

Frequently Asked Questions

What is closing?

Closing or settlement is the process of completing a real estate transaction. During closing deeds, mortgages, leases or other required instruments are signed or delivered. Furthermore account between parties is made, monies disbursed and recording of all pertinent documents.

What do I need to bring to settlement?

Each party needs to provide official photo-ID (driver's license, passport). If you are required to bring funds to the settlement they should be in the form of a cashiers, treasurers, teller's check, money order or certified check (made payable to Horizon Abstract Co., Inc.)

How long will settlement take?

This depends very much on the case involved, but usually settlement will take about an hour for a sale and about 40 minutes for a refinance.

Who attends settlement?

With a sale the buyers, sellers and their respective attorneys and real estate agents will attend. Most lenders forward their documents and instructions to the title company without sending a representative. For a refinance, usually one our settlement office and the borrowers need to attend.

What is a HUD settlement statement (HUD-1)?

This is a summary of the financial portion of the real estate transaction. The HUD will list the purchase price, loan amount and closing costs for both buyer and seller and show all pro-rations and sums to be disbursed by the title company to all parties.

What is pro-ration of property taxes?

This is the process of crediting either the buyer or seller for their share of real estate taxes either paid or owing as of the date of settlement.

What is pre-paid interest?

This is interest due from the date of a loan closing to the first day of the following month. Most loans required payments to be due on the first day of the month. Each monthly payment reflects the principal and interest due on the loan for the previous month. A loan closing on the 20th day of the month will required interest adjustment to the 1st day of the following month. The first payment will then be due on the 1st day of the month following. For example, if your settlement is on September 15th and your first monthly payment is due November 1, the lender will collect interest to cover the period from September 15 through September 30. The November 1st payment covers the accrued interest for the month of October. Interest adjustment is considered a settlement charge and will be disclosed on the HUD.

What is Escrow?

An escrow is an arrangement with a third party, who holds funds and/or legal documents on behalf of the buyer or seller, and distributes them according to the instructions given by the buyer or seller. Often a buyer may be required, or elect, to escrow 1/12th of the annual taxes and insurance. The amount of tax escrow needed at the time of settlement is determined by the first mortgage payment date and the date by which the taxes may be paid at the discount rate.

What is title?

A title is the owner's right(s) to possess and use a real property.

Why is transferring title to real estate so unique?

Unlike buying a car or television, land title is permanent. While the function of most other forms of insurance is to protect you against losses arising out of unforeseen future events, the primary purpose of title insurance is to eliminate risks and prevent losses caused by defects in title arising out of past events. You need to know the marital status of the seller and whether there are lawsuits or judgments against a former owner. Various rights may have been acquired by others even if the land has never been build upon (e.g. mineral, air or utility rights). It is necessary to determine what rights are outstanding in order to transfer a clear title to a piece of real estate.

What is a title search?

A title search determines from the public record what the rights to a property are and who owns them. Documents searched include court records, property and name indices. The seller's right to transfer ownership is verified, along with and claims, defects or other rights that may affect the property.

What kinds of problems can a title search reveal?

Some examples are unpaid taxes, unsatisfied mortgages, judgments against the seller and restrictions on the land.

Are there any problems that a title search cannot reveal?

Fraud, mental incompetence, and clerical errors are examples of the hidden history that a title search may not reveal. Title insurance is needed to protect against such defects coming to light after you have purchased your home.

What is title insurance?

Title insurance is a contract to indemnify against losses arising through defects in the title to real estate

What does title insurance protect against?

Some of the most common problems covered include:

- Unfiled or unpaid liens

- Descriptions apparently but not actually adequate

- Mistakes in recording legal documents

- Fraudulent deeds, mortgages, etc.

Undisclosed or missing heirs
Deeds by persons of unsound mind

What doesn't title insurance protect against?

. It protects you, in general: actions of the government and items an informed purchaser should know about, such as who is in possession of the property, or an object such as a utility pole in the middle of the yard. Exceptions include specific easements, restrictions, boundary lines and acreage, encroachments visible upon the ground, etc.

How does title insurance protect me and my investment?

The insurer is obliged to defend you against the claims of others, regardless of the validity of the claim. Your insurance pays all court costs and related fees, in accordance with the terms of the policy, in addition to any actual loss up to the policy amount.

How much could I lose if a claim is filed against my property?

It all depends upon the claim. At worst you could lose the entire property and still be liable for the balance of your mortgage. Even the smallest claims cost time and money and you may have to pay for a legal defense.

The property I want to purchase had a title search done within the past year. Do I need another one?

Yes- a lot can happen in a year. New easements may have been granted by the current owner or the property may have been mortgaged or had other liens filed against it.