

## Unit 14 (Closing the Real Estate Transaction)

For questions 1 through 4, prorate using a 30-day month and a 360-day year, prorate the taxes as of the close of escrow, and split the escrow fee 50-50 between the parties. Closing is July 31. Use these relevant facts:

- Purchase price: \$250,000 cash
- Earnest money: \$10,000
- Commission rate: 5%, split 50-50
- Revenue stamps: \$250
- Real estate taxes: \$3,500 (paid in full for current tax year of Jan. 1 through Dec. 31)
- Water bill: \$450 (six months paid to Sept. 15)
- Title insurance: \$953.51
- Recording fee: \$20
- Escrow fee: \$868
- Loan balance: \$94,500 (existing loan, including credit for the reserve account)

1. What amount is the buyer debited for the real estate taxes?
  - a. \$1,458.33
  - b. \$1,467.10
  - c. \$2,021.90
  - d. \$2,033.00
  
2. What amount is the seller debited for the broker's commission?
  - a. \$7,500
  - b. \$16,500
  - c. \$12,500
  - d. \$25,000
  
3. What amount of the escrow fee will the buyer pay?
  - a. \$360
  - b. \$434
  - c. \$460
  - d. \$468
  
4. What amount is the buyer debited for the water bill?
  - a. \$100.00
  - b. \$115.00
  - c. \$117.50
  - d. \$112.50

For questions 1 through 2, prorate using the actual number of days in the month and year. Split the escrow fee 50-50. The seller will pay the revenue stamps, and the buyer will pay title insurance and the recording fee. The buyer assumes the existing mortgage balance of \$127,042.42, the buyer will pay in cash at closing the difference between the purchase price and the loan balance, and the present monthly payment on the loan is \$1,001.40. Closing is October 15. Use these relevant facts:

- Purchase price: \$350,000
- Earnest money: \$3,500
- Commission rate: 6% split 50-50
- Real estate taxes: \$2,900 (paid in full for the current year Jan. 1 through Dec. 31)
- Escrow fee: \$800
- Title insurance: \$1,150
- Insurance policy: \$758 (annual premium)
- Revenue stamps: \$126.30
- Recording fee: \$30
- Interest rate: 3.75% (paid in arrears, with the next payment due Nov. 1)

1. What are the prorated real estate taxes to be charged to the buyer?
  - a. \$604.20
  - b. \$611.78
  - c. \$690.67
  - d. \$728.30
2. What will be the amount of commission paid to the cooperating broker?
  - a. \$8,750
  - b. \$10,500
  - c. \$17,500
  - d. \$21,000

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1. A sale is closing on August 31. Real estate taxes, calculated on a calendar year basis, have not been paid for the current year. The tax is estimated to be \$1,800. What amount of proration will be credited to the buyer?
  - a. \$1,100
  - b. \$1,200
  - c. \$1,485
  - d. \$1,500