HOME BUYERS & SELLERS GUIDE

TAKING TITLE TO A NEW LEVEL IN CALIFORNIA

SoCal Title Company

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Home Buyers and Seller Guide to Title and Escrow

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Home Buyer and Seller Guide to Title and Escrow

Choosing a Real Estate Agent

Should you make the decision to buy a new home using a qualified agent, make sure you interview several. If you know someone you have used successfully in the past, you may want to consider them. If, however they are not an expert in the home buying process or lack the experience to do the job, consider someone who does specialize in what you need. Get referrals from friends, family and associates and visit local real estate offices. Once you have your list of agents, interview them and select the best qualified person for the job.

The following are some questions you may want to ask yourself before choosing an agent:

- **Do you see yourself doing business with this person?**
- **Does this person have knowledge of the current market conditions and is the information available to you?**
- **Does this person listen to your needs and wants in finding a new home?**

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Buying a Home – Step by Step

How your Real Estate Agent will assist you:

1. **Initial Interview**
   - Determine your needs, wants and desires in a home.
   - Discuss parameters.
2. **Pre-Qualify with a Lender**
   - Your Agent will guide you to financial institutions to obtain the best financing available.
   - Loan pre-qualification approval letter is obtained from the lender
3. **Site Seeing**
   - Your agent will show you available homes that suit your needs.
   - Your Agent will listen to you carefully to help find your "ideal" home.
   - Your Agent will educate you about the current market.
4. **Target a Home that is "ideal" and write the Offer.**
   - Your Agent will write the offer for you.
   - This procedure will take 1-3 hours.
   - Your Agent will assist you in delivering your earnest money deposit.
5. **The Offer is Presented to the Seller**
   - Your Agent will prepare your presentation by highlighting the strengths of your offer and your strength as a buyer.
   - Your Agent will present your offer to the seller and the seller's agent. The Seller will either accept, counter or reject your offer.
6. **Counter Offer**
   - Any counter-offers are discussed and prepared.
7. **Escrow**
   - Once the offer is accepted, escrow is opened.
   - Earnest money is deposited at this time.
   - Escrow orders a Preliminary Title Report ("Prelim") and sends copies to your agent and lender.
   - Escrow Instructions are issued to all parties along with the opening package.
8. **Loan Application**
   - A completed loan application is submitted to the lender of your choice with all necessary documentation.
9. **Contingency Period**
   - Buyer receives and approves Seller's Real Estate Transfer Disclosure Statement.
   - Buyer approves the Preliminary Title Report
   - Loan approval, Including an appraisal of the property.
   - Physical inspections/pest inspections are completed.

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Buying a Home – Step by Step *(Continued)*

How your Real Estate Agent will assist you:

10. Homeowners Insurance Coverage

- Buyer obtains a Homeowners Insurance Policy for their new home and the insurance information is given to escrow.
- Escrow orders a copy of the homeowner's insurance policy for the new lender prior to escrow closing.

11. Signing Documents

- Buyer needs to bring current photo ID to sign notarized loan documents.
- Copies of title and lender documents are given to buyer.

12. Down Payment and Closing Funds

- The escrow officer provides you with a Buyer's Estimated Closing Statement which itemizes your costs and advises you to total monies due.
- Buyer sends a wire several days prior to closing.

13. Funding

- The lender sends funds to escrow.

14. Close of Escrow

- The Deed is recorded at the County Recorder's office by Title. (You will receive the original back from the County Recorder in approximately two months.)
- Keys are transferred from seller to buyer.

15. YOU ARE READY TO MOVE IN

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Choosing A Lender

When you buy a home, one of your primary concerns will be finding a lender who can provide the financing you need. So how should you shop for a lender? Calling around and asking for interest rate quotes is NOT the best way to select a lender. Here's why…

1. Interest rates can change daily, so a quote today may not be reality tomorrow.
2. Rates quoted over the phone may not be "locked pricing" and the lender is just trying to get you in the door. This means that rates would be subject to change until the day your loan closes instead of being pre-determined for a specific period of time.
3. The lender knows nothing about your situation or needs and the rate they quote may be for a program that you won't qualify for.
4. You won't know what the lender has to offer you.

Competitive rates are important, but when you consider the fact that most lenders get their money from the same sources (and therefore have essentially the same rates to offer) you must look at some other factors before choosing a lender. You need a lender who works with you and your real estate agent as a team and has the same goal to get your loan closed in a timely and professional manner.

Some of the questions to ask a lender should include:

1. Are They a Mortgage Banker/Direct Lender?
   A mortgage banker is a lender who not only originates his own loans, but also underwrites, approves, funds and services them. A mortgage banker has its own money to lend and therefore has the most control over the loan process.

2. Are They a Mortgage Broker?
   A mortgage broker originates loans but does not actually lend the money. The broker will submit the package to an outside source that underwrites and funds the loan. A mortgage broker may offer the best opportunity to get your loan approved since they can send the loan to many different lenders. They also offer a wider variety of loan programs.

3. How long has the Company Been in Business?
   Lenders come and go. Make sure that the company you are dealing with has been around for a while.

4. What is their Reputation within the Real Estate Community?

5. Do they Lock their Interest Rates and for How Long?

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Mortgage Loan Checklist

In order to expedite the mortgage loan process, please be sure that you bring everything you need to make your appointment as smooth and efficient as possible.

- [ ] **Sales Contract (On the purchase of your new home)**
- [ ] **Copy of Sales Contract and certified copy of Closing Statement (On the sale of your present home)**
- [ ] **Copy of Drivers License and Social Security Card (FHA only)**
- [ ] **Residence History**
  - Past 24 months of residence with complete addresses
  - Length of time you lived at each residence
  - Name of landlord and their address (if currently renting)
- [ ] **Employment History**
  - Employers for the past two years with complete addresses
  - Dates of employment for each place
  - Most recent two years of W-2's
  - Most recent two years of tax returns (with all schedules and signed in blue ink)
  - Year-to-date profit and loss statement and current balance sheet (if self-employed only)
  - If there have been any gaps in your employment, be prepared to explain
- [ ] **Loans and Credit Cards**
  - Creditors names and addresses
  - Account Numbers
  - Current total balances you owe
  - Monthly installments, payments and how many months are left to pay
- [ ] **Accounts**
  - Name and Address of each financial institution
  - Three months of bank statements for all accounts
  - All account numbers
  - All current balance and values
- [ ] **Current Real Estate**
  - Property Addresses
  - Estimated Market Values
  - Outstanding loan balances
  - Amount of monthly payment
  - Amount of monthly rental income, if applicable
- [ ] **Personal Property**
  - Net case value of your life insurance
  - Year, make and value of your automobiles
  - Value of your furniture and other personal property
- [ ] **If applicable, the following:**
  - Divorce Papers, Certificate of Eligibility & DD214 (VA Only)
  - Check for appraisal and credit report fees

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Information Needed at Loan Application

- ☐ Picture ID with proof of Social Security Numbers.
- ☐ Residence Addresses – past 2 years.
- ☐ Names and Address of each employer – past 2 years.
- ☐ Gross Monthly Salary. Base only: OVT & Bonus list separate.
- ☐ Names, Addresses, Account Numbers & Balances of all Checking & Savings Accounts – last 2 months of bank statements.
- ☐ Names, Addresses, Account Numbers, Balances and Monthly Payments of all Open Loans.
- ☐ Names, Account Numbers, Balances and Monthly Payments of all Credit Cards.
- ☐ Addresses of other real estate owned.
- ☐ Loan information on other real estate owned.
- ☐ Estimated Value of Furniture and Personal Property.
- ☐ Certificate of Eligibility and DD214's (V.A. only).
- ☐ Money for Credit Report and Appraisal.
- ☐ W2'S (2 years) and current check stub.
- ☐ Full divorce decree if applicable.

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Types of Loans

Adjustable-Rate Mortgage	Adjustable-rate mortgages have an interest rate that is adjusted at certain intervals based on a specific index during the life of the loan.
Balloon Payment Loan	A fixed rate loan that is amortized over 30 years but becomes due and payable at the end of a certain term. May be extendable or may roll-over into another type of loan.
Buy-Down Loan	Buy-Down loans are fixed rate loans where the interest rate and the payment are reduced for a specific period of time by paying the interest up front to subsidize the lower payment.
Community Homebuyer's Program	A fixed rate loan for first time buyers with a low-down payment, usually 3-5%, no case reserve requirement and easier qualifying rations. Subject to borrower meeting income limits and attendance of a four-hour training course on home ownership.
Conventional Loan	Conventional loans are sometimes more lenient with the appraisal and condition of the property. When you are buying a "fixer upper" you may need to use a conventional loan. Homes purchased above the FHA loan limit are usually financed with conventional loans.
FHA Loan	FHA loans are insured by the Federal Housing Administration under H.U.D. They offer a low-down payment and are easier to qualify for than conventional loans.
Fixed Rate Loan	A fixed rate loan has one interest rate that remains constant throughout the life of the loan.
Graduated Payment Mortgage	A fixed rate loan that has payments starting lower than a standard fixed rate loan, which then increases by a predetermined amount each year for a set number of years.
Non-Qualifying Loan *(Assumable)*	Non-Qualifying loans are preexisting loans which can be assumed by a buyer from the seller of a property without going through the qualifying process. The buyer pays the seller for their equity and then starts making payments.
VA Loan	VA Loans are guaranteed by the Veterans Administration. A veteran must have served 180 days active service.

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FHA, VA Special Loan Information

You may qualify for an FHA, VA or other special loan designed to bring homeownership to first time and low-to-moderate income buyers. For thousands of first-time and low-to moderate income buyers, the only way into the home market is through loan programs sponsored by the government, such as the Federal Housing Administration or the Department of Veterans Affairs, or non-profit entities such as state housing agencies or credit unions.

These loans usually offer such features as low-down payments, below-market interest rates, few, if any, points, relaxes income/debt ration qualifications and assumability (FHA and VA). You may think that you don't qualify, but in the 1980's, housing in many locations became unaffordable to requirements for FHA and VA loans, and numerous new programs sprang up sponsored by entities ranging from secondary market mortgage investors Fannie Mae and Freddie Mac and housing groups of all stripes. Even some labor unions have a first-time buyer's program. These loans are not always easy to find, but if you think you might qualify it is worth learning about.

