Austin, Houston, San Antonio, Rio Grande Valley, Northeast Texas, Coastal Bend, Golden Triangle, and Central Texas metroplexes.

Capital Title bases its business philosophy on a strong set of values and ideals, which help to guide team members toward our goal of delivering excellence to each of our customers.

TERMS TO KNOW

AMENDMENTS: A change — either to alter, add to, or correct — part of an agreement without changing the principle idea or essence.

APPRAISAL: An estimate of value of property resulting from analysis of facts about the property; an opinion of value.

ASSUMPTION: Taking over another person's financial obligation; taking title to a parcel of real property with the Buyer assuming liability for paying an existing note secured by a deed of trust against the real property.

BENEFICIARY: The recipient of benefits, often from a deed of trust; usually the lender.

CLOSE OF ESCROW: Generally the date the documents are recorded and title passes from Seller to Buyer. On this date, the Buyer becomes the legal owner, and title insurance becomes effective.

COMPARABLE SALES: Sales that have similar characteristics as the subject real property, used for analysis in the appraisal. Commonly called "comps."

DEED OF TRUST: An instrument used in many states in place of a mortgage.

DEED RESTRICTIONS: Limitations in the deed to a parcel of real property that dictate certain uses that may or may not be made of real property.

EARNEST MONEY DEPOSIT: Down payment made by a purchaser of real property as evidence of good faith; a deposit or partial payment.

EASEMENT: A right, privilege or interest limited to a specific purpose that one party has in the land of another.

HAZARD INSURANCE: Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyer often adds liability insurance and extended coverage for personal property.

IMPOUNDS: A trust type account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums, required to protect their security.

LEGAL DESCRIPTION: A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire parcel of land. It should so thoroughly identify a parcel of land that it cannot be confused with any other.

LIEN: A form of encumbrance that usually makes a specific parcel of real property the security for the payment of a debt or discharge of an obligation. For example, judgments, taxes, mortgages, deeds of trust.

PITI: A payment that combines Principal, Interest, Taxes, and Insurance.

POWER OF ATTORNEY: A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an "Attorney-in-Fact."

PURCHASE AGREEMENT: The purchase contract between the Buyer and Seller. It is usually completed by the real estate agent and signed by the Buyer and Seller.

QUITCLAIM DEED: A deed operating as a release, intending to pass any title, interest, or claim which the grantor may have in the property, but not containing any warranty of a valid interest or title by the grantor.

RECORDING: Filing documents affecting real property with the County Recorder as a matter of public record.

WARRANTY DEED: A written instrument by which a party transfers ownership of real property to another.

WHAT IS TITLE INSURANCE?

Title insurance protects your title to real estate. But what are the risks that make title insurance important?

Real estate has always been considered a person's most valuable possession. It is so basic a form of wealth that many special laws have been enacted to protect ownership of land and the buildings on the land.

Whenever you buy property, the owner who is selling it to you has extremely strong rights, as do his family and heirs. Also, there may be others in addition to the owner who have "rights" in the property. These may be governmental bodies or contractors, or individuals who have proper unpaid claims against the property.

Anyone who has such claim is in a sense part owner. The property may be sold to you without the party who has a claim knowing about the sale. And you may know nothing about such claim. It doesn't matter. Such claims may remain attached to the real estate you have purchased.

It is important that you get a clear title when you purchase property. This means that you must be informed about any claims against your land so that you can make certain they are cleared up before you buy. And it means you must be protected against any undiscovered claims that may arise to threaten your title and the possession of your property. Title insurance provides this two-fold protection.

