



# Closing Challenges

by  
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This 3 clock hour course will cover challenges that can delay closing of residential transactions from clouds on title to signing the final documents.

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*A Washington State Approved Real Estate School under R.C.W. 18.85.*



***Please Read this First! Thanks!***

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## **Clockhours by Mail**

1. You will be provided with a booklet of with the class material. It is for use as a clockhour class under Professional Direction. Any other use by permission only.
2. The course has been divided up into one hour sessions. In Washington State a “clock hour” is 50 minutes. There are questions about each session. They can be answered while reading the material, at the end of the session, or at the end.
3. **Answer** the questions on the quiz answer sheet.
4. If you have any questions regarding the material or the questions, don’t hesitate to call or email Natalie Danielson.
5. **Mail or Scan** Answer Sheet and Evaluation to Professional Direction.
6. The certificate will be mailed within 1 day or so of receipt (**OR WITHIN HOURS!**) of course materials and handout. If you are desperate.. Email the school

*Disclaimer.. the course materials and questions are not to be used for legal advice. Information can change over time. Real estate transactions are handled different ways in different regions in the State of Washington. If you have any comments or concerns about the material contact Professional Direction.*

Thanks!  
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# Closing Challenges

## Curriculum

<b>Session Hours</b>	<b>Major Topics</b>	<b>Method of Instruction</b>	<b>Equipment Materials</b>
1 1 hour	Define escrow in Washington State. Recognize who can close transactions. Learn the escrow process.	Read Material	Workbook
2 1 hour	Understand the property handling of earnest money. Understand the importance of original and authorized signatures	Read Material Answer quiz	Workbook
3 1 hour	Understand the problems that can arise as clouds on title and at the closing table.	Read Material Answer quiz	Workbook

# Closing Challenges

When a seller and a purchaser come together to transfer ownership of real property in Washington State most often the transaction is closed with the services of escrow.

As a real estate broker, it is important to understand the process of closing a transaction and the services provided by a neutral third party.

## Course Objectives

As a result of taking this class the real estate licensee shall be able to:

- Define “Escrow” in Washington State.
- Understand the escrow process and a typical schedule.
- Identify the information that is necessary to create escrow instructions.
- Know some of the problems that can occur during escrow.

# Closing Challenges

## What is Closing?

The closing of a real estate transaction in Washington State occurs when the documents are signed recorded and the funds are available to the seller. The closing date is the day the buyer takes ownership. Possession occurs when specified on the purchase and sale agreement.

The parties to the transaction sign (which is called the signing appointment) usually sign 48 hours before the actual closing. Changes in the CFPB August 2015 will change time needed prior to the actual closing. At that time the documents are all drawn and signed. At this time any final money owed as part of the transaction is paid by certified check or wired funds. There is a large number of wired funds because of so many fraudulent cashiers checks.

## What is Escrow?

An escrow is a method of closing in which a neutral third party is authorized to act as escrow agent and coordinate the closing activities. The escrow agent holds monies and legal documents on behalf of the buyer and seller and handles them according to their instructions in order to close or complete the sale.

## Who can close transactions in Washington?

Washington's Escrow Agent Registration Act requires escrow agents to be licensed and registered with the Department of Financial Institutions (D.F.I.). There are a number of exemptions from these requirements, however. Attorneys, title companies, banks, savings and loans, credit unions, insurance companies, and federally approved lenders are allowed to perform escrow services without being licensed or registered under the act. In addition, those acting under the supervision of a court such as receivers, trustees in bankruptcy, guardians, executors, and probate administrators.

In Washington State a broker handling escrow for their own transactions is also exempt from licensing, provided they do not charge a fee for their escrow services. Very few brokers ever close real estate transactions because of liability issues.

For a company to be licensed as a Certified Escrow Agent to engage in the escrow business under the registration Act it is necessary for a partner or corporate officer to pass an escrow agent examination, pay a fee, submit affidavits of good character, present a good credit report and a obtain a fidelity bond. The certified escrow agent may employ Escrow Officers to close transactions and they must also be licensed. They will have two licenses. One from DFI (for handling HUD and the money) and the other from the Bar Association.