The FHA and the VA, and, within its sphere, the old Farmers Home Administration (now the Rural Housing and Community Development Service), are the old hands of government loan programs. Here's what they offer:

FHA-Insured: Family housing expenses should not exceed 29% of gross income; total debt no greater than 41% of income; variety of loans ranging from fixed-rate to adjustable; down payments of 5% or less; interest rates up to 1% less than market; no prepayment penalty; assumable; most closing costs can be included in loan; borrower must buy mortgage insurance (2.25% of loan up front with .5% of balance for set number of years after); impound accounts required; loan amount limited to 95% of local median home price or 75% of loan limit set by FreddieMac ($160,950 in high-cost areas); available through mortgage brokers and FHA approved.

Lenders

VA-Guaranteed: Veterans of the armed services who obtain a certificate of eligibility from the VA and reservists are eligible. Fixed or adjustable loans; no down payments; no prepayment penalty; assumable; loan amount limited to $203,000 (VA guarantee covers $50,750 on loans over $144,000); available through mortgage brokers and VA-approved lenders.

Note: VA also guarantees other loans from graduated payment mortgages to energy-efficient mortgages.

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What is PMI?

When purchasing a home with a down payment less than 20% your lender will require you to obtain PMI. This protects the lender in case of default on the loan. PMI has created the opportunity for many home buyers to qualify with smaller down payments. PMI is typically set up to be paid in 12 monthly installments per year and can be included as part of your monthly mortgage payment. Once your equity reaches 20% you can cancel your PMI by contacting your lender and following their guidelines to remove the insurance. Your lender may require an appraisal to verify the value of your property.

PMI is an abbreviation for Private Mortgage Insurance. This is special insurance that lenders force higher risk borrowers to pay to protect the interests of a bank in case of default. PMI is only applicable in very specific instances, most often when you are borrowing more than eight percent of your home's fair market value.

Try to avoid PMI at all costs. Don't be afraid of taking out a second mortgage to buy your home; don't be afraid to borrow your down payment. PMI is just money out the door that is not going towards your equity or anything that benefits you. You can get PMI removed from your mortgage once you reach a goal of twenty percent in equity. If you have PMI already, work hard to get it removed.

The Purpose for Private Mortgage Insurance (PMI)

This is insurance for the lender that is now necessary because so many people default on their mortgage loans. In reality, PMI saves everyone money because without the security offered by this insurance, lenders would be far less likely to lend so much money at such low interest rates. After all, no lender likes high risk borrowers and folks who don't have twenty percent to put down seem risky. PMI is not forever. Once you have your twenty percent in your home you can refinance and PMI will go away, but your low interest rate won't.

Removing PMI (Private Mortgage Insurance)

Watch home values in your area. If your home has substantially increased in value, consider getting an appraisal done of your home to back up your assertion of the increased value. With that data, you can ask your lender to remove PMI.

Watch the Numbers – if you know you now have at least twenty percent invested in your home because of extra payments towards your principle, call your lender. If they see the numbers as well, they will appraise the home again and you'll most likely be out from under PMI.

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Getting Prequalified

Most Real Estate Agents and Lenders recommend that home buyers get pre-qualified with a lender before selecting a home to purchase. This way you will have the best information about the right price range for your pocketbook.

REASONS TO GET PREQUALIFIED

- With prequalification, you can determine which loan program best fits your need and which programs you qualify for. (List of loan programs to follow)
- You will know exactly how much you are qualified for. It's no fun to find your "ideal home" and then find out you can't afford it.
- Your monthly payment will be set. This will allow you to budget your money before making this large investment.
- It shows you what the down payment and closing costs will be.
- If you are a first-time buyer, you may be able to qualify for a special first-time buyer program which may allow you to afford more home for your money.
- If you feel you would like and can afford a higher mortgage payment but are not able to meet qualifications, co-mortgagor financing may be made available to you.

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Loan Application – Tips

When your loan is submitted for underwriting, it goes directly into the hands of an underwriter whose job is to determine your "creditworthiness" or your ability to repay the loan. The underwriter takes all of the following into consideration when making the decision to approve or disapprove your loan.

1. **Purchase Contract** (for the purchase of your new home).
2. **Sales Contract** (If you are selling your present home).
3. **All original pay stubs for the last 30 days.**
4. **If out have real property, they need your most recent 2 years tax returns with all schedules and a current rental agreement**
5. **If you are self-employed or receive a 1099, they need your most recent 2 years tax returns with all schedule and a year-to-date profit loss statement and balance sheet.**
6. **If you won 25% or more of your corporation, they need the most recent 2 years tax returns with all schedule year-to-date profit loss statement and balance sheet.**
7. **If you are commissioned, they need your most recent 2-year tax returns with all the schedule and year-to-date employee business expenses.**
8. **Information on residence history for the past 2 years.**
9. **Information on all outstanding loans and credit cards.**
10. **Originals of the last 3 months bank statements for all accounts.**
11. **Information on real estate you currently own.**
12. **Information about other personal property you own.**
13. **Certified copy of the closing statement if you have already sold your home.**
14. **If divorced – all papers including marital termination agreement and final decree signed by the court.**
15. **Copy of Driver's License and Social Security Card** (FHA Loans Only).
16. **Original Certificate of Eligibility and DD214** (VA Loans Only).
17. **Check for appraisal and credit report fees.**

Home Buyer and Seller Guide to Title and Escrow

Loan Process

LOAN APPLICTION

PROCESSING

Gathering, analyzing and supporting statement from the application

- CONTACT ESCROW
- ORDER & CHECK CREDIT REPORT
- ORDER & CHECK APPRAISAL
- ORDER & CHECK VERIFICATIONS
- ORDER & CHECK MISC. DOCUMENTATION

UNDERWRITING

In-depth analysis, interpreting information as it applies to the secondary market for sale ability

- ORDER MORTGAGE INSURANCE
- ANALYZE CREDIT
- ANALYZE PROPERTY
- ANALYZE CONDITIONS

CLOSING DEPT./FUNDING

- ORDER DOCUMENTS
- DOCS SIGNED & REVERIFIED
- DOCS RETURNED VERIFIED
- FINAL CONDITIONS TITLE RECORDED
- FUNDS REQUESTED

Home Buyer and Seller Guide to Title and Escrow

Points Explained

What is a Point?

One Point is equal to 1% of the NEW loan amount.

Why do Lender's charge points?

Whenever governmental regulations, state usury law and/or competitive practices prohibit the lender from charging a rate of interest, which would make the real estate loan competitive with other fields of investment, the lender must seek methods of increasing the yield for investors. By charging "points", the lender can bring the real estate loan up to those investments.

Are points called by Different Names?

Yes. **Loan Origination Fee, Commitment Fee, Discount Fee, Warehousing Fee, Funding Fee, etc.**

Who must Pay the Points?

FHA: The Buyer is usually charged with the Loan Origination Fee; the Discount Fee can be paid by the Buyer or Seller.

VA: The Buyer is usually charged with the Loan Origination Fee and the Funding Fee.

Conventional: Points can be paid by the Buyer, the Seller, or split between the two. State on Contract of Sale!

City/County/State Government Sponsored Loans: as published by them.

Do the Number of Points Charges Fluctuate?

YES. If rates on mortgage loans are lower than other investments (such as stocks, bonds, etc.) Then Funds will be drawn away from the mortgage market. Also, when there is a heavy demand upon the money market because of business needs, role requirements or other government borrowing, the result is that money for home mortgages becomes scarce and more expensive. When this occurs, more points can be charged. Points balance the market. Points are not set buy government regulation but by each lender individually.

On VA loans, is there any way to Lock in the Number of Points?

Not without jeopardizing the sale. Even when a lender stipulates in writing the number of points to be charged, that guarantee states "if the interest rate is not changed by the government". Points charged on an FHA or conventional loan are usually not charged from commitment time to settlement.

Is FHA or VA Financing Unfair to Sellers?

NO. Homes can sell faster because more buyers can qualify with the lower down payment requirement, lower interest rate, long term loans with lowest monthly payments. Sellers receive all cash for their equity to reinvest in a new home or other investment. The purpose of these loans is to provide purchasers the opportunity to buy homes with minimal cash investment thus providing bigger market sellers.

Are Points Deductible for Income Tax Purposes?

Points on a home mortgage (for the purchase or improvement of, and secured by, the taxpayer's principal residence) are deductible currently if points generally charged in the geographical area where the loan is made and to extent of the number of points generally charged in the area for a home loan. If you are in doubt about points being deductible you should contact your tax return preparer.

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What is Escrow?

Using Escrow is a way of transferring or exchanging property and or money using a neutral third party. In many jurisdictions, escrow agents constitute a distinct profession with its own training and accreditation requirements. In other jurisdictions, such as Canada, escrow functions may be performed by attorneys. In either case, the escrow process is covered by significant regulation and protection through the use of the licensing and/or bonding.

Escrow is most commonly associated with real estate transactions. When a home or property changes hands, the seller of the property transfers the property title to Escrow. Similarly, the buyer either transfers funds or has a bank transfer mortgage proceeds to Escrow. When all conditions of the purchase agreement are met, Escrow assigns the property title to the purchaser and distributes the funds to the seller.

An escrow is created by Escrow when money and/or documents are deposited into escrow's account. Escrow Holder's authority is strictly governed by written instructions, mutually agreed upon by the parties involved. The instructions direct us to perform duties necessary to complete the transaction. A few of the tasks which may be required are:

- Receive and deposit earnest money
- Order information for payoff of existing liens
- Calculate and/or prorate taxes, liens, interest, rents and insurance policies
- Make arrangements for title insurance protection for the buyer and lender
- Prepare and/or receive documents relating to escrow
- Request and receive funding from new lender when conditions have been satisfied
- Arrange for recording of the conveyance documents and any other legal instruments required to transfer title to the property pursuant to the terms of the purchase agreement
- Close the escrow and disburse funds as agreed upon in the instructions
- Prepare a closing statement for the parties showing disposition of funds

Home Buyer and Seller Guide to Title and Escrow

Escrow Process

What Information is Needed?