UNDISCOVERED CLAIMS

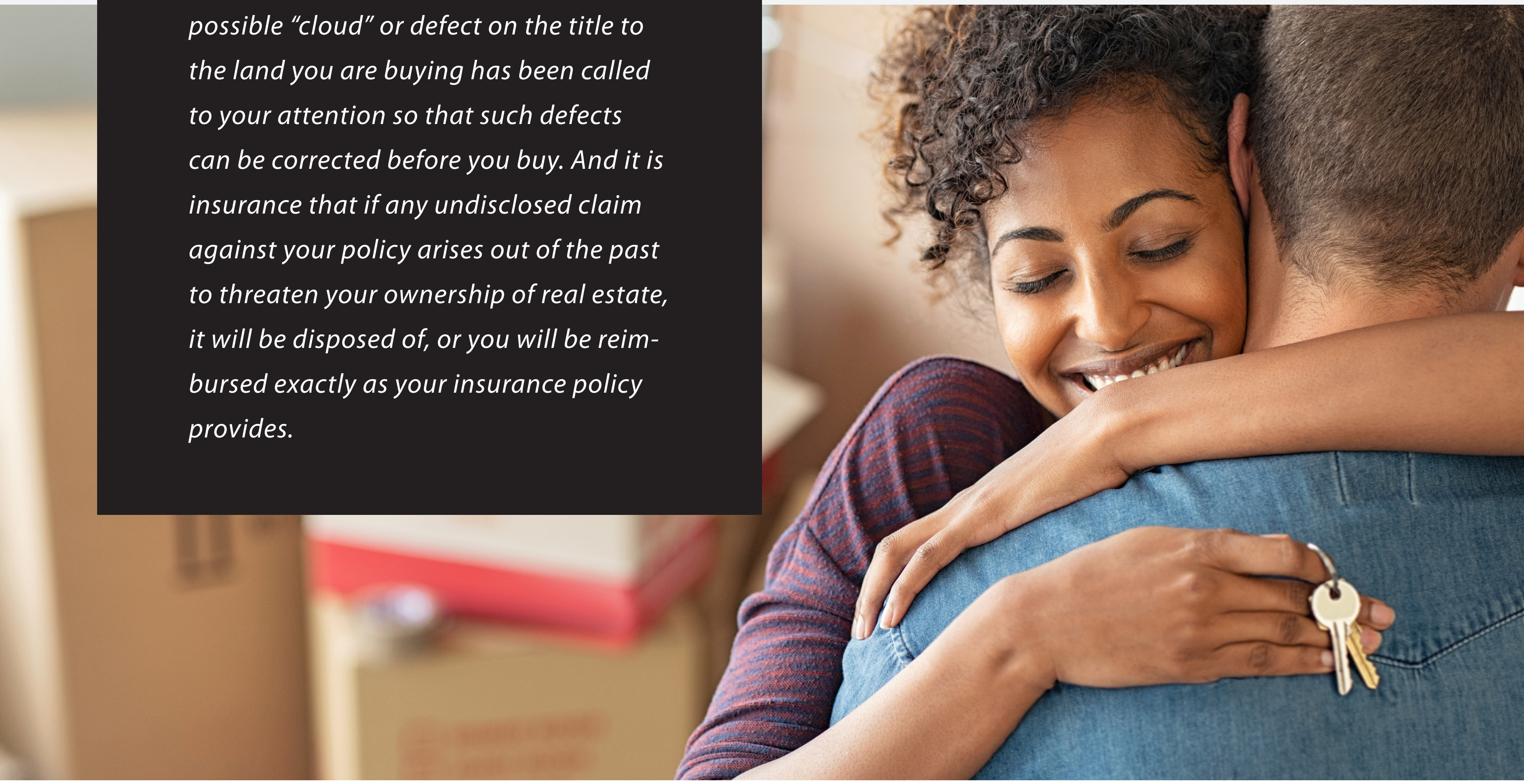
What if there is a defect in the title which doesn't show up in the public records?

This can happen. They are called "hidden risks", the undiscovered claims which may arise long after you bought your home. Protection against loss from claims on real estate which cannot be discovered by examination of the public records is the second part of the two-fold benefit which title insurance provides.

The title to the home which you have paid for and to which you have received a deed could be seriously threatened or completely lost by such circumstances as forgery, confusion due to similar name, errors in the records, to cite just a few hazards.

If a claim is made against your home and you are insured, title insurance companies will defend your title in court if necessary, completely at their expense. They will also bear the cost of settling the claim if it proves valid in order to protect your title and keep you in possession of your property.

