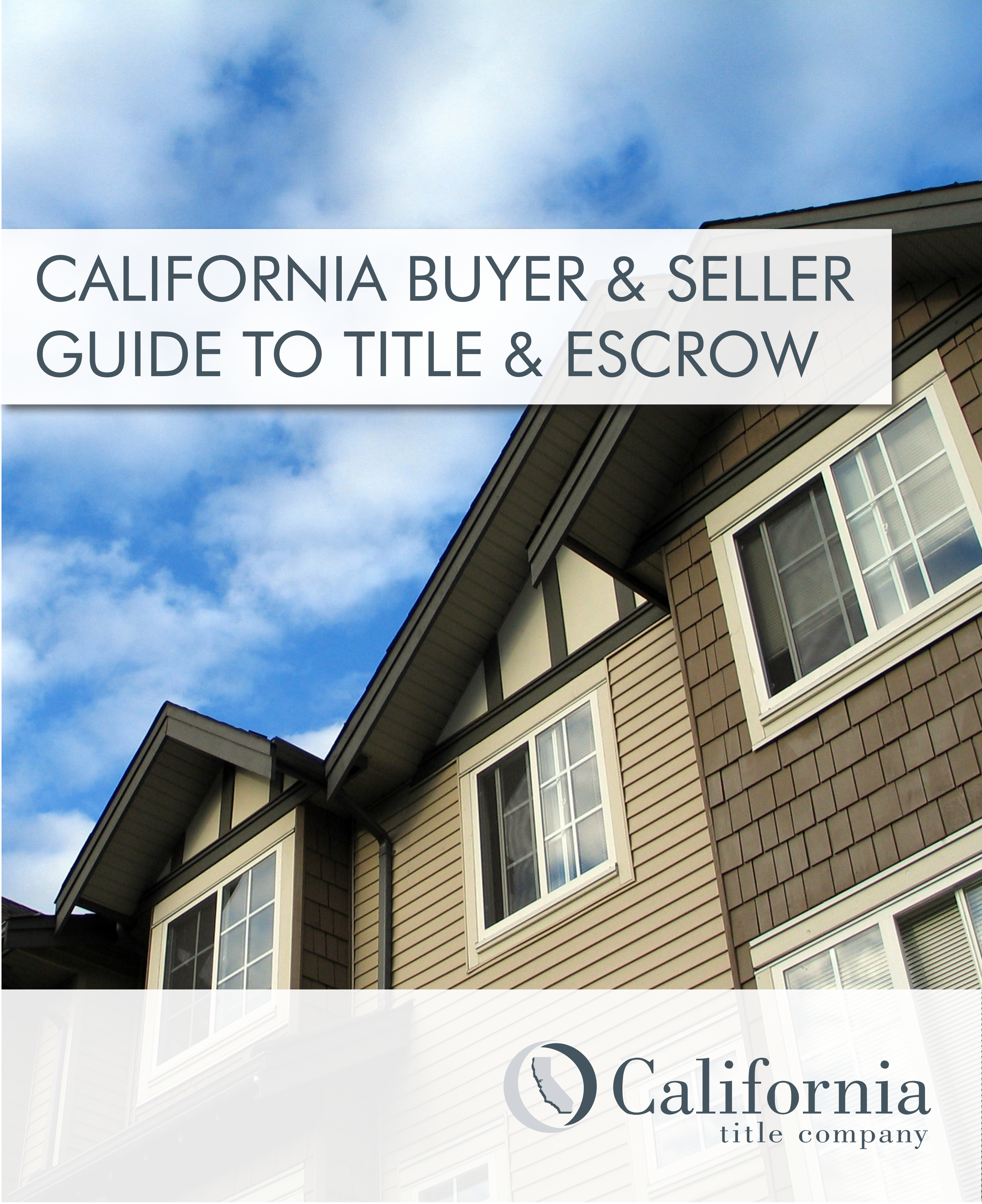
CALIFORNIA BUYER & SELLER GUIDE TO TITLE & ESCROW



California
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IMPORTANT CONTACTS FOR YOUR TRANSACTION

Real Estate Professional

Name:____________________

Company:____________________

Address:____________________

City / State / Zip:____________________

Office:____________________

Cell:____________________

E-mail:____________________

Fax:____________________

Notes:____________________

Title / Escrow

Name:____________________

Company:____________________

Address:____________________

City / State / Zip:____________________

Office:____________________

Cell:____________________

E-mail:____________________

Fax:____________________

Notes:____________________

Contact ____________________

Name:____________________

Company:____________________

Address:____________________

City / State / Zip:____________________

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Contact ____________________

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City / State / Zip:____________________

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Notes:____________________

California
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Protecting Your Property Rights

California Title Company has provided this Home Buyers & Sellers Guide as a courtesy to make sure you have the information you need to make your transaction as smooth as possible. We are excited to share this journey with you as your title company of choice.