Confidential Statement of Identity Because many people have the same name, the statement of identity is used to identify the specific person in the transaction by determining date of birth, social security number, etc. The statement form is necessary and the information is kept confidential.

Provide Escrow Holder with the name, address and phone number of your lender as soon as possible after opening escrow.

Hazard/Fire Information If you are purchasing a single family, detached home, or in some cases, a town home, be sure to order your fire/hazard insurance on your loan has been approved. You should immediately begin looking for an insurance agent; not all companies can write fire hazard insurance. Call Escrow with the insurance agents name and phone number so that he/she can make sure the policy complies with your lender's requirements. You must have your insurance in place before the lender will fund money to the title company.

Holding Title Page 17 shows common ways of holding title to help you understand the criteria for determining how you wish to hold title to your home. Escrow will need this information in order to prepare the grant deed, and your lender will need this information to prepare loan documents. We suggest you consult an attorney, tax consultant, or other qualified title professional before you decide.

What is Close of Escrow?

The close of escrow signifies legal transfer of title from the seller to the buyer. Approximately three days before the scheduled close of escrow date, the loan documents are executed by the buyer. The new lender takes 24 to 72 hours to review the final executed documents and then wire the loan funds to the title company. Escrow collects the remainder of the buyer's down payment and closing costs, when loan funds are wired, the file is then set up to record (a legal transfer of title from the seller to the buyer). Escrow then handles all final accounting, issuance of official closing statements and disbursement of any remaining proceeds to all parties.

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What is – Escrow Impound Account

Impound Account?

In most states, the money you place in an escrow account earns no interest for you. For that reason, many borrowers prefer to pay their taxes and insurance directly. Lenders may agree to this if your down payment is more than 20 percent, although some will raise your interest rate slightly to compensate. Once you agree to putting funds into an escrow account, however, it is difficult to cancel it, so make sure you fully understand the arrangement before your mortgage closes.

The lender may charge you an additional ¼ point for this option to "waive escrows". This is not an increase in the interest rate, but rather a one-time charge. If your loan is for $100,000.00, for example and you are paying no points, you would pay $250.00 for the privilege of waiving the escrow impound account. In the long run it may well be worth it. It is very difficult to get a lender to cancel the escrow impound account once it is in place, and difficult to get the lender to pay out any interest accrued on the money.

How you benefit from Impound Escrow Account

Escrow can benefit borrowers by helping them spread insurance and tax expenses evenly over 12 payments. For example, assume your yearly property taxes are two payments of $1,000 each, and your insurance is $400 annually. If you paid these directly, it would mean three large payments a year; your escrow costs, however, would be a manageable $200 a month.

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Life of an Escrow

LOAN APPLICTION

PROCESSING

Process Financing

Request Information for New Loan Application

Obtain Loan Approval and Determine that Terms are Correct

Request Beneficiary Statement

Review Transfer Terms and current Payment Status

Request Loan Documentation

Order Title Search

Review and Receive Preliminary Title Report

Request Demands and Liens. Review Tax Report

Receive Demands and File Them

Review File and Determine all Conditions have been Met and all Documents are Prepared for Signatures

Return Loan Documents

Send Documents to Title Company

Configure File and Obtain Signatures for all Remaining Documents

Obtain Funds from Buyer

Request Loan Funds

Once Funds are Received order Recording

Close File. Prepare Statements and Disburse Funds

Complete Escrow Closing and **Forward files to all Parties**

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Statement of Information

Statement of Information is a form routinely requested from the buyer, seller and borrower in a transaction where title insurance is sought. The completed form provides the title company with information needed to adequately examine documents so as to disregard matters which do not affect the property to be insured, matters which actually apply to some other person.

Everyday documents affecting real property—liens, court decrees, bankruptcies—are recorded. Whenever a title company uncovers a recorded document in which the name is the same or similar to that of the buyer, seller or borrower in a title transaction, the title company must ask, "Does this document affect the parties we are insuring?" Because if it does, it affects title to the property and would, therefore, be listed as an exception from coverage under the title policy.

STATEMENT OF IDENTITY

PARTY ONE

First Name ________ Middle Name ________ Last Name ________

Birthplace ________ Date of Birth ________

Social Security No. ________ Driver's License No. ________

I am currently married ( ) YES ( ) NO Name of Spouse ________

Former Marriages if any: Name of Spouse: ________

Deceased ( ) Divorced ( ) When ________

PARTY TWO

First Name ________ Middle Name ________ Last Name ________

Birthplace ________ Date of Birth ________

Social Security No. ________ Driver's License No. ________

I am currently married ( ) YES ( ) NO Name of Spouse ________

Former Marriages if any: Name of Spouse: ________

Deceased ( ) Divorced ( ) When ________

RESIDENCES DURING PAST 10 YEARS

Party One:

Number and Street — City, State, Zip — From (Date) — To (Date)

Number and Street — City, State, Zip — From (Date) — To (Date)

Party Two:

Number and Street — City, State, Zip — From (Date) — To (Date)

Number and Street — City, State, Zip — From (Date) — To (Date)

OCCUPATIONS DURING PAST 10 YEARS

Party One:

Firm Name — Location — From (Date) — To (Date)

Firm Name — Location — From (Date) — To (Date)

Party Two:

Firm Name — Location — From (Date) — To (Date)

Firm Name — Location — From (Date) — To (Date)

PARTY ONE Contact Information:

Signature ________ Date ________

Cell Phone ________

Business Phone ________

E-mail ________

MAILING ADDRESS AFTER CLOSE OF ESCROW:

____

PARTY TWO Contact Information:

Signature ________ Date ________

Cell Phone ________

Business Phone ________

E-mail ________

MAILING ADDRESS AFTER CLOSE OF ESCROW:

____

A properly completed Statement of Information will allow SoCal Title Company to differentiate between parties with the same or similar names when searching documents recorded by name.

This protects all parties involved and allows SoCal Title Company to competently carry out its duties without unnecessary delay.

Home Buyer and Seller Guide to Title and Escrow

Payment Procedure

On these pages, you will find the traditional distribution of expenses associated with a purchase of real estate. However, many of these items can be negotiated by both parties at the time of the offer, excluding some expenses required by the lender to be paid specifically by seller.

Buyer Usually pays for:

1. Escrow Fees
2. Document Preparation (if applicable)
3. Notary Fees
4. Recording Charges for all Documents in Buyer's Name
5. Termite Inspection (according to contract)
6. Tax Proration (from date of acquisition)
7. Homeowner's Transfer Fee
8. All New Loan Charges (except those required by lender for seller to pay)
9. Interest on New Loan from Date of Funding to 30 Days Prior to First Payment Date
10. Assumption/Change of Records fees for take-over of Existing Loan.
11. Beneficiary Statement Fee for Assumption of Existing Loan
12. Inspection Fees (roofing, property inspection, geological, etc.)
13. Home Warranty (according to contract)
14. Lender's Policy
15. Fire Insurance Premium for First Year

Seller Usually pays for:

1. Real Estate Commission
2. Escrow Fees
3. County Documentary Transfer Tax (55 cents per $500 of consideration, exclusive of the value of any lien or encumbrances attaching to the property at time of sale)
4. Applicable City Transfer/Conveyance Tax (according to contact)
5. Document Preparation Fee for Deed
6. Any Loan Fees Required by Buyer's Lender Payoff of all Loans in Seller's Name (or existing loan balance if being assumed by buyer)
7. Interest Accrued to Lender being Paid Off
8. Statement Fees, Reconveyance Fees and Any Prepayment Penalties
9. Termite Inspection (according to contract)
10. Termite Work (according to contract)
11. Home Warranty
12. Any Judgments, Tax Liens, etc., Against the Seller
13. Tax Proration (for any taxes unpaid at time of transfer of title)
14. Any Unpaid Homeowner's Dues
15. Recording Charges to Clear All Documents of Record Against Seller
16. Any Bonds or Assessments (according to contract)
17. Any and All Delinquent Taxes
18. Notary Fees – escrow fee
19. Title Insurance Premium: Owner's Policy

Home Buyer and Seller Guide to Title and Escrow

Maintenance and Repair - Questions

When buying a home, whether it be new or used is a big investment. That's why making sure you check for any error and inaccuracies inside and outside of the home is a big deal. You can hire an inspector to check the home with you to insure any questions or demands that might be needed.

Questions to ask your Real Estate Agent

1. Has the home been fumigated?
2. Has the plumbing and drainage system been inspected by a Plumber?
3. Are the sprinklers and lights in full working condition?
4. Has the carpet been updated?
5. Has the paint been updated?
6. Has the roof been updated for rainy weather conditions?
7. Has the electrical system in the home been inspected by an Electrician?
8. Is the heating and air conditioning system in full working condition?
9. Are the windows in full working condition?
10. Are all appliances in full working condition?

New Home Updates

When buying a new home many developers offer bonus or Add-On options to customize your home. Making sure you choose the option or fixture to your liking is another step into securing your investment.

Used Home Updates

As provided by your Agent, the updates and improvements to your new home should also be reviewed by yourself. Not looking for errors can be a huge head ache in the future, as things live plumbing, heating, cooling and fixtures can bring forth a costly problem if not examined properly.

Home Buyer and Seller Guide to Title and Escrow

Inspection Process

When you make an offer on a home, your Purchase Contract will likely contain provisions allowing you various inspections of the property. The purpose of these inspections is to educate you as to the physical condition of the property you are purchasing. While these inspections do not provide guarantees of the condition of the property, they do provide valuable information to you as a Buyer. It is important to remember that your Purchase Contract may provide for withdrawal from the contract if these reports are unsatisfactory to you, but inspections should not be considered an open door to renegotiate the purchase price.

STRUCTURAL PEST CONTROL INSPECTION

Often referred to as a "Termite Report," the Structural Pest Control Inspection is conducted by a licensed inspector. In addition to actual termite damage, the Pest Report will indicate any type of wood destroying organisms that may be present, including fungi (sometimes called "dry rot"), which generally results from excessive moisture.

Section 1 Conditions

Most Pest Reports classify conditions as Section 1 or Section 2 items. Section 1 conditions are those which are "active" or currently causing damage to the property. Generally, Section1 items need to be corrected before a lender will make a loan on a home.

Section 2 Conditions

Those which are not currently causing damage, but are likely to, if left unattended. A typical Section 2 item is a plumbing leak where the moisture has not yet caused fungus decay.