Title insurance is assurance that every possible "cloud" or defect on the title to the land you are buying has been called to your attention so that such defects can be corrected before you buy. And it is insurance that if any undisclosed claim against your policy arises out of the past to threaten your ownership of real estate, it will be disposed of, or you will be reimbursed exactly as your insurance policy provides.



THE FOUR "C"s OF TITLE

Title insurers differ from other kinds of insurers in that they attempt to research and "eliminate" all risks of the title defects rather than to "assume" risks. It is the ancillary function of the title company, then, to handle the actual closing to assure that the documents necessary to convey title have been properly executed and filed, and that all previous interests in the property have been disposed.

Title insurance in the State of Texas is regulated by the Texas Department of Insurance. The title company performs four major functions described as follows:

Coordinate

Working with all the parties, i.e. realtors, lenders, buyers, sellers, and other entities of the transaction for a successful closing.

Cure

Search and examination of titles sufficient to prepare a commitment for title insurance and cure any issues regarding the title to close the transaction.

Closing

The closing of the transaction is the handling of all documents necessary to effect the transaction and disbursing the funds accordingly as escrow agent.

Coverage

The issuance of the title insurance policies to the buyer and any lender insuring the title as transacted.

Capital Title enjoys providing exceptional real estate closings in all the branches by employing experienced, professional escrow officers. We realize we must not only be skillful in the technical aspect of closing, but in the way we handle the needs and concerns of all the parties involved.

We work closely with the real estate community to insure that each real estate transaction is handled in a professional manner for your peace of mind and satisfaction. We are part of your team!

WHAT IS A COMMITMENT?

Schedule A

“Actual Facts”

Schedule “A” reflects all of the information that identifies the specifics of the proposed transaction. This includes the effective date, the proposed policy coverage amount, the name of the current record title owner of the property, and the legal description of the property.

Schedule B

“Borders, Boundaries, and Buyer Notification”

”Schedule “B” sets out the proposed exceptions from coverage that the title policy will not cover. Standard exceptions will appear in every commitment while the special conditions will be specific to the property.

Schedule C

“Curative”

Schedule “C” sets out requirements that must be met in order to issue the title policy, or they will be placed on Schedule B as exceptions to coverage.

Schedule D

“Disclosure”

Schedule “D” discloses basic information regarding all of the parties involved such as:

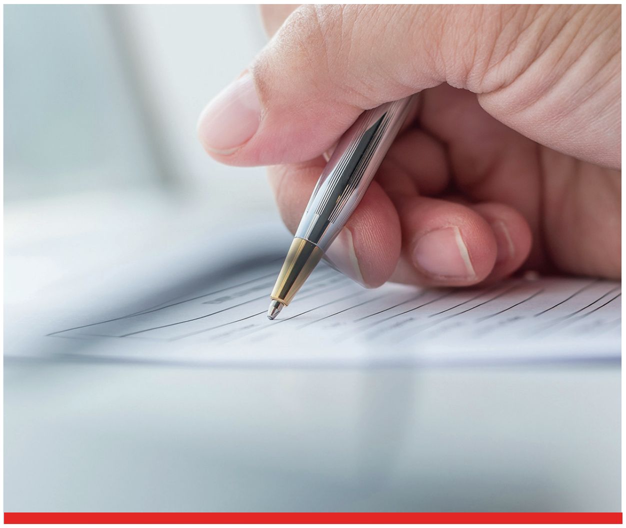
- Ownership and officers of the underwriter and agent
- Estimated Premium Charges
- Any party receiving a portion of the premium

Jules Caplan
Magic Realty, Austin, TX

I thank you for handling this super-rushed, complicated and difficult closing, so efficiently, and so quickly, while being thorough and complete in your review and execution of all the moving parts! Please thank your underwriter and your team for their excellence. I know the borrower is ecstatic that you were able to accommodate them.