Buying or Selling a home can be very confusing, sometimes complicated, and is always important to you, your family and your future. With all of the aspects of buying or selling to take into consideration it can be overwhelming which is why it is a smart decision to consult with a licensed real estate professional that can walk you through the process.

The information in this handbook will educate and assist Buyers & Sellers with the following:

- Help determine wants and needs
- Steps of the buying & selling process
- Loan information
- Writing, presenting and negotiating the offer
- Explaining the escrow and title process
- Physical inspection process
- Home warranties

For more information please contact Customer Service at 844.544.2752
or log onto our website at www.caltitle.com

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THE BUYING PROCESS

SUBMITTING AN OFFER

Once you have chosen a real estate professional they will guide you through the process of finding a property that fulfills your needs. When you have chosen a property the real estate professional will draft a purchase agreement for you, advising you on protective contingencies, customary practices, and local regulations. At this time you will need to provide an "earnest money" deposit, usually from 1% to 3% of the purchase price (the deposit is not cashed until your offer has been accepted by the Seller). The buyer will choose the title and escrow company. California Title would love the opportunity to service your needs. The seller will then accept, counter or reject the offer.

OPENING ESCROW

Once the offer is accepted and signed by all parties the buyers real estate professional will open escrow and the earnest money will get deposited into an escrow account. All funds associated with the transaction will be handled through escrow.

THE CONTINGENCY PERIOD

This is the time allowed per your Purchase Agreement to obtain financing, perform inspections, and satisfy any other contingencies to which your purchase is subject.
Typical contingencies include:

♦ *Approval of the Seller's Transfer Disclosure Statement*

♦ *Approval of the Preliminary Report from the Title Company*

♦ *Loan approval*

♦ *Appraisal of the property*

♦ *Physical inspections of the property*

♦ *Pest inspection and certification*

♦ *Satisfaction of any purchase contingencies & specific transaction requirements*

HOMEOWNERS INSURANCE

Before the close of escrow the buyer must obtain homeowners insurance that is acceptable by the lender. The real estate professional will coordinate between your insurance agent and the Escrow Officer to make sure your policy is in effect at close of escrow.

DOWN PAYMENT FUNDS

You will need a cashier's check or wire transfer several days prior to the closing date of escrow. Escrow will provide a settlement statement with the required amount of funds needed to close including down payment and closing costs.

SIGNING LOAN DOCUMENTS

When all of the conditions of the Purchase Agreement have been met, you will sign your loan documents. Escrow usually sets up the appointment for your final signing.

CLOSING ESCROW

After loan documents are signed, the buyer has deposited the remaining balance of funds needed to close and all of the purchase agreement requirements have been met the lender will review the loan documents. If everything is satisfactory the lender will fund the loan. The Deed will then be recorded at the County Recorder's office and the buyer will take ownership of the home.

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.

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 I 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, Section 1 items need to be corrected before a lender will make a loan on a home.

Section II 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.

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 provides 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 inspections by specific trades, such as roof and furnace inspections.

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.

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 ground under and around the home.

Who Pays?
Typically the Buyer pays, but as with other inspections, this is negotiable according to the contract.

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.

HOMEBUYER'S GLOSSARY

Exclusive Right To Sell Listing	A written agreement between owner and agent giving agent the right to sell a property and collect a fee for a set term.
Fair Market Value	The price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure.
Loan Origination Fee	Normally 1% of the loan amount, charged by the lender to the buyer.
Mortgage	A legal document that provides security for repayment of a promissory note.
Mortgagee's Title Policy	Required by lenders to ensure that the lender has a valid lien. It does not protect the buyer. Also required for 2nd mortgages.
Owner's Title Policy	Insures the buyer against loss due to any defect of the title not excepted to or excluded from the policy.
Points	Paid by the buyer or seller. One point is equal to one percent of the loan amount.
Principal	The employer of an agent in an agency relationship.
Recording Fee	Charged by the County Recorder to record documents in the public records. Charges are based on number of pages recorded.
Septic Inspection	The septic system must have certificate by the city or county Health Department.
Survey	Survey of property required by lender; shows lot size, easements, any encroachments, locations of improvements, etc. . . .
Tax Service Fee	Required by the lender for collection and disbursement of tax escrow by a servicing company.
Termite Inspection	Required by lender to show property free and clear of active termites.
Time is of the Essence	Demands punctual performance in a binding contract.
Title Policy	Insurance policy on the ownership of real property, against defects in title.
Title	In dealing with Real Property, title means ownership.
Underwriting Fee	Charged by a lender to underwrite the loan.
VA Funding Fee	Veteran's Administration charge for originating a VA loan.
Warehouse Fee	Charged by the lender to hold the loan locally before selling it in the secondary mortgage market to an investor.
Zoning	Act of city authorities specifying type of use for which property may be used.