## Limited Practice Officer

The term "L.P.O." is short for Limited Practice Officer, a person who has been authorized to prepare certain closing documents and perform routine closing functions under rules approved by the Supreme Court of Washington. Different laws govern the conduct of different classes of Escrow Agent.

A "Closer" is someone who works for an escrow agent. A closer may or may not be an LPO.

## Real Estate Documents

Though an escrow officer or Limited Practice Officer has been authorized to prepare documents relative to a real estate closing, they are not authorized to draw up any contracts related to the purchase and sale agreement. For example, if the closing date is to be extended, anyone in the escrow office is NOT authorized to write and attaché an addendum extending the closing date and then have it signed at closing. Real estate agents regularly ask escrow to draw up addendums but escrow is not authorized to do so. Escrow is a newtral third party who is to process the closing of a transaction based on the contracts provided to them.

## The Escrow Process

1. After a purchase and sale agreement is signed escrow is opened. The escrow agent gathers the information necessary to execute escrow instructions.
2. A Commitment for Title Insurance is ordered by escrow. Sometimes preliminary title has been ordered by the listing agent and escrow contacts the title company for an update, which will include a search on the purchasers name. The preliminary title will identify the property and any clouds on the title including liens, mortgages and deeds of trust, homeowners association, CCR's, etc.
3. The escrow agent holds monetary deposits for the buyers in a trust or escrow account. In about a third of the transactions, the real estate selling office holds earnest money funds for the buyers in the real estate brokers trust account. Escrow verifies all the deposits made for the buyers.
4. Buyer and seller deposit all pertinent documents and other items with the escrow agent before the specified date of closing.
5. The escrow agent examines the title to determine whether there is marketable title and to identify liens that must be paid from closing funds. Escrow orders payoff figures from any lien holders. The seller may have one or more deeds of trust that need to be paid. There may be other liens including a leased fixture or judgment.
6. The escrow agent prepares the documents, such as the deed for closing.
7. The escrow agent prepares the Settlement statement and determines how the funds are allocated based on the agreements and the liens. The commission is determined based on the commission disbursement statement provided by the agents. Commission is paid only to real estate brokers and not the individual real estate agents.
8. The escrow agent meets with the buyers and the sellers to sign the closing documents. The buyers and the sellers can meet separately with escrow for signing which is rather typical. The documents can also be sent to the buyers and sellers for signing. There are a number of disclosures that the buyers and sellers sign. The seller signing appointment generally takes about 10-15 minutes. The purchasers appointment takes about 30-60 minutes.
9. The documents are returned to the lender for final review. Closer returns to the lender all the original docs excepted recorded docs which they are given a certified copy of. The lender reviews the docs and then calls the closer to "balance."
10. After the lender funds the loan, the escrow agent sends the documents to the title company for recording. Once the documents are recorded the funds are dispersed. At that time the transaction is "closed."

## **Earnest Money**

Earnest money is sometimes referred to as a good faith deposit, binder or deposit. It is evidence that the purchaser intends to carry out the terms of the contract in good faith.

In Washington State it is not required for the purchaser to pay earnest money when making an offer on a property.

## **Amount of Earnest Money**

The amount of earnest money is not set by any laws or rules. The amount of the deposit is a matter to be agreed upon by the parties. The amount should be an amount that will:

- Discourage the buyer from defaulting or not completing performance on the contract.
- Compensate the seller for taking the property off the market,
- Cover any expenses the seller might incur if the buyer defaults.

## **Depositing Earnest Money**

The purchaser can deposit earnest money in a variety of forms. It is most common for the buyer to write a personal check that is deposited into an escrow or trust account until closing.

The form of earnest money shall never be changed by the real estate licensee. If the buyer has an cash they want to use for earnest money and the seller agrees, the agent cannot deposit the cash into their personal account and then write a personal check for the same amount.

The earnest money is held by a third party in a broker, escrow or attorney trust account. It must be held in an IOITA account where the interest earned goes to the Washington State Bar for legal services for the poor. It is written on the purchase and sale agreement the place that the earnest money is held and when it is to be deposited.