WHY YOU NEED TITLE INSURANCE

Owner's title insurance protects you against financial loss caused by covered title risks. As the insured, our underwriter will defend you against an attack on the title to your property without expense to you. If the attack is successful, the title insurer will indemnify you against the defined financial loss up to the policy limit. A small, one-time premium provides you with this valuable protection.



Many title problems can arise to cause the complete or partial loss of your home or business property. Even the most careful search of the public records will not find every title problem. Because some problems are hidden, your title may appear to be perfect when in fact there may be a serious problem that could affect the validity of your property's title.

Examples of Things That Are Covered

- Documents executed under duress
- Defective acknowledgement
- Deeds by minors
- Inadequate legal descriptions
- Easements established through continued use but not discovered by a survey or in the public record
- Mistakes in recording legal documents
- Mistaken reports furnished from taxing authorities
- Misinterpretation of wills
- Deed of community property recited to be separate property
- Errors in tax records. (For example, listing payment against wrong property account.)
- Birth or adoption of children after date of will
- Falsification of records
- Undisclosed or missing heirs
- Errors in indexing of legal documents by the County
- Surviving children omitted from a will
- Deeds to or from defunct corporations
- Marital rights of spouse allegedly, but not legally, divorced
- Instruments executed under fabricated or expired powers of attorney
- Forged deeds, releases, etc.
- Deeds by persons supposedly single but secretly married
- Deeds from persons not competent to handle their affairs

CLOSING COST DEFINITIONS

Appraisal Fee: Cost set by the appraiser for professional evaluation of the property's market value based on comparable sales, improvements on the property and location.

Assumption Transfer Fee: Fee is charged to the buyer, assessed by the lender for buyer to assume present loan.

Credit Report: A report of your credit history.

Discount Points: Points lender may charge to increase the investor's yield. May be paid by either buyer or seller. The number of discount points depends on the rate quoted and the current market rates.

Escrow Fee: Title company's service fee for acting as an escrow agent, carrying out contract instructions, obtaining execution, recording of necessary documents and disbursing sale proceeds; usually split between the buyer and seller.

Filing Fees/Recording Fees: Fees for recording documents in the appropriate county; fee is determined by the number of pages per document.

Hazard Insurance: Fire and extended coverage casualty insurance protects property and contents in case of loss; required by the lender for at least the loan amount.

Inspections: An examination of the property for various reasons such as termite inspections, mechanical inspections, roof inspections; parties may also require follow-up inspections after required repairs are completed.

Per Diem/Interest: Interest due on a seller's existing mortgage through date of pay-off received. Interest is usually paid in arrears. Interest also includes prepaid interest on the buyer's loan for the remainder of the month in which closing occurs.

Loan Application Fee: Fee paid to the lender at time of application; check with your lender.

Miscellaneous Lender Fees: May include fees for underwriting, processing, tax service fee, warehousing, etc; varies with each lender. Check your lenders GFE (Good Faith Estimate) for disclosure and explanation.

Mortgagee's Policy: Policy insuring lender of validity and priority of its lien.

Origination Fee: Lender may charge purchaser a fee to originate a new loan.

Owners Title Policy: Policy that indemnifies the buyer against losses for covered defect in title. Premium is set by the State Board of Insurance.

Prepayment Penalty: A fee charged for early payoff of the Seller's existing mortgage loan. If the penalty applies, it will be stated in the existing mortgage instruments of record.

PMI Premium/MIP Premium: (PMI-Private mortgage insurance conventional loans, MIP-Mortgage Insurance Protection - FHA Loans) Insures lender against loss in the event of default by the borrower.

Prorated Taxes: Taxes are prorated with the seller paying taxes from January 1st through the closing date, and buyer paying the remainder. Figures are usually based on actual taxes charged the previous year. Any shortages or overages due at the end of the existing year are between the buyer and seller.

Realtor Fee: An amount paid to the broker firm representing the consumer (buyer or seller) for real estate services agreed upon in the property listing agreement or buyer representation agreement.

Restrictions: Recorded documents that restrict and limit the use of the defined property.

Survey: A statement (drawing) showing corners, distances, and directions of the boundaries of a tract of land along with easements, encroachments, etc. as may be required in the contract.