Who Pays?

Your Purchase Contract will specify who is responsible for the cost of the inspection and making these corrections. This is a negotiable item and should be considered carefully. Your real estate professional will advise you as to what is customary and prudent.

PHYSICAL INSPECTION

The Physical Inspection clause in your Purchase Contract, when initialed by both parties, allows you the right to have the property thoroughly inspected. This is usually done through a General Home Inspection. While Home Inspectors are not currently required to have a license, most are, or have been, General Contractors. The Inspection and the resulting report provide an overall assessment of the present condition of the property.

What is Inspected

The Home Inspection covers items such as exterior siding, paint, flooring, appliances, water heater, furnace, electrical service, plumbing, and other visible features of the property. This is a general inspection and will often call for additional inspection by specific trades, such as roof and furnace instructions.

Further Inspections

If conditions warrant, the Home Inspector may recommend a Structural Engineer's Report. Such a report would identify structural failures and detail recommended corrections.

Who Pays?

Typically, this inspection is paid for by the Buyer.

GEOLOGICAL INSPECTION

You may also elect to have a Geological Inspection to educate yourselves as to the soil conditions at the home you are purchasing. This inspection is performed by a Geotechnical Engineer and involves not only physically inspecting the property, but also researching past geological activity in the area. The primary purpose of a Geological Inspection is to determine the stability of the stability of the ground under and around the home.

Who Pays?

Typically, this inspection is paid for by the Buyer.

HOME WARRANTY

Home Protection Plans are available for purchase by a Buyer or Seller. Such plans may provide additional protection of certain systems and appliances in your new home. I will provide you with brochures detailing different companies and options.

Home Buyer and Seller Guide to Title and Escrow

How the Underwriter Looks at Your Loan

When your loan is submitted for underwriting, it goes directly into the hands of an underwriter whose job is to determine your "creditworthiness" or your ability to repay the loan. The underwriter takes all of the following into consideration when making the decision to approve or disapprove your loan.

Your Employment History

A stable history of employment in the same line of work is considered ideal. Job hopping is not looked upon favorably because it may lead to unstable income. However, If you have switched jobs within the same line of work for advancement in that field there should be no problem.

Your Income

The underwriter looks carefully at your capacity to repay the loan, your job stability and gross income (in relation to your expenses) are critical in this regard. Most income must be verified as having been received for at least two years to be used for qualifying purposes.

Your Credit History

You credit history is an indication of your character or your willingness to repay the loan. The underwriter looks closely at your past payment record (your credit report) in determining this. Any consistent patterns of late payments, collections etc. are not looked at favorably. Bankruptcies generally must be discharged for at least two years with re-established credit and the reason for bankruptcy must be fully explained. Good Explanations for all derogatory credit will need to be provided. All outstanding collections, Liens and judgements will have to be paid off through escrow (consult your loan officer about any credit questions you may have.)

Your Assets

The money you have available for a down-payment, closing costs, cash reserves (money left over after close of escrow to cover 2-3 months mortgage payments) and other liquid assets in your net worth. The underwriter wants to see your ability to save money and manager your financial affairs. They also need to see the "source of funds" or where the money for the down-payment and closing costs is coming from. Cash from "under the mattress" is usually not acceptable- they must verify that you have had the money (or the assets) for two- or three-month period. Never move money around (pay off bills, get a gift, etc.) without first consulting your loan officer about the best way to do it, since it may affect the underwriter's view of your loan.

Your Debts

The underwriter will be concerned with the amount of debt you have because it affects your qualification and your ability to repay the Loan. Excessive use of credit may not be looked upon favorably.

The Property

Because of the property the lender's collateral for the loan, the value, marketability and condition of the property are extremely important. The underwriter looks at the appraisal for this information.

Home Buyer and Seller Guide to Title and Escrow

Title Insurance - Process

Most mortgage loans are made by savings and loan associations, mortgage companies, savings banks, commercial banks, credit unions, and insurance companies. These organizations invest money that belongs to their customers or policy holders, and so they must be concerned with the safety of their mortgage investments. This is why a policy of title insurance is required by most lenders on most mortgage loans.

The lender's title insurance policy guarantees the lending institution that the person to whom it is making a mortgage loan has title to the real estate that is pledged as security. The lender also needs assurance that it has a valid and enforceable lien and that no other claimant (other than those specifically noted in the policy) has a prior claim.

Title Insurance – Step by Step

1. Customer Service Verifies Legal Property Description & How Title to Real Property is Held
2. Preliminary Order & Title Search are Opened
3. Preliminary Search of Real Property is Done
4. Title Search Examines Real Property Records, General Index Records & Tax Records
5. Examiner Reviews Complete Search Package & Writes Preliminary Report
6. Data Processor Enters the Preliminary Title Information into Computer & Prepares Preliminary Report
7. Messenger Service Delivers Prelims to Escrow & Lenders
8. The New Documents, Demands & Statement of Information Submitted to SoCal Title Company
9. Escrow Authorizes Recording of New Documents in the Transaction
10. Documents are Recorded, Confirmation of Recording is Received & Liens of Record are Paid Off
11. Title Officer Writes Title Policies
12. Data Processor Prepares Final Title Policies
13. Title Policies Release to Client

Home Buyer and Seller Guide to Title and Escrow

Title Insurance

In California, most real estate transactions are closed with a title insurance policy. Many home buyers just assume that when they purchase a piece of property, possession of the deed to the property is all they need to prove ownership. This is not true. Hidden hazards may attach to real estate. A property owner's greatest protection is a policy of title insurance.

WHAT IS TITLE INSURANCE?

It is a contract of indemnity which guarantees that the title is as reported and, if not reported and the owner is damaged, the title policy covers the insured for their loss up to the amount of the policy.

Title insurance assures owners that they are acquiring marketable title. Title insurance is designed to eliminate risk or loss caused by defects in title from the past. Title insurance provides coverage only for title problems which were already in existence at the time the policy was issued.

THE TITLE SEARCH

Title companies work to eliminate risks by performing a search of the public records or through the title company's own plant. The search consists of public records, laws and court decisions pertaining to the property to determine the current recorded ownership, any recorded liens or encumbrances or any other matters of record which could affect the title to the property. When a title search is complete, the title company issues a preliminary report detailing the current status of title.

THE PRELIMINARY REPORT

A preliminary report contains vital information which can affect the close of escrow; Ownership of the subject property; where the current owners hold title; matters of record that specifically affect the subject property or the owners of the property; a legal description of the property and an information plat map.

Home Buyer and Seller Guide to Title and Escrow

Policy Coverage

Not all risks can be determined by a title search, since certain things such as forgeries, identity of persons, incompetency, failure to comply with the law, or incapacity cannot be disclosed by an examination of the public record. The preliminary title report is an offer to insure under certain situations, whereas the title policy is a contract that gives coverage against such problems.

The American Land Title Association is the standard policy of the title insurance in America. The list below shows you what is covered….

WHAT IS COVERED

- A forged signature on the deed
- Mistakes in the interpretation of wills or other legal documents
- Impersonation of the real owner
- Errors in copying or indexing
- Falsification of records
- Deeds delivered without the consent of the grantor
- Undisclosed or missing heirs
- Deeds and mortgages signed by persons of unsound mind, by minors or by someone listed as single but in fact, married
- Recording mistakes
- With regard to lender's coverage, it covers:
    - The Priority of the insured mortgage
    - The invalidity or unenforceability of the insured assignment
    - The invalidity or unenforceability of the lien of the insured mortgage on the title

WHAT IS NOT COVERED

- Unrecorded matters
- Matters that a correct survey would show, i.e., boundaries, easements, etc.
- Matters that a physical inspection of the property would disclose
- Matters known, created or assumed by the insured
- Rights of parties in possession
- Unpatented water and mineral rights

Home Buyer and Seller Guide to Title and Escrow

Policy Coverage Comparison

CLTA OWNERS POLICY

1. Title to the estate or interest described in Schedule A being vested other than stated therein.
2. Any defect in or lien or encumbrance on the title.
3. Unmarketability of the title.
4. Lack of a right of access to and from the land

ALTA RESIDENTIAL POLICY

1. Someone else owns an interest in your land
2. A document is not properly signed, sealed, acknowledged, or delivered
3. Forgery, fraud, duress, incompetency, incapacity or impersonation
4. Defective recording of any document
5. You do not have any legal right of access to and from the land
6. There are restrictive covenants limiting the use of land
7. There is a lien on your land because of: a mortgage or deed of trust, judgement, tax or special assessment or HOA lien
8. There are liens on your title arising now or later, for labor and materials furnished before the policy date – unless you agreed to pay for the labor and materials
9. Others have rights arising out of leases, contracts or options
10. Someone else has an easement on your land
11. Your title is unmarketable, which allows another person to refuse to perform a contract to purchase, to lease or to make a mortgage loan
12. You are forced to remove your existing structure – other than boundary wall or fence – because; it extends on to adjoining land or on to any easement; it violates a restriction shown in schedule B; it violates an existing zoning law
13. You cannot use the land because use as a single-family residence violates a restriction shown in schedule B or an existing zoning law.
14. Other defects, liens, or encumbrances.

ALTA HOMEOWNERS POLICY

1. Someone else owns an interest in your title
2. Someone else has rights affecting Your Title arising out of leases, contracts or options
3. Someone else claims to have rights affecting Your Title arising out of forgery or impersonation
4. Someone else has an easement on the land
5. Someone else has a right to limit your use of the land
6. Your title is defective
7. Any of covered risks 1 through 6 occurring after the policy date
8. Someone else has a lien on Your Title, including a: Mortgage; judgment, sate or federal tax lien, or special assessment; charged by a homeowner's association; lien occurring before or after the Policy Date, for labor and materials furnished before the Policy Date
9. Someone else has an encumbrance on your title
10. Someone else claims to have rights affecting your title arising out of fraud, duress, incompetence or incapacity
11. You do not have both actual vehicular and pedestrian access to and from the land, based upon a legal right
12. You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the land, even if the covenant, condition or restriction is accepted in Schedule B.