If the earnest money is held in the broker's trust account full and accurate records are to be kept by the broker and audited by the Department of Licensing. The earnest money it is not to be commingled with the broker's own personal or business funds. If the broker uses the earnest money funds for his or her personal use it is called conversion and a violation of the Washington State Trust Account laws. The interest from the broker's trust account is transferred into the Washington Housing Trust Fund. If the earnest money exceeds \$10,000 the purchaser can elect to have the money held in a separate trust account and keep the interest less any bank charges.

If the earnest money is held in the trust account of an escrow office or title company, then the real estate agent for the buyer shall have a copy in the transaction file of a dated receipt when the deposit is made. The broker is responsible for delivery according to the new change in handling instructions. This is so the broker and not the buyer has full knowledge of the deposit.

“When a transaction provides for the earnest money deposit/note or other instrument to be held by a party other than the broker, a broker shall deliver the deposit to the party designated to hold the funds. The delivery shall be made within one banking day after all parties to the transaction have signed the agreement, unless parties to the transaction instruct otherwise in writing. A dated receipt will be obtained and placed in the transaction file.”

## Earnest Money Disputes

When a real estate transaction fails to close there is often an amount of earnest money deposited in a title or escrow company.

The purchaser agrees in the purchase and sale agreement to deposit a sum of money. When the purchaser breaches the contract and fails to close, they often forfeit the deposit allowing the other party to keep the money. Courts treat these arrangements as a form of liquidated damages.

In 1991 the Legislature created a law governing earnest money deposits as liquidated damages. RCW 64.04.005 states: A provision in a written agreement for the purchase and sale of real estate which provides for liquidated damages or the forfeiture of an earnest money deposit to the seller as the seller's sole and exclusive remedy if a party fails, without legal excuse, to complete the purchase, is valid and enforceable, regardless of whether the other party incurs any actual damages. However, the amount of liquidated damages or amount of earnest money to be forfeited under this subsection may not exceed five percent of the purchase price.

In April 2015 a new law regarding how disputes over earnest money on residential real property improved or unimproved was signed. Within 15 days from the receipt of a written demand from a party to the transaction, the holder must either: 1 Notify all parties of the demand, 2 release the earnest money to one of more of the parties; or 3 commence an interpleader action in Superior Court.

If the holder opts to notify other parties, the holder's notice must be in writing sent by US mail and email to the parties last known addresses and include a copy of the demand. It must contain a statement that"

- The parties have 20 days from the mailing date of holders notice to provide notice of their own objection to the release of earnest money; and
- Their failure to deliver a timely written objection within 20 days will result in a release of the earnest money to the party that made the original demand.

If the holder receives an objection within 20 days, it must file an interpleader action in Superior Court within 60 days of receiving the objection or an inconsistent demand. However, the holder may release the funds or delay filing the interpleader action if it receives consistent instruction so do so from the parties after their initial objections. If the holder receives no objections, it must deliver the earnest money to the demanding party within 10 days after the 20 day period expires. The holder may also file an interpleader action at any time, even if no conflicting demands were received.

If the holder of the earnest money follows the procedures outlined in the bill, it is not liable to any person for releasing the earnest money to the demanding party, unless it releases the funds on the initial demand without waiting for objections of filing an interpleader action.

An interpleader action is a lawsuit in which the holder of a sum of money deposits the money or property with the court and names as defendants the parties who assert rival claims to the money. The court then determines the ownership of the money or property and the original holder is absolved of responsibility.

## **Signatures of the Parties**

The purchase and Sale agreement must be signed by the parties that are shown on the deed. As simple as this may sound, original signatures and who is authorized to sign contracts to sell and documents that execute the sale can be more complicated.

### ***Individuals***

#### **Tenants in Common**

An example could be a brother and sister. When one dies, the property might go to the sibling unless documented otherwise in the documents.

All must sign the documents

#### **Joint Tenants**

An example could be two friends purchasing property. When one dies, the property would go to the family/survivors unless otherwise documented.

All must sign the documents

#### **Corporations**

A copy of the Corporate Resolution is required appointing the signor. A signor cannot give a Power of Attorney to another.

#### **Limited Partnerships**

All partners must sign the documents

#### **General Partnerships**

There is a managing partner that can sign according to the Partnership agreement.

#### **Trustees and estates**

The trust agreement or the court can appoint a representative to sign.