Tax Search Certificates: Certificate obtained to determine any unpaid property taxes or assessments that may constitute liens against the property.

Lorie Hood

Circa Real Estate

Capital Title is really great and they work, till all is said and done. They are a team and work together. Anytime I work out in the Champions area they are my first choice.

GOOD FUNDS RULE

The Texas Department of Insurance requires that all Texas title insurance agents collect "Good Funds" at closing.

Good Funds are Defined as Follows:

- ✔ **Wire Transfers to the Title Agency** (Necessary for table funding)
- ✔ **Certified Checks**
- ✔ **Cashier's Checks** (Banks may hold funds for up to 3 business days)
- ✔ **Personal Checks or Money Orders** (Not to exceed $1,499.99)

Note: It is the title company's duty to report any cash or checks totaling $10,000 or more to the IRS.

POST CLOSING INFORMATION

TITLE POLICY

You will receive your Owner's Title Policy within 90 days from the settlement date. If you do not receive this, please contact us immediately. **KEEP THIS FOR YOUR RECORDS!** Remember your policy is good for as long as you own the property and continue to warrant your title after you sell.

ORIGINAL DEED

The County Clerk's office in which your property is located will forward the original deed after recordation. **KEEP THIS FOR YOUR RECORDS!**

ADDITIONAL COPIES

Please make sure to keep your documents in a safe place along with the survey used at closing. In the event you refinance or want to move to a new house you will need these documents to expedite your closing. Your closer gives all these documents to you at the closing.

APPRAISAL REPORT

If your lender did not furnish you with a copy of your appraisal at closing, please contact them directly. Most appraisals are only kept on file for 90 days!

HOMESTEAD EXEMPTIONS

Please contact the appraisal district directly to obtain information on applying for the exemption. The numbers are provided to you below and most of the applications may be downloaded and filed online. If you live in two separate counties, you **MUST** file in both counties.

COUPON BOOKLETS

Your first payment letter is in the set of documents given to you at closing. Please contact your lender if you have not received a coupon book within 30 days.

Home Warranty

Your home warranty provider is:

____

TELEPHONE #

____

CONFIRMATION NUMBER

____

Your brochure and a copy of the invoice and confirmation are given at closing.

Post Closing Checklist

- [ ] Appraisal Report
- [ ] Home Warranty Information
- [ ] Closing Copies
- [ ] Original Deed
- [ ] Title Policy
- [ ] Apply for Homestead Exemption

TEXAS IS A HOMESTEAD STATE

DEFINITION:

House, Condominium, Townhouse, Permanently Installed Mobile Home.

URBAN:

The homestead of a family or a single, adult person, not otherwise entitled to a homestead shall consist of not more than TEN ACRES of land which may be in one or more contiguous lots, together with any improvements thereon.

RURAL:

For a family - not more than 200 acres which may be in one or more parcels, with the improvements thereon. For a single adult person - not otherwise entitled to a homestead, not more than 100 acres, which may be in one or more parcels, with the improvements thereon. A homestead is considered to be rural, if at the time of designation, the property is not served by municipal utilities and re and police protection.

HOW YOU DECLARE A HOMESTEAD:

A new law effective January 1, 2022, provides property-tax relief by allowing homebuyers to file for homestead exemptions on the date they purchase the property, provided it is their primary residence. Previously, new homeowners had to wait until the following year to file for the exemption.

HOW TO FILE?

VERIFY that the property's ownership change is reflected on the tax rolls by contacting your county appraisal-district office. DOWNLOAD the Application for Residential Homestead Exemption form from your appraisal district's website. Complete it, then follow the mailing instructions specific to your county.

ABANDONMENT, SALE, OR ENCUMBRANCE OF A HOMESTEAD:

If a homestead claimant is married, a homestead cannot be abandoned without the consent of the claimant's spouse. When the parties purchase a new homestead, it is generally clear that an abandonment has occurred. A new homestead must be acquired to abandon the former homestead. A homestead cannot be sold or encumbered without the consent of both spouses regardless of which spouse is on title.