13. Your title is lost or taken because of a violation of any covenant, condition or restriction, which occurred before you acquired your title, even if the covenant, condition or restriction is accepted in Schedule B.
14. Because of an existing violation of a subdivision law or regulation affecting the Land: You are unable to obtain a building permit; You are forced to correct or remove the violation; or someone else has a legal right to, and does, refuse to perform a contract to purchase the Land, lease it or make a mortgage loan on it. The amount of your insurance for this coverage risk is subject to Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
15. You are forced to remove or remedy your existing structure, or any part of them – other than boundary walls or fences – because any portion was built without obtaining a building permit from the proper government office. The amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.
16. You are forced to remove or remedy your existing structures or any part of them, because they violate an existing zoning law or zoning regulation. If you are required to remedy any portion of your existing structure, the amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.
17. You cannot use the land because use as a single-family residence violates an existing zoning law or zoning regulation.
18. You are forced to remove your existing structures because they encroach onto your neighbor's land. If the encroaching structures because they encroach onto your neighbor's land. If the encroaching structures are boundary walls or fences, the amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.
19. Someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make it a mortgage loan on it because your neighbor's existing structures encroach onto the land.
20. You are forced to remove your existing structures because they encroach onto an easement or over a building set-back line, even if the easement or building set-back line is accepted in Schedule B.
21. Your existing structures are damaged because of the exercise of a right to maintain or use any easement affecting the land, even if the easement is accepted in Schedule B.
22. Your existing improvements (or a replacement or modification made to them after the policy date) including lawns, shrubbery or trees, are damaged because of the future exercise of a right to use the surface of the land for the extraction or development of minerals, water or any other substance, even if those rights are excepted or reserved from the description of the land or accepted in Schedule B.
23. Someone else who tries to enforce a discriminatory covenant, condition or restriction that they claim affects your title which is based on race, color, religion, sex, handicap, familial status or national origin.
24. A taxing authority assess supplemental real estate taxes not previously assessed against the land for any period before the policy date because of construction or a change of ownership or use that occurred before the policy date.
25. Your neighbor builds any structures after the policy date other than boundary walls or fences which encroach onto the land.
26. Your title is unmarketable, which allows someone else to refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it.
27. A document upon which your title is based is invalid because it was not properly signed, sealed, acknowledged, delivered or recorded.
28. The residence with the address shown in Schedule A is not located on the land at the policy date.
29. The map, if any, attached to this policy does not show the correct location of the land according to the public records.

Home Buyer and Seller Guide to Title and Escrow

Holding Title

Tenancy in Common	Joint Tenancy	Community Property	Community Property with Rights of Survivorship
Parties – Any number of persons. (Can be husband & wife).	**Parties –** Any number of persons. (Can be husband & wife).	**Parties –** Only husband and wife.	**Parties –** Only husband and wife.
Division – Ownership can be divided into any number of interests, equal or unequal.	**Division –** Owner interests must be equal.	**Division –** Ownership & managerial interests are equal.	**Division –** Ownership & managerial interests are equal.
Title – Each co-owner has a separate legal title to his or her undivided interest.	**Title –** There must be unity of title and time (created in one document).	**Title –** Title is in the "community" each interest is separate but management is unified.	**Title –** Title is in the "community.". "Each interest is separate but management is unified. Title must state community property with right of survivorship.
Possession – Equal Rights of possession.	**Possession –** Equal Rights of possession.	**Possession –** Both co-owners have equal management and control.	**Possession –** Both co-owners have equal management and control.
Conveyance – Each co-owner's interest may be conveyed separately by its individual owner.	**Conveyance –** By one co-owner without the others will terminate that individual's joint tenancy.	**Conveyance –** Written consent of other spouse is required, and separate interest cannot be conveyed except upon death.	**Conveyance –** Written consent of other spouse is required, and separate interest cannot be conveyed except upon death.
Purchaser's – Will become a tenant-in-common with the other property co-owners.	**Purchaser's –** Will become a tenant-in-common with the other property co-owners.	**Purchaser's –** Can acquire title from the community with written consent or joinder of both spouses.	**Purchaser's –** Can acquire title from the community with written consent or joinder of both spouses.
Death – On co-owner's death, his or her interest passes by will to that person's devisees or heirs. No survivorship right.	**Death –** On co-owner's death, his or her interest ends and cannot be disposed of by will. Survivor(s) own(S) the property.	**Death –** Upon death of one spouse, 50% belongs to surviving spouse, 50% goes by will to descendant's devisees or by succession to surviving spouse.	**Death –** Upon death of one spouse, his or her interest ends and cannot be disposed of by will. Survivor owns the property 100%.
Successor – Devisees or heirs become tenant-in-common.	**Successor –** Last survivor owns property 100%.	**Successor –** If passing by will, tenancy-in-common between devisees and survivor results.	**Successor –** Purchaser can only acquire whole title of community; cannot acquire a port of it.
Creditor's – Co-owner's interest may be sold on execution sale to satisfy his or her creditor. The creditor becomes a tenant-in-common.	**Creditor's –** Co-owner's interest may be sold on execution sale to satisfy his or her creditor. The creditor becomes a tenant-in-common.	**Creditor's –** Property of community is liable for contacts of either spouse which were made after marriage and prior to or after 01/01/1975. Co-owner's interest cannot be sold separately; whole property may be sold on execution to satisfy creditor.	**Creditor's –** Property of community is liable for contacts of either spouse which were made after marriage and prior to or after 01/01/1975. Co-owner's interest cannot be sold separately; whole property may be sold on execution to satisfy creditor.
Presumption – Favored in doubtful cases, except in husband-and-wife case.	**Presumption –** Must be expressly stated. Not favored.	**Presumption –** The legal presumption is that property which has been acquired during the course of the marriage is community property.	**Presumption –** After 07/01/2001, there is no presumption. The code reads that deeds must state "community property with the right of survivorship."

LIFE OF A TITLE ORDER

ESCROW OFFICER CONTACTS TITLE OFFICER & OPENS THE ORDER

CUSTOMER SERVICE VERIFIES LEGAL AND VESTING EMAILS
LAST RECORDED LEGAL TRANSFER DOCUMENT TO ESCROW

TITLE UNIT REOUESTS SEARCH FROM PLANT

SEARCHER EXAMINES CHAIN AND GENERAL INDEX

REQUIRED DOCUMENTS ARE PRINTED

GENERAL INDEX IS GENERATED FOR SELLERS

SEARCH TO HALL OF RECORDS FOR MANUAL SEARCHING IF NECESSARY

TITLE EXAMINDER REVIEWS SEARCH PACKAGE AND WRITES PRELIMINARY TITLE REPORT

WORD PROCESSING OPERATOR TYPES PRELIMINARY TITLE REPORT

SOCAL REP DELIVERS OR SENDS PRELIM VIA EMAIL TO BUYER AND SELLERS AGENT

MESSENGER SERVICE DELIVERS OR SENDS PRELIM VIA EMAIL TO ESCROW AND LENDERS

NEW DOCS/DEMANDS AND STATEMENT OF INFORMATION SUBMITTED TO TITLE UNIT BY ESCROW

ESCROW CALLS TITLE UNIT TO SET UP FILE FOR RECORDING AUTHORIZES RECORDING DOCUMENTS TO BE RECORDED

ADDITIONAL DATE DOWN PERFORMED AND G.I. RAN

DOCUMENTS SENT TO COUNTY RECORDERS TO RECORD THE FOLLOWING MORNING

HALL OF RECORDS NOTIFIES TITLE UNIT WITH CONFIRMATION OF RECORDING

ENCUMBRANCES OF RECORD ARE PAID OFF BY PAYOFF DEPARTMENTS

TITLE FIGURES SENT TO ESCROW BY PAYOFF DEPARTMENT

TITLE OFFICER FAXES CONFIRMATION AND TITLE CHARGES TO ESCROW

TITLE OFFICER SUBMITS FILE TO ACCOUNTING FOR BILLING

WITHIN 5 BUSINESS DAYS OF CLOSING, FILE IS SHIPPED TO PLANT

WORD PROCESSING OPERATOR REVIEWS FILE AND FINAL TITLE POLICIES PRODUCED

TITLE POLICIES FORWARDED TO CLIENT, LENDER AND/OR ESCROW

Home Buyer and Seller Guide to Title and Escrow

What to Check on Every Preliminary Report

The preliminary report indicates the type of title insurance offered by the title company. It also indicates the exclusions and exceptions from coverage under which the policy will be issued.

VESTING- Make sure the names on the Preliminary Report are the correct names and that the property is the same as the property on the purchase contract.

TAXES AND ASSESSMENTS- Look for an exemption or classification designation that would change the tax amount as a result of the sale.

DEED OF TRUST- Make sure all paid off Deeds of Trust are reconveyed. Upon proof of payment and/or an indemnity, the title company may insure around the encumbrances.

IDENTITY MATTERS- A 'Statement of Information' can clear up identity issues that may arise. If there are judgments and liens that belong to the party in question and have been paid then a release or satisfaction much be obtained and recorded or filed to eliminate the matter.

PENDING ACTIONS- A civil action affecting real property generally will have to be dismissed before title can insure. A divorce probate doesn't have to be finalized but special requirements may exist. Check with your Title Rep or Title officer for more information.

JOINT USE MATTERS- Driveways, party walls and easements may prompt Lenders to require a joint maintenance agreement. The preliminary report will show such agreements if one is of record.

EXTENDED COVERAGE MATTERS- If a physical inspection of the subject property discloses encroachments, lien rights, or other matters, these must be addressed before the lender will close. An extended coverage owner's policy may be requested and a survey of the property will be required.

LEGAL DESCRIPTION- The legal description should always be compared to the legal description in the purchase and sale agreement to be sure that all the property being conveyed has been included in the preliminary report.

PAYING OFF YOUR EXISTING LOANS

Unless the buyer takes over your existing loan(s) on the property, the loan(s) will be paid off during the escrow process. You will need to furnish complete information to your escrow officer and real estate agent on each loan against your property. Please be prepared to provide the name of the lender, the loan number address and phone number of the lender. Your escrow officer will need this information to order the loan payoff demands, so the loan(s) may be paid off correctly during the escrow. Homeowners' Association information may also be required if you are selling condominium, townhouse or property located in a planned unit development. All of this information will help to insure the timely closing of escrow.