### ***Married Couple***

It is best to never make assumptions as to whether the property is community property or separate property. If the property owners are married, it may be considered community property regardless whether only one person is listed on the title.

#### **Both in Title- community property**

When a Husband and Wife are both in title and they purchased the property together, they both must sign all documents. They can appoint a Power of Attorney, but escrow often wants at least one party to sign the documents.

#### **Both Occupy, one acquired prior to marriage- community property**

Both must sign because of the Washington Homestead Law

#### **One purchased the property as separate property- separate property**

Only the spouse in title needs to sign. Often the title company will require a quit claim deed or written statement that the other spouse has never occupied or has no interest.

#### **Both Occupy, on purchased. They both have moved- community property possibly**

The property could be considered community property. This may need some legal advice.

#### **Divorced, but one has a lien and the other has the property.**

Only the person in title must sign. The lien holder must give payoff figures to escrow.

## ***Power of Attorney***

A power of attorney is a document that appoints someone to sign for another. There are several different types. If a party wishes to use a power of Attorney to sign a contract or document, it is imperative to have a copy of the power of attorney. Escrow, Title and the Lender must determine that the form is acceptable.

There are three types of Power of Attorney Forms

Special Power of Attorney (LPB form #70)

Deals specifically with a sale

Special Power of Attorney (LPB form #71)

Deals with a purchase or mortgage)

General Power of Attorney

Because the special Power of Attorney authorizes a signature for a specific transaction, it is most often used and recognized by escrow. A complete legal description for the property must be included. A Power of Attorney needs to be notarized.

A Power of Attorney cannot be used:

When signing for a corporation, partnership or as a personal representative of an estate.

For a self serving purpose. The wife cannot use a Power of Attorney to sign for a husband when in the midst of a divorce.

As the only signature for a married couple. Escrow will hesitate to have both husband and wife give a Power of Attorney to another person.

## ***Signature***

No phone, discussion or initial can authorize another person to sign documents for another. Only the people on a deed .. as a buyer or seller... can sign documents for a real estate transaction unless there is a legal authorization.

For example, a seller cannot authorize a real estate agent to sign his or her initials to a change in a contract as per a phone call.

A sister cannot sign for a brother and add her initials to the signature to "make it good." Initials do not authorize a signature.

Escrow cannot use these kinds of authorizations.

## ***Forgery***

Too often in the real estate industry one party wants to sign documents for another without the written authorization. A telephone call, for example, does not give any person the authorization to sign the other party's signature!

A person commits FORGERY if he or she makes a false writing or materially alters a genuine writing that either has legal significance or is commonly relied upon in business transactions. A writing includes handwriting, printing, typewriting, or engraving. A painting, for instance, does not qualify as a writing. To be guilty of forgery, the person must intend to defraud someone by his or her action. Unlike the property crime, there is no requirement that any victim lose property or money. It is enough that the forger makes the false writing with the fraudulent intent. Examples of documents with legal significance are a check, promissory note, stock certificate, bond, deed, mortgage, will, and contract. Examples of documents used in business are an invoice and a letter of recommendation. The forger's act often consists of signing the name of a real or fictitious person (not the forger's own name), filling in a blank, or materially altering what is already written.

## **Title Insurance**

Most listing agents open “Listing Preliminary title reports when they take a listing.” The escrow agent checks to see if preliminary title is opened and checks the purchase and sales agreement and if title not opened then orders the Preliminary Commitment for Title Insurance. The type of insurance coverage is specified in the Purchase and Sale Agreement. With a title insurance policy, the title insurance company agrees to indemnify the policy holder against any loss caused by defects in the title. A defect in the title could include a forged deed, clerical errors, or a deed executed by a minor. There are specific defects that are excluded from coverage. An example would be a loss a homeowner might incur due to a zoning change.

## **Clearing Clouds**

A cloud on a title is defined as any document, claim, unreleased lien or encumbrance that might invalidate or impair the title to real property or make the title doubtful. Clouds can affect the ability to get title insurance. Insurance companies can also insure around the cloud.

During the escrow period often there can be clouds that appear on the title. These clouds can delay or even stop a closing on the property.