PRETENDED SALE AND LEASE OF HOMESTEAD PROPERTY:

Any sale of homestead property that is less than the appraised fair market value wherein the buyer of the property executes a lease of the property to the seller at lease payments exceeding fair rental value of property is considered to be a loan with all payments made from the seller to the buyer in excess of the sales price considered to be interest subject to the usury statute as found in Article 5069.01 et seq.

Such a transaction is also considered a deceptive trade practice. An exception to this rule applies to the sale of a family homestead to a parent, step-parent, grandparent, child, step-child, brother, half-brother, sister, half-sister, or grandchild of an adult member of the family. Title insurance is not available on any sale and leaseback of homestead property.

The Texas Homestead Law was created for the primary purpose of securing for a family or a single adult person, not otherwise entitled to a homestead, a place for a home, shelter and the earning of a livelihood from the claims of all creditors except the holders of liens for purchase money, taxes, owelty of partition, refinance of a lien against a homestead, work or labor for repairs or improvements, extensions of credit, reverse mortgages, or conversion and refinance of a personal property lien on a mobile home.

RESIDENCE HOMESTEAD EXEMPTION FAQs

Do I, as a homeowner, get a tax break from property taxes?

You may apply for homestead exemptions on your principal residence. Homestead exemptions remove part of your home's value from taxation, so they lower your taxes. For example, your home is appraised at $300,000, and you qualify for a $100,000 exemption (this is the amount mandated for school districts), you will pay school taxes on the home as if it was worth only $200,000. Taxing units have the option to offer a separate exemption of up to 20 percent of the total value.

Do all homes qualify for residence homestead exemptions?

No, only a homeowner's principal residence qualifies. To qualify, a home must meet the definition of a residence homestead: The home's owner must be an individual (for example: not a corporation or other business entity) and use the home as his or her principal residence. A new law, effective January 1, 2022 allows homebuyers to file for a homestead exemption on the date or in the year they purchase the property.

What is a homestead?

A homestead can be a separate structure, condominium or a manufactured home located on owned or leased land, as long as the individual living in the home owns it. A homestead can include up to 20 acres, if the land is owned by the homeowner and used for a purpose related to the residential use of the homestead.

What homestead exemptions are available?

There are several types of exemptions you may receive.

- ✔ **School Taxes:** All residence homestead owners are allowed a $100,000 homestead exemption from their home's value for school taxes.
- ✔ **County Taxes:** If a county collects a special tax for farm-to-market roads or flood control, a residence homestead is allowed to receive a $3,000 exemption for this tax. If the county grants an optional exemption for homeowners age 65 or older or disabled, the owners will receive only the local-option exemption.
- ✔ **Age 65 or Older and Disabled Exemptions:** Individuals age 65 or older or disabled residence homestead owners qualify for a $10,000 homestead exemption for school taxes, in addition to the $100,000 exemption for all homeowners. If the owner qualifies for both the $10,000 exemption for age 65 or older homeowners and the $10,000 exemption for disabled homeowners, the owner must choose one or the other for school taxes. The owner cannot receive both exemptions.

How do I get a general $100,000 homestead exemption?

You may submit an Application for Residential Homestead Exemption and supporting documents with the appraisal district where the property is located. Once you receive the exemption, you do not need to reapply unless the chief appraiser sends you a new application. In that case, you must file the new application. If you should move or your qualification ends, you must inform the appraisal district in writing before the next May 1st. A list of appraisal district addresses and phone numbers is available online.

What is the deadline for filing for a homestead exemption?

A new law, effective January 1, 2022 allows homebuyers to file for a homestead exemption on the date they purchase or in the year when they purchase the property, provided it is their primary residence.

May I continue to receive the residence homestead exemption on my home if I move away temporarily?

If you temporarily move away from your home, you may continue to receive the exemption if you do not establish a principal residence elsewhere, you intend to return to the home, and you are away less than two years. You may continue to receive the exemption if you do not occupy the residence for more than two years only if you are in military service serving inside or outside of the United States or live in a facility providing services related to health, infirmity or aging.