DISCLOSURES AND CONTINGENCIES

During the process of selling your property, you will be asked to fill out a property disclosure form, which is now required by law. In this document, you will inform the buyer of any significant facts you have about the condition of the property.

There will be various contingency dates in your real estate sales contract. You should be very aware of these and be sure that the actions required and performed in a timely manner. Such contingencies include: the buyer's loan approval, approval of the Preliminary Report and approval of termite and other inspections. Stay closely in touch with your real estate agent regarding these important dates.

When the loan is approved and the loan documents are sent to the escrow officer or the escrow assistant handling your transaction, the escrow instructions and the deed will be prepared.

Home Buyer and Seller Guide to Title and Escrow

Tax Information – Property Tax Schedule

JANUARY	FEBRUARY	MARCH	APRIL
January 1^{st} Tax Assessment Date	**February 1^{st}** 2^{nd} Tax Installment Due **February 10^{th}** Last Day to File Exemption 100%	**March 1^{st}** Taxes on unsecured roll	**April 10^{th}** 2^{nd} Delinquent: Add 10% penalty and $10.00 Additional fee. **Penalty and Fee Valid from April 10^{th} to June 30th**
MAY	**JUNE**	**JULY**	**AUGUST**
		July 1^{st} 1^{st} or 2^{nd} Tax Delinquent: Add 10% penalty and $15.00, plus an additional 1.5% per month. **July 1^{st}** New Property Value	
SEPTEMBER	**OCTOBER**	**NOVEMBER**	**DECEMBER**
		November 1^{st} 1^{st} Tax Installment Due	**December 1^{st}** Last Day to File Exemption 80% **December 10^{th}** 1^{st} Tax Delinquent: Add 10% Penalty and $10.00 additional fee.

Title Tip: If you have a transaction in escrow…

Sellers: Pay the 1^{st} Installment property taxes in the form of a cashier's check, payable to the Tax Collector and deliver to the Title Company to avoid the Title Company from holding funds at close of escrow in order to verify the taxes have been paid. The check once delivered to the Title Company will be documented in their file and then forwarded to the Tax Collector.

If the taxes were already paid, the Title Company may have to hold funds until they can verify payment.

Please contact your title rep to ensure the taxes are taken care of correctly during your transaction to avoid any delays or holding of funds at close of escrow.

Home Buyer and Seller Guide to Title and Escrow

Property Tax – Information

Property tax is a tax administered by local government districts. Tax rates vary from county to county and are based on a predetermined percentage of an annually assessed value of each individual property. Property taxes are paid in biannual installments.

Paying Property Taxes on your Newly Purchased Home

Paying for your first year of property taxes can be tricky, depending on when you close escrow on your new home. If your property is in escrow, and the sellers have just paid property taxes, then your agent should request proof of payment. Because it can take up to six weeks for a property tax payment to post, the preliminary title report may show that property taxes are still due. Proof of property tax payment by the seller will allow escrow to close successfully without a potential tax hold. If you purchased your property between January and October, your property tax bill may be forwarded to the seller's new address. If you do not receive your property tax bill by the middle of October, contact your County Tax Collector and request that a duplicate tax bill be sent to you. You are still obligated to pay your first property tax installment by the November 1st due date, even if you have not received a tax bill from the county. Refer to the tax calendar on page 25 to help you keep track of important property tax due dates and the penalties for delinquent payments. If you close escrow near December 10th, and the seller has not yet paid property taxes, then the seller will need to make a check payable to the Tax Collector and forward it to the escrow holder. The escrow holder will see that the title company forwards it to the County. If the check does not clear by the escrow close date, then a hold may be required.

What is an Impound Account?

An impound account is a convenient way for borrowers to ensure that their property tax and insurance payments are paid in a timely manner. Your lender can set up an impound account which will allow them to collect property tax and hazard insurance payments from you on a monthly basis. The impound payment is collected with your monthly mortgage principal and interest payment is calculated by taking your yearly tax and annual insurance payment and amortizing it over 12 months, along with a mandatory pad of at least two additional months' worth of payment for each. The lender will pay the County Tax Collector and the insurance company directly by drawing the property tax and the insurance premium from the account when the property tax installments are due (November and February) and when the insurance premium is due.

Supplemental Property Tax

Supplemental Property Tax

The supplemental real property tax law came into effect in 1983 and is part of an ambitious drive to aid California's public school system. If you plan on purchasing or building a new home, this law will affect you. Supplemental property tax is a onetime tax which dates from the time you take ownership of your property or complete construction until the end of the tax year on June 30th.

How Will the Amount of My Bill be Determined?

There is a formula used to determine your tax bill. Supplemental property tax is based on the difference of assessed value of a home when purchased by the prior owner and the newly assessed value when purchased by you. If you are building a home, the supplemental property tax is based on the difference in value of the land before a home was constructed and the new property value after a home is built. The total supplemental assessment will be prorated, based on the number of months remaining until the end of the tax year, June 30th.

Will My Supplemental Taxes be Prorated in Escrow?

No. Because supplemental tax is a one-time tax and is in effect from the actual date you take ownership of property, it will be billed to you buy your County Controller/Tax Collector.

When and How Will I be Billed?

You will be advised of your supplemental assessment amount when your property is appraised during the lending process. You will then have an opportunity to discuss your valuation, apply for a Homeowner's Exception and possibly file an Assessment Appeal. Your county will then calculate your supplemental tax and mail you a bill. This can happen anywhere from 3 weeks to 6 months after close of escrow. A lien is put on your property for the supplemental taxes, so be sure to pay your taxes by the date noted on your supplemental tax bill.

Home Buyer and Seller Guide to Title and Escrow

Tax Information

There are several types of taxes that can be a part of your real estate transaction. We are providing the following information as a courtesy and recommend you seek professional tax advice for any and all questions or concerns regarding taxes and your transaction.

Some of the taxes mentioned below can potentially be a part of your real estate transaction:

Property Taxes
Transfer Tax
Mello Roos
Supplemental Taxes
Capital Gains Tax
FIRPTA
Change Of Ownership Filing (PCOR)
Cal Withholding

Home Buyer and Seller Guide to Title and Escrow

Tax Information – Capital Gains | FIRPTA

CAPITAL GAINS TAX

Almost everything you own and use for personal purposes, pleasure or investment is a capital asset. Your main home or investment property is no exception. When you sell a capital asset, such as your home, the difference between the amount you sell it for and your basis, which is usually what you paid for it, is capital gains or capital loss. While you must report all capital gains, you may deduct only your capital losses on investment property, not personal property.

Generally, for most taxpayers, net capital gain is taxed at rates no higher than 15%. Some or all net capital gain may be taxed at 0% if you are in the 10% to 15% ordinary income tax brackets. However, beginning in 2013, a new 20% rate on net capital gain applies to the extent that a taxpayer's taxable income exceeds the thresholds set for the new 39.6% ordinary tax rate ($400,000 for single; $450,000 for married filing jointly or qualifying widow(er); $425,000 for head of household, and $225,000 for married filing separately).
IRS Publication 5050

FIRPTA

Foreign Investors Real Property Taxation Act requires a percentage of the sales price be withheld for foreign ownership. This applies to nonresident aliens of USA, including foreign partnerships, foreign trust and foreign estates. It is the Buyer's responsibility to report and withhold, not the escrow officer. Seller can request a waiver or reduced withholding and there are some exceptions under the IRS Code (IRC 1034). The withholding amounts are as follows:

If sales price is $300,000 or less AND the buyer will sign an affidavit stating the property will be used as a primary residence, the withholding rate is 0%.

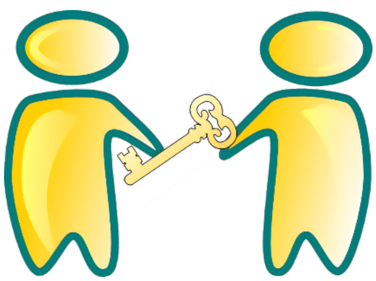
If the amount realized exceeds $300,000 but does not exceed $1 million, AND the buyer will sign an affidavit stating the property with be used as a primary residence, the withholding rate is 10% on the full amount realized.

If the amount realized exceeds $1 million, then the withholding rate is 15% on the entire amount, regardless of use by the buyer.

CHANGE OF OWNERSHIP FILING

During your escrow process and every time a property is purchased or ownership is transferred for other reasons, a Change of Ownership Form (PCOR) must be filled out. You will receive a PCOR with your escrow documents and you will be required to fill it out completely. this allows the county office that assesses taxes to reassess the tax liability when a property is transferred from a seller to buyer.

You will need to supply information on the property such as type of transfer, purchase price and terms of sale etc. The PCOR normally satisfies the change of ownership requirements when filled out completely and accurately by the Buyer. The county assessor may also request other information about a deed or other matters related to the transfer after reviewing the PCOR. The PCOR is confidential and not recorded or available for public inspection.



CAL WITHHOLDING

This requires that 3 1/3% of the sales price or an alternative withholding amount be paid to the Franchise Tax Board and applies to non-owner-occupied property. The Buyer must withhold this amount and is responsible however, the Buyer can request the task be passed on to escrow. Escrow may charge a fee for processing the withholding or waiver. This tax is a prepayment of California State Income Tax for Sellers on the taxable gain of California real property.

TRANSFER TAX

This tax is levied by the County any time real property is conveyed. This tax is paid at the time of recording and is usually paid by the Seller however, in some cases the Buyer and Seller may split the cost. The tax is based on
the sales price and is usually charged per $500 or $1,000 of the sales price. Some cities also have a transfer tax that is charged in addition to the county tax and typically will be paid together. In some cases, a separate check may need to be mailed to the city. Your escrow officer will advise you on the payment of this tax and the amount.

MELLO ROOS

Mello Roos is a special tax imposed on those real property owners within a Community Facilities District. This district has chosen to seek public financing through the sale of bonds for the purpose of financing certain public improvements and services. These servicing may include streets, water, sewage and drainage, electricity, infrastructure, school, parks and police protection to newly developing areas. The tax you pay is used to make the payments of principal and interest on the bonds.

By purchasing an interest in a subdivision within a Community Facilities District you can expect to be assessed for a Mello Roos tax which will typically be collected with your general property tax bill. These special tax payments are subject to the same penalties that apply to regular property taxes.