A preliminary title report is ordered at the time escrow is opened. Sometimes the preliminary title report is ordered with the listing and updated at the time escrow is opened. The preliminary title report can identify some problems or clouds on the title.

### **Problems with the Parties**

- The seller or buyer have a common name

  - They are required to sign an Identity Affidavit

- Judgments or tax liens against the seller or the property

- Judgments or tax liens against the buyers may have to be cleared by their lender

### **Problems with the Property**

- There may be a missing link in the chain of title

- Discrepancies in the legal description

- Unplatted lots

- Encroachments

- Easements

- Restrictive covenants

- Ingress and egress problems

- Right of first refusal

- Restrictions on the right of sale (due on sale)

- Reservations and Mineral, water or development rights

- Adverse possession rights

- Land use and zoning restrictions

- Existing assessments on the property

- Environmental problems

## CFPB Regulations and Documents

The Dodd Frank Act required the Consumer Financial Protection Bureau (CFPB) to publish rules and forms that combine certain disclosures that consumers receive in connection with applying for and closing on a mortgage loan under the Truth in Lending Act (Regulation Z) and the Real Estate Settlement Procedures Act (Regulation X).

Effect August 1, 2015, the regulations, disclosures, forms, and documents will change for real property transactions with financing.

The **Loan Estimate** and **Closing Documents** will replace the Good Faith Estimate, Truth in Lending, and the HUD1. The benefits of the new forms include:

- This will reduce paperwork by combining forms.
- Clear language will help consumers understand mortgage loans and real estate transactions.
- Information will be highlighted that is most important to consumers.
- More information about the costs of taxes and insurance is listed. How the interest rate and payments may change in the future will be listed.
- Warnings for consumers about features they may want to avoid like prepayment penalties.
- Cost estimates for services required to close will be more reliable.
- Requirement that the consumers receive the Closing Disclosure at least three business days before closing.

All the new forms and the regulations are available at the [ConsumerFinance.Gov](http://ConsumerFinance.Gov) website.

### Closing Disclosure 3 day review

The consumer will have the right to review the terms of the transaction on new easier to use disclosure statements 3 days prior to closing.

If there are changes in the days leading up to closing that affect the basic terms of the transaction then the new regulations require an **additional** 3 day review. According to the CFPB on their website, the three changes that would trigger the additional three days include:

- a. The APR increases by more than 1/8 % for fixed rate loans or more than ¼% for adjustable loans. A decrease in APR will not require a new 3 day review if it is based on changes to interest rate or other fees.
- b. A prepayment penalty is added making it expensive to refinance or sell.
- c. The basic loan product changes, such as a switch from fixed rate to adjustable interest rate or to a loan with interest only payments.

There has been much misinformation and mistaken commentary around this point, according to the CFPB. Any other changes in the days leading up to closing do not require a new 3 day review, although the lender will still have to provide an updated disclosure. For example, the following circumstances do not require a new 3 day review:

- a. Unexpected discoveries on a walk through such as a broken refrigerator or missing stove, even if they require seller credits to the buyer.
- b. Most changes to payments made at closing including the amount of the real estate commission, taxes and utilities proration, and the amount paid into escrow.
- c. Typos found at the closing table.

For more information on the 3 day review visit the [ConsumerFinance.Gov](http://ConsumerFinance.Gov) website.

# Wiring Instructions Fraud Business Email compromise

According to the FBI, the Internet Crime Complaint Center saw a 480 percent increase in the number of complaints filed last year by those in the real estate industry. Most of these complaints were related to wire fraud, a scam becoming more common in the real estate industry.

Washington State is listed in the top ten list on the Internet Crime Center 2016 report for the reported number of victims and the reported number of losses due to Internet Crime. In 2016 there were 6874 victims in our state compared to California with over 39,000 victims. But, the numbers of victims in Washington are substantial compared to the rest of the country. The loss per victim in Washington state is \$725,638,734. The number of victims is not nearly as high as all kinds of other internet crimes like the advance fee fraud, phishing and non payment or non-delivery. But, the monetary losses are exorbitantly high. The next highest reported monetary losses are from Confidence Fraud/Romance and non-payment/non-delivery.

This past June, news broke that a real estate phishing scam cost a New York State Supreme Court judge over \$1 million.