THE LOAN PROCESS

SHOPPING FOR A LENDER

A very important part of purchasing a home is finding the right lender. Listed below are questions to ask while shopping for a lender and characteristics you should look for when choosing a lender, as well as, what not to do when shopping for a lender.

QUESTIONS TO ASK WHILE SHOPPING FOR YOUR LENDER...

- What is his or her reputation within the community? How many loans do they close each year?
- Is the company well known in the area? How long has the company been in the business?
- Is the lender a mortgage broker? Does the lender have access to a wide variety of loan packages?
- Can the interest rates be locked in and for how long?

WHAT NOT TO DO WHEN SHOPPING FOR YOUR LENDER...

***Do NOT call around asking for interest rate quotes:**

- Rates quoted over the phone are rarely locked prices. This is one way the lender gets you to come into his office. Rates can be subject to change unless they are predetermined for a specific period of time.
- Interest rates can change daily. A quote you get today may not be available at the same price tomorrow.
- The interest rate you are quoted over the phone by a lender who knows nothing about you may not be a program that will fit your needs or situation.
- You will have no knowledge of the other programs the lender may have to offer you.

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.

INFORMATION NEEDED AT LOAN APPLICATION

- ❑ Picture ID with proof of Social Security Numbers.
- ❑ Residence Addresses - past 2 years.
- ❑ Names and Addresses 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.

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 driver 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 balances 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 cash 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

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 extendible 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 cash reserve requirement and easier qualifying ratios. 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.*
VALoan	*VA loans are guaranteed by the Veterans Administration. A veteran must have served 180 days active service.*

POINTS EXPLAINED

One point is equal to 1% of the NEW Loan Amount.

Why do Lenders charge Points?

Whenever governmental regulation, 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 investments, the lender must seek some method of increasing the yield for the investors. By charging "points", the lender can bring the real estate loan up to those other 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?

<u>FHA</u>: the Buyer is usually charged with the Loan Origination Fee; the Discount Fee can be paid by the Buyer or Seller.
<u>VA</u>: the Buyer is usually charged with the Loan Origination Fee and the Funding Fee.
<u>Conventional</u>: points can be paid by the Buyer, the Seller, or split between the two. State on Contract of Sale!
<u>City/County/State government sponsored loans</u>: as published by them.

Do the number of points charged 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 by 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 changed 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 a bigger market for 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 are generally charged in the geographical area where the loan is made and to the extent of the number of points generally charged in that area for a home loan. If you are in doubt about points being deductible you should contact your tax return preparer.

PRIVATE MORTGAGE INSURANCE (PMI)

When purchasing a home with a down payment less than 20% your lender will require you 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.

THE LOAN PROCESS

PREQUALIFICATION/INTERVIEW

Application interview
Lender obtains all pertinent documentation

LOAN SUBMISSION

The loan package is assembled and submitted to the underwriter for approval

DOCUMENTATION

Supporting documents come in
Lender checks on any problems
Requests for any additional items are made

LOAN APPROVAL

Parties are notified of approval

DOCUMENTS ARE DRAWN

Loan documents are completed & sent to escrow
Borrowers sign final signatures with a Notary Public

ORDER DOCUMENTS

Credit report, appraisal on property, verifications of employment, mortgage or rent, and funds to close, landlord ratings, preliminary title report

FUNDING

Lender reviews the loan package
Funds are transferred by wire

RECORDING OF DOCUMENTS

California Title Company records the deed of trust at the County Recorder's office.
Escrow is now officially closed

YOU ARE A PROUD HOMEOWNER!

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 - preferably 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 the sale more quickly.

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

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 a condominium, townhouse or property located in a planned unit development. All of this information will help to insure the timely closing of the 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 are 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.

FULL DISCLOSURE OF PROPERTY

Recent legal decisions and new legislation provide that the seller has a responsibility for revealing to the buyer the true con of the property. The concept of selling a property "as is," with the buyer assuming all responsibility for determining the prop condition, is not acceptable in the present marketplace. The sellers must disclose the known condition of the property to the b This information should be made available to the buyer as soon as possible.

CHARM OR IRRITANT?