Home Buyer and Seller Guide to Title and Escrow

What is Mello-Roos?

Mello-Roos and Assessment Districts are special tax districts, created by the California State Legislature in 1982. These districts collect funds to pay for the vital facilities a new home community needs – such as streets, schools, water, drainage, parks, sidewalks, median landscaping, and sewer systems – which otherwise might not be available to initial homeowners in the community.

An Assessment District or Mello-Roos District is formed by the local government and can include the City Council, Board of Supervisors, or School Districts. They issue bonds (which are essentially loans) to funds the community's facilities. To repay the bonds, homeowners will pay assessments, which will be added to their annual property tax bill. Each community has its own rate and assessments can increase or decrease. Depending on where your home is located, you might have the option of paying the assessment in one lump sum. In some cases, your assessments may be considered tax deductible. Check with your tax counselor. This explanation is a summary and not intended to take the place of the more detailed explanations and legal disclosures that you're entitled to. When you make your home purchase, you'll receive complete information on Mello-Roos and Assessment Districts.

Home Buyer and Seller Guide to Title and Escrow

The Selling Process

ESCROW INSTRUCTIONS

Escrow instructions define all the conditions that must occur before the transaction can be finalized. The escrow instructions represent your written statement to the escrow holder protecting your interests and specify, in a debit and credit format, the disposition of the sales proceeds and the conditions under which the Grant Deed may be recording in favor of the new buyer.

A Grant Deed is the document which legally transfers your title to the property to the new owner. You will sign the Grant Deed as part of the escrow instructions the deed will be notarized by your escrow officer or another qualified notary public. Proper identification is needed for this procedure. The Grant Deed is recorded at the time escrow closed.

Your escrow officer or real estate agent will contact you for an appointment to sign your escrow instructions and the Deed. At this time, the escrow officer will inform you of the amount of proceeds you will receive from the sale of your home. If you are also purchasing another home, arrangements can be made to transfer funds to purchase escrow.

YOUR APPOINTMENT

An appointment is required for the sign-off. Please call your escrow officer to arrange a convenient time and expect the process to take approximately one hour.

There are several acceptable forms of identification which may be used during the escrow process. These include: A current driver's license, Passport, etc. One of these forms of identification must be presented at the signing of escrow in order for the signature to be notarized.

On rare occasions, funds are insufficient to close escrow and you, the sellers, must deposit money into the escrow. Should this situation occur, you will need to obtain a cashier's check or certified check issued by a California financial institution made payable to the escrow company in the amount indicated to you by your escrow officer or escrow assistant. A personal check may delay the closing since the escrow company is required by law to have good funds before disbursing funds from escrow. Similarly, an out-of-state check could cause a delay in closing, due to delays in clearing the check.

Home Buyer and Seller Guide to Title and Escrow

The Selling Process Cont.

HELPFUL REMINDERS

If you wish to transfer funds to another escrow or wire transfer funds, arrangements must be made in advance with the escrow officer.

In the event that you wish to use a Power of Attorney, arrangements must be made one to two weeks in advance with the escrow officer and the Power of Attorney must be approved by the buyer's lender and your title company. These arrangements should be made as early as possible to the transaction.

Please bring appropriate identification with you to the escrow company, so that your identity can be verified by the notary public.

Should the funds deposited in escrow be insufficient for closing, you will need to bring a cashier's check or certified check to the escrow company for the remainder of the purchase price. Either type of check should be from a California Bank or savings and loan and should be issued in the exact amount of the balance due. The amount of the balance may be obtained by phoning the escrow officer prior to signing the papers. The check should be made payable to your escrow company.

AFTER THE SIGN-OFF

What's next after completion of the sign-off?

After you and the buyer have signed all the necessary instructions documents, the escrow officer will return them to the new lender for a final review. Following the review, which usually occurs within a few days, the lender is ready to fund the buyer's loan and advises the escrow officer so that the necessary work can be completed to record the documents and "close" the escrow.

What is "Escrow Closings"?

It signifies legal transfer of title to the property from the seller to the buyer and is the culmination of the transaction.

When do I receive proceeds from the sale?

Usually, the Grant Deed and Deed of Trust are recorded within one working day of the escrow's receipt of loan funds. This completes the transaction and signifies the "close of escrow." Once all the conditions of the escrow have been satisfied, the escrow officer advises you of the date the escrow will close and takes care of the technical and financial details, including paying off your loan. A final settlement statement and a check for the proceeds will be available to you the day the sale is completed; documents are recorded and the escrow is closed.

AFTER THE CLOSE

What happens after escrow closes?

After the loan has been finalized, the documents signed and recorded, and the financial settlement completed, there are still several steps which must be accomplished to complete the transaction.

Your existing loan is being paid in full from the escrow. Your lender is required by law to issue a full reconveyance of their loan. As soon as the deed or reconveyance removing the previous Deed of Trust is received, it should be recorded and the original returned to you. This may take several weeks. However, you need not be concerned by this delay since it is normal.

What happens to funds held in escrow?

In some cases, the escrow holder will be instructed to hold funds in escrow to pay off obligations which may not be completed until after escrow closes. An example might be a set-aside of funds to correct a structural problem, remodeling or termite repair work. Upon completion of the project and receipt of the proper documentation and releases, the escrow officer will disburse the reserved funds.

Home Buyer and Seller Guide to Title and Escrow

Tips to Sellers

LET YOUR HOME GIVE A SMILE TO BUYERS

First impressions are lasting. The front door greets the prospect. Make sure it is fresh, clean and scrubbed looking. Keep lawn trimmed.

Let the sun shine in. Open draperies and curtains and let the prospect see how cheerful your home can be since dark rooms do not appeal.

Can you see the light? Illumination is like a welcome sign. The potential buyer will feel a glowing warmth when you turn on all your lights for an evening inspection.

Repairs can make a big difference. Loose knobs, sticking doors and windows, warped cabinet drawers and other minor flaws detract from home value. Have them fixed.

From top to bottom. Display the full value of your attic and other utility space by removing all unnecessary articles.

Decorate for a quick sale. Faded walls and worn woodwork reduce appeal. Why try to tell the prospect how your home could look when you can show them by redecorating? A quicker sale at a higher price will result. An investment in new kitchen wallpaper will pay dividends. Safety first. Keep stairways clear. Avoid cluttered appearances and possible injuries.

Make closets look bigger. Neat, well-ordered closets show space is ample.

Arrange bedrooms neatly. Remove excess furniture. Use attractive bedspreads and freshly laundered curtains.

Bathrooms help sell homes. Check and repair caulking in bathtubs and showers. Make this room sparkle.

Fix that faucet! Dripping water discolors sinks and suggests faulty plumbing.

Three's a crowd. Avoid having too many people present during inspections. The potential buyer will feel like an intruder and will hurry through the house.

Silence is golden. Be courteous but don't force conversation with the potential buyer. They want to inspect your house – not pay a social call.

Music is mellow. But not when showing a house. Turn off the blaring radio or television. Let the agent and buyer talk, free of disturbances.

Pets underfoot? Keep them out of the way – preferable out of the house.

Be it ever so humble. Never apologize for the appearance of your home. After all, it has been lived in. Let the trained salesperson answer any objections. This is his/her job.

In the background. The salesperson knows the buyer's requirements and can better emphasize the features of your home when you don't tag along. You will be called if needed.

Why put the cart before the horse? Trying to dispose of furniture and furnishings to the potential buyer before they have purchased the house often loses a sale.

A word to the wise. Let your realtor discuss price terms, possession and other factors with the buyer. He/she is eminently qualified to bring negotiations to a favorable conclusion.

Use your agent. Show your home to prospective customers only by appointment through your agent. Your cooperation will be appreciated and will help close and sell more quickly.

Home Seller's Glossary

Agency	A legal relationship in which someone (principal) hires someone else (agent) to represent them to a third party.
Application Fee	A fee to cover some of the charges of the loan process.
Appraisal Fee	A fee charged by the lender for an appraisal.
Assessed Value	The value placed on property by the County Assessor District as a basis for taxation.
Balloon Payment	An instance in which the final installment payment on the note is greater than the preceding payments, and pays the note in full.
Chain of Title	A history of conveyance and encumbrances affecting the title of real property.
Conventional Mortgage	A mortgage securing a loan made by investors without government underwriting – that is, not FHA insured or VA guaranteed.
Convey or Conveyance	Process of transferring ownership of property from one person to another.
Courier Fee	Charges for Delivery.
Credit Report Fee	Assessed by the lender for a required credit report from the credit bureau.
Deed	A document which, when properly executed and delivered, conveys title of real property
Disclosure	To make known or public. When dealing with real property, all disclosures should be made in writing.
Discount Points	A negotiable fee paid to the lender to secure financing for the buyer. Discount points are up-front interest charges to reduce the interest rate on the loan over the life, or a portion, of the loan's term. One discount point equals one percent of the loan amount.
Earnest Money	Money deposited by a buyer as evidence of good faith.
Encumbrance	Anything that affects or limits the ownership of real property, such as mortgages, liens, easements or restrictions of any kind.
Escrow Fee	Charged by the escrow company to service the transaction and to escrow money and documents
Escrow	The deposit of documents and funds with instructions to a neutral third party to carry out the provisions of an agreement or contract.