Business Email Compromise/Email Account Compromise leads all the other types of internet crime with reported monetary losses over \$360 million dollars.

BEC is a scam targeting businesses (not individuals) working with foreign suppliers and/or businesses regularly performing wire transfer payments. EAC is a similar scam which targets individuals. These sophisticated scams are carried out by fraudsters compromising email accounts through social engineering or computer intrusion techniques to conduct unauthorized transfer of funds. Most victims report using wire transfers as a common method of transferring funds for business purposes; however, some victims report using checks as a common method of payment; The fraudsters will use the method most commonly associated with their victim's normal business practices.

In real estate, victims are often the buyer of a property. An email account with the real estate agent or escrow has been compromised. When it comes time to wire funds for closing, the scammer creates a ghost account and sends wiring instructions that are different than the escrow instructions. Once the buyer emails the funds, they are lost and gone off to most likely another country.

According to Law.com, "Earlier this month, the FBI told the Washington Post that in 2017, cyber criminals stole or attempted to steal almost \$1 billion from real estate purchase transactions. That figure is up from \$19 million in 2016, which makes wire fraud the fastest growing real estate cybercrime in the U.S."

"As with any other target for cyber criminals, if there is an opportunity to profit, the criminals will come. That said, there are likely three reasons real estate is attractive to cyber criminals. One, because of the diversity of targets. Second, because they prey on unknowing home buyers who don't know how to spot a scam, and three, because of the amounts involved—it is not uncommon for buyers to wire transfers for hundreds of thousands of dollars."

Prevent yourself from becoming a victim. There are two primary victims. They include the hacked email account holder and the buyer who emailed the funds.

Make sure that the buyer emailing funds is aware of the scam. Be in touch with escrow through known channels. Use the contact information given at the beginning of the transaction. Beware of any changed phone numbers or email accounts. For example, if there is a request to transfer funds that comes to the buyer from escrow using a Yahoo or Gmail account, it is a pretty sure guess that the email is a ghost one. Real Estate agents and transaction coordinators show beware clicking on an unknown link.

## **Real Estate Agent Responsibilities**

### ***What can the Real Estate Agent do to get those transactions closed???***

A real estate agent can contribute to a successful real estate closing. Some errors and problems that occur can delay or contribute to the failure of a closing. Real estate agents can help by remembering the following ways to stay on top of the transaction.

Prepare a LEGIBLE, if handwritten, purchase and sale agreement

Too often the escrow or closing agent cannot read the handwriting on the purchase and sale agreement. Errors can occur when translating the agreement into escrow instructions. Use for 34 if you have additional writing rather than using the sides of the form if it can't be easily read.

Get all signatures and initials on any changes on the agreement.

It is important to make sure that all parties sign everywhere required on the purchase and sale agreement.

Have the power of Attorney reviewed by escrow

Make sure that you get a copy of the Power of Attorney to Escrow PRIOR to signing any contracts. The Power of Attorney your client has may not be acceptable!

Forward copies of all addendum's, extensions, and changes to escrow

The additions and changes to a purchase and sale agreement must be forwarded on to the escrow closing agent immediately. Those changes affect the instructions and often the bottom line. There are times that agents forget to forward changes in sales price causing quite a problem when the parties are signing at closing.

Handle promptly all problems that occur that involve the agent, including work orders and inspections

Time moves quickly and it is important to attend to problems and conditions that must be met as soon as possible. Procrastination, often, is the only reason many transactions do not close on time.

Include all costs or credits on the purchase and sale agreement

The settlement statement must include all the costs and credits so that the figures all balance at the time of closing.

Provide escrow with commission instructions that are detailed.

The commission paid to the real estate agents must be clear to the escrow closing agent. A commission disbursement form should be forwarded to escrow to insure that the commission is paid to the real estate offices.

Warn their clients about fraud.

When a buyer gets wiring instructions, it is imperative to NOT wire funds because of an email that looks just fine. Make sure they call the number that they have in their own file for the escrow officer.

