Account Servicing

What is Account Servicing?

An escrow related function whereby the servicing of an agreement/contract between two or more parties is performed by an impartial third party. These agreements/contracts may be secured or unsecured, the terms & conditions of the agreement/contract dictate how an account is serviced. The types of agreements/contracts generally serviced include Note & Deed of Trust, Mortgages and Lease Agreements.

Benefit for Sellers

Sellers find it especially advantageous to have a third party maintain records for them in case they wish to pledge their receivable from the note or contract as collateral in order to obtain their own financing. Most lenders prefer to receive information about collateral from an impartial service who can furnish documents if necessary.

Benefit for Buyers

Buyers benefit using Account Servicing since the release document must be placed with us, thus assuring the buyer the lien will be released upon payment in full of the obligation. Account Servicing is also helpful when buyers apply for other loans, since we can supply information regarding their account and payment history, which they in turn can give to potential creditors.

Once the sale transaction is completed, Fidelity National Title's Account Servicing Department provides the following services for the buyer and seller:

- Ensure that the original documents are safely stored.
- Send the buyer monthly statements.
- Calculate principal and interest portions of payments.
- Provide detailed payee check stubs or payment advices.
- Send late notices when requested by seller.
- Set up impound/escrow accounts to collect tax and insurance payments.
- Send year end statements to payor and payees.
- Provide payment histories, status reports, pay off statements and mortgage verification.
- Professional account servicing representative to answer questions about individual accounts.
- Competitive rates
- Control reports for customers with multiple account portfolios.
- Full foreclosure and forfeiture services through Fidelity's in-house foreclosure Department.

Questions on setting up a new loan? Email us at azsfnewsetups@fnf.com

How to Order a Payoff. As there is a statement fee, all payoff requests must be done in writing. You can either E-mail your request to azsfaccountpayoff@fnf.com or Fax 520-290-3860. Please note, there is a 3 day turn time for payoff statements.

What is…?

Carry Back

- Seller agrees to carry a note for part (or all) of his equity in the property he/she is selling. [Seller becomes the bank]

Wrap

- Seller Wraps the first Note & Deed of Trust plus his equity carry-back and creates one, "all inclusive", Note and Deed of Trust.
- Reasons for Creating a Wrap
  - Seller wants to sell house
  - Buyer cannot qualify to assume seller's mortgage
  - Seller thus agrees to finance his equity carry-back, plus theoretically, maintains responsibility for his original mortgage balance
  - Seller Wraps the first Note and Deed of Trust (his mortgage obligation), plus the amount of his equity carry-back, creating one "all inclusive" Note and Deed of Trust or Agreement for Sale

Assignments and Assumptions

- Assignment
  - An assignment of mortgage is a document which indicates that a mortgage has been transferred from the original lender to another party.
  - This requires an assignment of beneficial interest and a note endorsement from the old lender to the new lender.
    - This document is not prepared by us but needs to be prepared and recorded and submitted to Account Servicing.
- Assumption
  - The borrower transfers the mortgage to another person. In this case, the person accepts liability for an existing debt secured by a mortgage on the property.
  - This requires a vesting deed from the old payor to the new payor.
    - This document is not prepared by us but needs to be prepared and recorded and submitted to Account Servicing.
    - This does not change the name of the Trustor on the Deed of Trust. Only the person that owns the property. So, when payoff occurs, the reconveyance will reference the old Trustor that is on the Deed of Trust

What is an Estate?

- An estate is the term used for an individual's assets, all of a person's money and property that have an established financial value.
- An estate usually comes into effect as such only when a person declares bankruptcy or dies and the property must be distributed to others.
- If a person has not left a will, the estate is considered intestate. Local laws will determine who gets the deceased person's assets.

What is an Impound Account? (aka Escrow Account or Reserve Account, terms are interchangeable)

- An account that holds funds for the payment of:
    - Hazard Insurance
    - Property Taxes
    - Possible Assessments
    - These items are unique for each loan and dependent on the terms of the Note or Agreement for Sale.
- The payor's mortgage payment will include the regularly scheduled loan payment (according to the note) plus an impound deposit.
    - The deposit is placed in the Impound Account.
    - When a tax or insurance bill is due, the servicer will make the payment using the funds held in this account.

Calculating the Impound Payment

- By totaling the annual property taxes (T) and insurance premiums (I), then dividing by twelve:
    - Impound Payment = (T + I)/12

      This amount will also include HOA or Assessments if we are paying those as well.
- Our balance for the impound account is all the expired moths, <u>plus</u> a 2-month buffer.

Glossary

- Seller/Payee/Owner/Lender/Beneficiary
- Buyer/Payor/Borrower/Trustor
- Note – the repayment terms of a Deed of Trust
- Deed of Trust – the recorded document placing the lien on the property
- Agreement for Sale – a recorded document stating that the buyer is in the process of purchasing the home, but it will not have title transferred until payoff.
- Release and Reconveyance – Recorded document that releases the Deed of Trust, signed by Trustee.
- Beneficiary Release - Recorded document that releases the Deed of Trust, signed by Beneficiary.
- Payoff Deed – Recorded document that signifies that the Agreement for Sale has been paid off, and transfers title to the buyer.
- Beneficiary - a person designated as the recipient of funds or other property under a will, trust, insurance policy, etc.
- Trust - A legal trust is a entity frequently used in estate planning to help a person distribute property or provide for a loved one after they have passed away. The trust is a written set of rules that will determine how, what, when, and where a gift or property is to be distributed to an heir or beneficiary.
- Joint Tenancy with Right of Survivorship
    - A Joint Tenancy with Right of Survivorship is a document wherein two individuals own equal and undivided interests in a piece of property. When one of the individuals dies, the surviving individual acquires ownership of the entire piece of property by right of survivorship. To establish ownership, the surviving individual simply executes and records an affidavit of death.