

# SELLER PAYOFFS & ESCROW

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If you have a loan which will be paid off at the close of escrow, we offer the following for your information:

» **Interest on real estate loans is paid in arrears:**

*Example:* If you make your payment on the first day of the month, the principal portion of the payment reduces the principal, and the interest portion of the payment is for the previous month. Consequently, the interest is paid to the first day of the present month and not the first of the following month.

» **Lenders require interest until the date they receive the payoff, not close of escrow.**

If the lender is out of the area or out of State, interest will be charged to allow for mailing time.

» **All lenders require that you keep your payments current, even if you are in escrow.**

Please contact your Escrow Officer if you are making a payment during the escrow period. It is recommended that you make the payment by cashier's check in order to have proof of payment. Otherwise, the Title Company and/or the Lender will require the amount of the payment be held from your proceeds for 30 days, for check clearance. MOST LENDERS REQUIRE ONE MONTH'S PAYMENT BE HELD FOR CHECK CLEARANCE, EVEN IF YOU DID NOT MAKE A PAYMENT DURING THE ESCROW PERIOD. This money will be refunded to you by the Escrow Company at the expiration of the holding period (usually 30 days). If you do not keep your payments current, the Lender requires the late charges and all delinquent interest to be paid through the escrow, from your proceeds.

» **If you have an impound account for taxes and insurance.**

Not all lenders will refund the amount they are holding at the close of escrow. Some lenders take as long as several weeks to return your impound account. It is recommended that you contact the payoff department of your lender and ask them to expedite the return of your funds, if you do not receive the credit through escrow.

» **Please be aware if your loan is an FHA loan that was originated prior to March 1986:**

You must contact your lender, in writing, at least 30 days prior to paying the loan in full. If you do not do so, the note provides that the Lender can charge an additional 30 days interest on the payoff. This is called the "30 day notice of intent to pay," and this provision was dropped from the FHA Notes after March 1986.

» **Interest on all FHA loans cannot be paid in daily increments.**

When paying off an FHA loan, regardless of the day of the month in which it is paid, the full month's interest must be paid to the Lender.

» **Please remember, the loan must be paid in full according to the lender's written payoff statement. The Title Company and Escrow Company must follow the lender's instructions, so you should always ask for a copy of the demand statement prior to close of escrow. Any negotiation regarding prepayment penalties or other items which you may dispute, must be between you (the Borrower), and the lender.**

*If you have any further questions, please do not hesitate to call your Escrow Officer.*

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