## **Examples**

### ***Steve and Jennifer Tryst***

Steve and Jennifer Tryst are buying a view condominium in Bellevue. Jennifer and the real estate agent have really become friends. They have negotiated the transaction and are applying for a conventional loan. For the past month that the transaction has been processing, Jennifer has visited the escrow office several times. One day she brought lattes for the entire staff. June 17<sup>th</sup>, Steve and Jennifer are scheduled to sign the closing documents. Jennifer forgot her purse and has no acceptable identification. Escrow can notarize the documents because they know her well. In addition, the real estate agent can vouch for her identity. How does escrow know that Jennifer is actually Steve's girlfriend and they are purchasing the condo without the knowledge of the wife?

### ***John Smith***

John Smith has found his first home. He signs the purchase and sale agreement. Then he meets with the lender to apply for the loan. Escrow is opened and Commitment for Title Insurance is ordered. John has a car loan and a credit card. But, escrow discovers that there may be more than one "John Smith" in the Seattle area. There are several judgments against "John Smith." How can John Smith prove that he only has the car and credit card debts?

### ***Peter and Rebecca Van Pelt***

Peter purchased a house in 1996. He met Rebecca in 1997 and they soon wed. Rebecca moved into Peter's lovely home. But, unlike the fairy tales, Rebecca and Peter filed for a divorce. Rebecca moves to an apartment. Peter lists the house with Friend Fred, the agent. Peter says that he is the only signature needed to sell because he owned the house prior to getting married and he is the only name on the title. The Listing Agent puts her sign out front and gets an offer on the property. Rebecca calls and is infuriated with the Listing agent for selling the property without her signature. Can escrow close the transaction without her signature knowing that she was married to Peter?

### ***Angie the Agent***

Angie the Real Estate Agent has sold the house on the hill. The buyer, Trusting Tom, gives her a \$5000 earnest money check. He doesn't know who to make the check payable to. He writes Angie the Agent as the payee. Angie gets excited. She can't wait until the commission is paid to pay her bills, so she deposits the earnest money check into her personal account. The transaction heads to escrow who must verify the earnest money deposit. How would that \$5000 be discovered?

### ***Conner and Wren***

Conner and Wren are purchasing a home in Enumclaw. They made an offer with their Real Estate Agent Marty for \$243,000. The sellers countered the offer at \$255,000. But, Conner and Wren are serious about not paying too much. They go back to the seller with \$247,55. The sellers counter again for \$252,000. The buyers sign the offer. Escrow is opened. The buyers complete their home inspection and instead of asking the sellers to fix items, they ask for a reduced price of \$250,000 and the sellers agree and they sign the addendum. Real estate agent, Marty, forgets to send the addendum with the price change to escrow. How will escrow know the final price of the property for the HUD statement?

*These stories are all fictional but based on similar types of stories from the files of escrow!*

# Closing Challenges

## Quiz

Complete quiz if you are taking this class as distance learning. It is not required for a live class with an instructor.

1. Escrow is considered a \_\_\_\_\_ third party that coordinates closing of a real estate transaction.
2. Closing date is the day the buyers takes ownership and not when the buyers signs. **TRUE / FALSE**
3. Under the Washington Escrow Agent Registration Act, escrow agents are required to be \_\_\_\_\_.
4. An Attorney performing escrow services **IS or IS NOT** required to be licensed or registered
5. The term LPO is short for \_\_\_\_\_.
6. A closer is someone who works for an \_\_\_\_\_.
7. An escrow officer can draw up an addendum to the P & S agreement if she is an LPO. **TRUE / FALSE**
8. Escrow instructions are created directly from the information on the \_\_\_\_\_.
9. In Washington State earnest money is required for a purchaser making an offer on real property. **TRUE / FALSE**
10. Interest on earnest money accounts when held by a third party goes to \_\_\_\_\_.
11. In a dispute over earnest money, escrow must notify all parties within \_\_\_\_\_ days from the receipt of demand.
12. An interpleader action must be filed within 60 days if there is an objection from the other party **TRUE / FALSE**
13. An interpleader action is a meeting with an arbitrator outside of court. **TRUE / FALSE**
14. In a joint tenancy like a brother and sister, only one of the parties is required to sign documents. **TRUE / FALSE**
15. A married couple can own property as separate property. **TRUE / FALSE**
16. Washington State is a \_\_\_\_\_ property state so both married spouses must sign.
17. A Power of Attorney is a document that appoints \_\_\_\_\_ to sign contracts for another.
18. A General Power of Attorney is the one that escrow will always deem acceptable for closing. **TRUE / FALSE**
19. If your client is using a Power of Attorney, escrow should review the document prior to closing. **TRUE / FALSE**
20. A Power of Attorney cannot be used \_\_\_\_\_.
21. A special Power of Attorney deals specifically with \_\_\_\_\_.
22. Only the people listed on a deed or purchase and sale agreement can legally sign \_\_\_\_\_.
23. A real estate agent can be authorized to sign contracts by the principal if they initial signature. **TRUE / FALSE**
24. A defect in title could include clerical errors or \_\_\_\_\_.
25. An example of a cloud on a title can include \_\_\_\_\_.
26. If John Smith were to purchase a property, he would most likely sign an \_\_\_\_\_.
27. A real estate agent is responsible for forwarding copies of all addendums to \_\_\_\_\_.