Home Buyer and Seller Guide to Title and Escrow

Contract to Closing

- ☐ 1. Contract signed and dated
- ☐ 2. Escrow opened and earnest money deposited
- ☐ 3. Title Report requested
- ☐ 4. Seller orders termite inspection
- ☐ 5. Property inspection ordered by the Buyer Original termite certificate to Escrow Company
- ☐ 6. Buyer arranges insurance for home and provides information to lender and escrow company
- ☐ 7. Loan application made
- ☐ 8. Copy of inspection to buyer and seller buyer provides seller with repair priority list
- ☐ 9. Lender orders appraisal
- ☐ 10. Completed appraisal
- ☐ 11. Seller/Buyer negotiates and then orders repair work
- ☐ 12. Buyer is approved by Lender
- ☐ 13. Other inspections, if needed or requested by Buyer
- ☐ 14. Repairs completed and approved by Lender and Buyer
- ☐ 15. Final contingencies removed
- ☐ 16. Final closing date set
- ☐ 17. Confirm closing figures with Escrow Officer Buyer must bring check in order to close
- ☐ 18. Closing
- ☐ 19. Title Policy Issued

Home Buyer and Seller Guide to Title and Escrow

Glossary A - D

Acknowledgement: A formal declaration made before an authorized official (usually a notary public), by the person who has executed (signed) a document, that such execution is his/her own act and deed. In most instances a document must be acknowledged (notarized before it can be accepted for recording).
Adjustable-Rate Mortgage (ARM): A mortgage with an interest rate that changes over time in line with movements in the index. ARMS are also referred to as AMLs (Adjustable mortgage loans) or VRMs (Variable Rate Mortgages).
Adjustment Period: The length of time between interest rate changes on an ARM. For example, a loan with an adjustment period of one year is called a one-year ARM, which means that interest rate can change once a year.
Affidavit: A sworn statement in writing, made before an authorized official.
ALTA: Abbreviation for the American Land Title Association.
Amortization: Repayment of a loan in equal installments of principal and interest, rather than interest-only payments.
Amortized Loan: A loan that is completely paid off, interest and principal, by a series of regular payments that are equal or nearly equal. Also called a Level Payments Loan.
Annual Percentage Rate (APR): The total finance charge (interest, loan fees, points) expressed as a percentage of the loan amount.
Appraisal: The act of process of estimating value of real estate or any interest therein.
Appreciation: An increase of value real estate.
Assessments: Specific and special taxes (in addition to normal taxes) imposed on real property to pay for public improvements within a specific geographic area.
Assumption of Mortgage: A buyer's agreement to assume the liability under an existing note that is secured by a mortgage or deed of trust. The lender must approve the buyer in order to release the original borrower (usually the seller) from liability.
Attorney-in-Fact: An agent authorized to act for another under a power of attorney.
Balloon Payment: A lump sum principal payment due at the end of some mortgages or other long-term loans.
Beneficiary: As used in a trust deed, the lender is designated as the Beneficiary, i.e., obtains the benefit of the security.
Binder: Sometimes known as an offer to purchase or an earnest money request. A binder is the acknowledgement of a deposit along with a brief written agreement to enter into a contract for the sale of real estate.
Cap: The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.
CC&R: Covenants, Conditions and Restrictions. A document that controls the use, requirements and restrictions of a property.
Certificate of Reasonable Value (CRV): A document that establishes the maximum value and loan amount for a VA guaranteed mortgage.
Closing: The final settlement of a real estate transaction between buyer and seller.
Closing Statement: The financial disclosure statement that accounts for all of the funds received and expected at the closing, including deposits for taxes, hazard insurance, and mortgage insurance.
Condominium: A form of real estate ownership where the owner receives title to a particular unit and has a proportionate join ownership of common area of the structure and the land interest. The unit itself is generally a separately owned space whose interior surfaces (walls, floors and ceilings) serve as its boundaries.
Contingency: A condition that must be satisfied before a contact is binded. For instance, a sale agreement may be contingent upon the buyer obtaining financing.
Conventional Mortgage: A mortgage securing a loan made by investors without governmental underwriting, i.e., which is not FHA insured or VA guaranteed.
Conversion Clause: A provision is some ARMs that enables you to change an ARM to a fixed-rate loan, usually after the first adjustment period. The new fixed rate is generally set at a prevailing interest rate for a fixed-rate mortgages. This convention feature may cost extra.
Cooperative: A form of multiple ownership in which a corporation or business trust entity holds title to a property and grants occupancy rights to share-holders by means of property leases or similar arrangements.
Counter-Offer: A rejection of an offer by a seller along with an agreement to sell the property to potential buyers on terms differing from the original offer.
CRB: Certified Residential Broker. To be certified, a broker must be a member of the National Association of Realtors, have five years experience as a license broker and have completed five required Residential Division courses.
Deed: Written instrument which, when properly executed and delivered, conveys title.
Deed of Trust: Written instrument by which title to land is transferred to a trustee as security for a debt or other obligation, also called Trust Deed. Used in place of mortgages in many states.
Deposit Receipts: Used when accepting "Earnest Money" to bind an offer for property by a prospective purchase; also includes terms of a contract.
Discount Points: Additional charges made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent. These additional interest charges are paid at the time a loan is closed.
Due-On-Sale Clause: An acceleration clause that requires full payment of a mortgage or deed of trust when the secured property changes ownership. The seller or escrow agent by the purchaser with a written offer as evidence of good faith.

Home Buyer and Seller Guide to Title and Escrow

Glossary E - P

Earnest Money: The portion of the down payment delivered to the seller or escrow agent by the purchaser with a written offer as evidence of good faith.
Easement: The interest or value which an owner has in real estate over and above the liens against real property.
Equity: The interest or value which an owner has in real estate over and above the liens against real property.
Escrow: A procedure in which a third-party acts as a stakeholder for both buyer and the seller, carrying out both parties instructions and assuming responsibility for handling all of the paperwork and distribution of funds.
Federal National Mortgage Association (FNMA): Popularly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by the VA, as well as conventional home mortgages.
Fee Simple: An estate in which the owner has unrestricted power to dispose of the property as he wishes, including leaving by will or inheritance, it is the greatest interest a person can have in real estate.
FHA Loan: A loan which has been insured by the Insuring Office of the Department of Housing and Urban Development; the Federal Housing Administration guaranteeing its payment in case of default by owner.
Finance Charge: The total cost a borrower must pay, directly or indirectly, to obtain credit according to Regulation Z.
Graduated Payment Mortgage: A residential mortgage with monthly payments that starts at a low level and increases at a perdeuterated rate.
Grant: A transfer of real property.
Grantee: The person to whom a grant is made.
Grantor: The person who makes a grant.
GRI: Graduate Realtors Institute. A professional designation granted to a member of the National Association of Realtors who have successfully completed three courses covering law, Finance and Principles of Real Estate.
Home Inspection Report: A qualified inspector's report on a property's overall condition. The report usually includes an evaluation of both the structure and mechanical systems.
Home Warranty Plan: Protection against failure of mechanical systems within the property. Usually includes, plumbing, electrical, heating systems and installed appliances.
Impound Account: Funds retained by a lender to cover such items as taxes and hazard insurance premiums.
Index: A measure of interest rate changes used to determine changes in ARM's interest rate over term of the loan.
Joint Tenancy: An equal, undivided ownership of property by two or more persons. Upon the death of any owner, the survivors take the descendant's interest in the property.
Land Contract: A contract ordinarily used in connection with the sale of the property, in cases where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer.
Lien: A form of encumbrance which usually makes property security for the payment of a debt of discharge of an obligation. Example: Judgements, Taxes, Mortgages, Deed of Trusts, etc.
Loan Commitment: A written promise to make a loan for a specified amount on specified terms.
LTV Ratio: The relationship between the amount of the mortgage and the appraised value of the property expressed as a percentage of the appraised value.
Margin: The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.
Marketable Title: Title free and clear of objectionable liens or encumbrances.
Mortgage: An instrument recognized by law, by which property is hypothecated to secure the payment of debt or obligation; procedure for foreclosure in event of default is established by statue.
Mortgage Banker: A company or individual engaged in the business of origination mortgage loans with its own funds, selling those loans to long-term investors, and services the loans for the investor until they are paid in full.
Mortgage Life Insurance: A type of term life insurance often bought by mortgagors. The coverage decreases as the mortgage balance declines. If the borrower dies while the policy is in force, the debt is automatically covered by insurance proceeds.
Negative Amortization: Negative amortization occurs when monthly payments fail to cover the interest cost. The interest that isn't covered is added to the unpaid balance, which means that even after several payments you could owe more than you did at the beginning of the loan. Negative amortization can occur when ARM has a payment cap that results in monthly payments that aren't high enough to cover the interest.
Origination Fee: A fee or charge for work involved in evaluating, preparing, and submitting a proposed mortgage loan charged the borrower by the lending institution. The fee is limited to one prevent for FHA and VA loans.
Personal Property: Any property which is not real property, (e.g., money, savings accounts, appliances, cars, boats, etc.)
PITI: Principal, Interest, Taxes, Insurance.
Planned Unit Development (PUD): A zoning designation for property developed at the same or slightly greater overall density than conventional development. Uses may be residential, commercial or industrial.
Point: An amount equal to one percent of the principal amount of the investment or note.
Prepayment Penalty: A fee charged to a mortgagor who pays a loan before it is due. Not allowed for FHA and VA loans.

Home Buyer and Seller Guide to Title and Escrow

Glossary P - V

Private Mortgage Insurance (PMI): Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.

Promissory Note: Following a loan commitment from the lender, the borrower signs a note promising to repay the loan under stipulated terms. The promissory note establishes personal liability for its repayment.

Purchase Agreement: A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under stated terms and conditions. Also called a sales contract, earnest money contract or agreement of sale.

Real Property: Land and whatever by nature or artificial annexation, is part of it.

Realtor: A real estate broker or associate active in a local real estate board affiliated with the National Association of Realtors.

Recordation: Filing for record in the office of the county recorder.

Regulation Z: The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.

Special Assessment: Legal charge against real estate by a public authority to pay cost of public improvements such as; street lights, Sidewalks, Street Improvements, etc.

Sub-Division: A parcel of land that has been divided into smaller parts.

Tenancy in Common: A type of ownership by two or more persons who hold undivided interest; without rights of survivorship; interests need not be equal.

Title: Evidence of a person's right or the extent of his interest in property.

Title Insurance Policy: A policy that protects the purchaser, mortgagee or other party against losses.

Trust Account: An account separate and apart – physically segregated from broker's own – in which broker is required by law to deposit all funds collected for clients.

VA Loan: A loan that is partially guaranteed by the Veterans Administration and made by a private lender.

Veterans Administration: An independent agency of the federal government created by the servicemen's readjustment act of 1944 to administer a variety of benefit programs designated to facilitate the adjustment of returning veterans to civilian life. Among the benefit programs is the home loan guarantee program designated to encourage mortgage lenders to offer long-term low-down payment financing to eligible veterans by guaranteeing the lender against loss on these higher-risk loans.

NOTES

EXPERIENCE | INTEGRITY | EXCELLENCE

SoCal Title Company

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