Having lived in this property, the seller has become accustomed to the peculiar conditions that may have developed. But for the buyer, that peculiarity may be more than a mere inconvenience. It may be an irritant which the buyer cannot tolerate. It is important for the seller to review the condition of the property with the real estate agent and take special note of any problems on the Disclosure Statement. Civic Code Section 1102 requires that the seller provide the buyer with a completed "Real Estate Transfer Disclosure Statement."

ALL SYSTEMS GO

A basic assumption in every sale is that the house and systems in the house are functional. For example, the roof will hold out the rain and sun, the hot water heater will provide hot water, and the heater will provide heat. If it is known that any of the systems do not function properly, such facts should be included in the purchase agreement and acknowledged by the buyer.

"AS IS"

An "as is" purchase is perfectly acceptable, as long as the buyer understands exactly what the "as is" condition entails. Thus, it can be said in the purchase agreement that the buyer accepts the roof and the plumbing and the electrical system in their present condition and acknowledges that they have defects. This acknowledgment provides a defense for the seller if it is later claimed he did not disclose the problems.

ENVIRONMENTAL HAZARDS

It is required that the seller discloses any knowledge of environmental hazards in the home or area such as asbestos or polluta You will be provided with a Real Estate Transfer Disclosure Statement filled out by the seller as to his awareness or knowledge on this subject.

TAKE A TIP FROM ME

Environmental Hazards: A Guide For Home Owners and Buyers is a handbook prepared by the California Department of Real Estate to inform you of the various toxins and hazardous wastes and what you can do about them. A copy of this publication will be given to you.

HOME WARRANTIES

As a Real Estate professional, it is my duty to inform both Buyers and Sellers about the advantages of home warranty protection. This policy protects the Buyer by paying for certain repairs and costs of major mechanical systems and major appliances in the home such as heating and air-conditioning. There are a variety of plans available, and I would be happy to gather a selection of plans for you to review.

BENEFITS OF HOME WARRANTY COVERAGE TO THE BUYER

- **Home may sell faster and at a higher price**
- **Optional coverage during the listing period**
- **Protection from legal disputes that occur after the sale**
- **Increases the marketability of your home**

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 recorded 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 and 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 closes.

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 your 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 seller, 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.

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 in 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 title 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 and 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 closing"?

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 of 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.

HOMESELLER'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 a note is greater than the preceding payments, and pays the note in full.
Chain of Title	A history of conveyances 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 a 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 title 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.

TAX INFORMATION

There are several types of taxes that can be a part of your real estate transaction. California Title is providing the following information as a courtesy and recommends 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

PROPERTY TAX SCHEDULE

The following information is a general guide in order to help facilitate the closing of your escrow.
For any questions regarding your property taxes please contact the Tax Collectors office in your county.

Title Tip: If you have a transaction in escrow...

Sellers: Pay the 1st 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 representative to ensure the taxes are taken care of correctly during your transaction to avoid any delays or holding of funds at close of escrow.

JANUARY	**Calendar Year Begins.**
FEBRUARY	**February 1st - 2nd Installment of Current Taxes Become Due.**
MARCH	
APRIL	**April 10th– 5:00PM Second Installment Becomes Delinquent.** ***10% penalty attaches plus $10.00 delinquent list charge.***
MAY	
JUNE	
JULY	**July 1st- Beginning of the Fiscal Year. All Property with Delinquent Taxes "Goes to Sale".** ***1.5% per month for the next 12 months is charged on delinquent taxes, plus $10.00.***
AUGUST	
SEPTEMBER	
OCTOBER	
NOVEMBER	**Nov. 1st — 1st Installment of Current Taxes Become Due.**
DECEMBER	**Dec. 10th- 5:00 PM 1st Installment Becomes Delinquent.** ***10% penalty attaches.***

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 services may include streets, water, sewage and drainage, electricity, infrastructure, schools, 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.

SUPPLEMENTAL PROPERTY TAXES WHEN CLOSING AN ESCROW

The California Land Title Association (CLTA) has put together this Q&A regarding Supplemental Property Taxes to help navigate you through the settlement process.

Q. When did this tax come into effect?

A. The Supplemental Real Property Tax Law was signed by the Governor in July of 1983 and is part of an ambitious drive to aid California's schools. This property tax revision is expected to produce over $300 million per year in revenue for schools.

Q. How will Supplemental Property Taxes affect me?

A. If you don't plan on buying new property or undertaking new construction, this new tax will not affect you at all. But, if you do wish to do either of the two, you will be required to pay a supplemental property tax which will become a lien against your property as of the date of ownership change or the date of completion of new construction.