28. A real estate agent should include all costs or credits clearly on the P & S agreement. **TRUE / FALSE**

Steve and Jennifer Tryst

29. Can escrow legally notarize documents if Jennifer forgot her ID? **Yes / No**

30. Could Jennifer actually be Steve's Girlfriend?

*John Smith*

31. Could there be more than one John Smith in Seattle? **YES / NO**

32. How can John Smith prove that he has only the car and credit card debt? \_\_\_\_\_

Peter and Rebecca Van Pelt

33. Could Rebecca have ownership interest in the house under community property laws? **YES / NO**

34. Can escrow close the sale with Peter without her signature if he is still married to Rebecca. **YES / NO**

Angie, the Agent

35. How would the \$5000 earnest money be discovered? \_\_\_\_\_

Conner and Wren

36. If the agent Marty forgets to send the addendum with the price change to escrow, how would escrow know what the HUD statement should read? \_\_\_\_\_

37. If the APR increases more than 1/8% escrow has to allow the buyer an additional 3 day review. **TRUE / FALSE**

38. The Good Faith Estimate form has been changed to be the Loan Estimate **TRUE / FALSE**

**You must attach this or the answer sheet to the evaluation and return to Professional Direction with tuition to get clockhours.**



## Quiz Answer Sheet for Closing Challenges

1		21	
2		22	
3		23	
4		24	
5		25	
6		26	
7		27	
8		28	
9		29	
10		30	
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14		34	
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16		36	
17		37	
18		38	
19			
20			

I attest that I have read the materials and have answered the questions.

**Date Course Started** \_\_\_\_\_ **Date Course Completed** \_\_\_\_\_

**Print Name** \_\_\_\_\_ **Company** \_\_\_\_\_ **Signature** \_\_\_\_\_

PROFESSIONAL Direction, 13148 Holmes Pt Dr NE, Kirkland WA 98034 clockhours@gmail.com

## Mandatory Evaluation

### Closing Challenges 3 hour class

Did you read the material in the booklet on this date? YES / NO  
 Did you complete the quiz and attach answer sheet? YES / NO  
 Did you pay Tuition on the front of the website? YES / NO  
 Did you fill out and sign this form? YES / NO

Why did you choose to take this course? Topic? Time? Cost? Ease? Other?  
 A "clock hour" is 50 minutes. This 3 hour class should take about 2 hrs 30 min.

How long did it take you to complete the course? \_\_\_\_\_

	No			Yes	
Will the material you learned improve your performance?	1	2	3	4	5
Were the course materials easy to follow?	1	2	3	4	5
Were the course materials relevant to your profession?	1	2	3	4	5
Were your objectives met by attending the class?	1	2	3	4	5
Was the course material interesting?	1	2	3	4	5

What are 3 things that you learned from the course?

- 1.
- 2.
- 3.

Would you take another correspondence course from Professional Direction? Yes/ No

<b>Closing Challenges</b>	
Print Name CLEARLY	Signature
Company	Address
City                      Zip Code	Twitter.com name
Phone	Email
License Renewal Date	Date(s) Class taken

*Thanks for taking this class! I really appreciate the agents that take clockhours from my school! I am always working on my classes and writing new ones! Visit my website! Natalie*

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**email: clockhours@gmail.com**

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