If I own only 50 percent of the home I live in, do I qualify for the residence homestead exemption on the home?

Yes. However, if you qualify for a homestead exemption and are not the sole owner of the property to which the homestead exemption applies, the exemption you receive is based on the interest you own. For example, if you own a 50 percent interest in a homestead, you will receive only one-half, or $50,000, of a $100,000 homestead offered by a school district.

HOMESTEAD EXEMPTION APPLICATION

To qualify for the general residence homestead exemption an individual must have an ownership interest in the property and use the property as the individual's principal residence. An applicant is required to state that he or she does not claim an exemption on another residence homestead in or outside of Texas.

A new law, effective January 1, 2022, provides property-tax relief by allowing homebuyers to file for homestead exemptions on the date they purchase or in the year when they purchase the property, provided it is their primary residence. Previously, new homeowners had to wait until the following year to file for the exemption.

How to file?

VERIFY that the property's ownership change is reflected on the tax rolls by contacting your county appraisal-district office. **DOWNLOAD** the Application for Residential Homestead Exemption form from your appraisal district's website. Complete it, then follow the mailing instructions specific to your county.

Atascosa County Appraisal District	830.742.3591	atascosacad.com
Bastrop County Appraisal District	512.303.1930	banderaproptax.org
Bell County Appraisal District	254.939.5841	bellcad.org
Bexar County Appraisal District	210.224.2432	bcad.org
Brazoria County Appraisal District	979.849.7792	brazoriacad.org
Brazos County Appraisal District	979.774.4100	brazoscad.org
Burnet County Appraisal District	512.756.8291	burnet-cad.org
Caldwell County Appraisal District	512.398.5550	caldwellcad.org
Chambers County Appraisal District	409.267.3795	chamberscad.org
Collin County Appraisal District	469.742.9200	collincad.org
Comal County Appraisal District	830.625.8597	comalcad.org
Dallas Central Appraisal District	214.631.0910	dallascad.org
Denton County Appraisal District	940.349.3800	dentoncad.com
Ellis County Appraisal District	866.348.3552	elliscad.com
El Paso Central Appraisal District	915.780.2131	epcad.org
Fort Bend Central Appraisal District	281.344.8623	fbcad.org
Galveston County Appraisal District	866.277.4725	galvestoncad.org

Grayson Central Appraisal District	903.893.9673	graysonappraisal.org
Guadalupe County Appraisal District	830.303.3313	guadalupead.org
Hardin County Appraisal District	409.246.2507	hardin-cad.org
Harris County Appraisal District	713.957.7800	hcad.org
Hays County Appraisal District	512.268.2522	hayscad.org
Hunt County Appraisal District	903.454.4160	hunt-cad.org
Je erson County Appraisal District	409.840.9944	jcad.org
Johnson County Appraisal District	817.558.8100	johnsoncad.com
Kaufman County Appraisal District	972.932.6081	kaufman-cad.org
Kendall County Appraisal District	830.249.8012	kendallad.org
Liberty County Central Appraisal District	936.336.5722	libertycad.com
Llano Central Appraisal District	325.247.3065	llanocad.com
McLennan County Appraisal District	254.752.9864	mclennancad.org
Medina County Appraisal District	830.426.4600	medinacountytx.org
Montgomery Central Appraisal District	936.756.3354	mcad-tx.org
Nueces County Appraisal District	361.881.9978	nuecescad.net
Orange County Appraisal District	409.745.4777	orangecad.net
Parker County Appraisal District	817.596.0077	parkercad.org
Rockwall County Appraisal District	972.635.9351	rockwallcad.com
San Patricio County Appraisal District	361.364.5402	sanpatcad.org
Tarrant County Appraisal District	817.284.0024	tad.org
Travis County Appraisal District	512.834.9317	traviscad.org
Waller County Appraisal District	979.921.0060	waller-cad.org
Williamson County Appraisal District	512.930.3787	wcad.org
Wise County Appraisal District	940.627.3081	wise-cad.com