Q. When and how will I be billed?

A. "When" is not easy to predict. You could be billed in as few as three weeks, or it could take over six months.

"When" will depend on the individual county and the workload of the County Assessor, the County Controller/Auditor and the County tax Collector. The assessor will appraise your property and advise you of the new supplemental assessment amount. At the time you will have the opportunity to discuss your valuation, apply for a Homeowner's Exemption and be informed of your right to file an Assessment Appeal. The County will then calculate the amount of the supplemental tax and the tax collector will mail you a supplemental tax bill. The supplemental tax bill will identify, among other things, the following information: the amount of the supplemental tax and the date on which the taxes will become delinquent.

Q. Can I pay my supplemental tax bill in installments?

A. All the supplemental taxes on the secured roll are payable in two equal installments. The taxes are due on the date the bill is mailed and are delinquent on specified dates depending on the month the bill is mailed as follows:

(1) If the bill is mailed within the months of July through October, the first installment shall become delinquent on December 10th of the same year. The second installment shall become delinquent on April 10th of the next year.

(2) If the bill is mailed within the months of November through June, the first installment shall become delinquent on the last day of the month following the month in which the bill is mailed. The second installment shall become delinquent on the last day of the fourth calendar month following the date the first installment is delinquent.

SUPPLEMENTAL PROPERTY TAXES WHEN CLOSING AN ESCROW (cont.)

Q. How will the amount of my bill be determined?

A. There is a formula used to determine your tax bill. The total supplemental assessment will be pro-rated based on the number of months remaining until the end of the tax year, June 30.

Q. Can you give me an idea of how the proration factor works?

A. The supplemental tax becomes effective on the first day of the month following the month in which the change of ownership or completion of new construction actually occurred. If the effective date is July 1, then there will be no supplemental assessment on the current tax roll and the entire supplemental assessment will be made to the tax roll being prepared which will then reflect the full cash value. In the event the effective date is not on July 1, then the table of factors represented on the following panel is used to compute the supplemental assessment on the current tax roll.

If the effective date is:	The Proration Factor is:
August 1	.92
September 1	.83
October 1	.75
November 1	.67
December 1	.58
January 1	.50
February 1	.42
March 1	.33
April 1	.25
May 1	.17
June 1	.08

EXAMPLE:
The County Auditor finds that the supplemental property taxes on your new home would be $1,000 for a full year. The change of ownership took place on September 15th with the effective date being October 1st. The supplemental property taxes would, therefore, be subject to a proration factor of .75 and your supplemental tax would be $750.

Q. Will my taxes be pro-rated in escrow?

A. No, unlike your ordinary annual taxes, the supplemental tax is a one time tax which dates from the date you take ownership of your property or complete the construction until the end of the tax year on June 30th. The obligation for this tax is entirely that of the property owner.

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 505

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 trusts 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 property will be used by the buyer as a primary residence, the withholding rate is 0%.

If the amount realized exceeds $300,000 but does not exceed $1 million, AND the property will be used by the buyer 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 asseses 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.

If the PCOR is not filed at the time of recording, the county assessor will charge an additional $20.00 in most counties. The tax assessor will still require the information and after recording will send a Change of Ownership Statement (COS) to the transferee (buyer). If the COS is not filed by the transferee within 45 days of the county assessor's request, then penalties can ultimately range from $100 to $20,000.

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.

WHAT IS AN ESCROW?

An escrow is an independent "stakeholder" account and is the vehicle by which the interests of all parties to the transaction are protected.

The escrow is created after you execute the contract for the sale of your home and becomes the depository for all monies, instructions and documents pertaining to the sale. Some aspects of the sale are not part of the escrow. For example, the buyer and seller must decide which fixtures or personal property items are included in the sales agreement. Similarly, loan negotiations occur between the buyer and the lender. Your real estate agent can guide you in these non-escrow matters.

HOW DOES THE ESCROW PROCESS WORK?

The escrow officer takes instructions based on the terms of your Purchase Agreement and the lender's requirements. The escrow officer can hold inspection reports and bills for work performed as required by the purchase agreement. Other elements of the escrow include hazard and title insurance, and the grant deed from the seller to you. Escrow cannot be completed until these items have been satisfied and all parties have signed escrow documents.

HOW DO I OPEN AN ESCROW?

Either your real estate agent or the buyer's agent may open escrow. As soon as you execute the Purchase Agreement, your agent will place your initial deposit into an escrow account at the escrow company.

HOW DO I KNOW WHERE MY MONEY GOES?

Written evidence of the deposit is generally included in your copy of the sales contract. The funds will then be deposited in a separate escrow or trust account. You will receive a receipt for the funds from the escrow company.

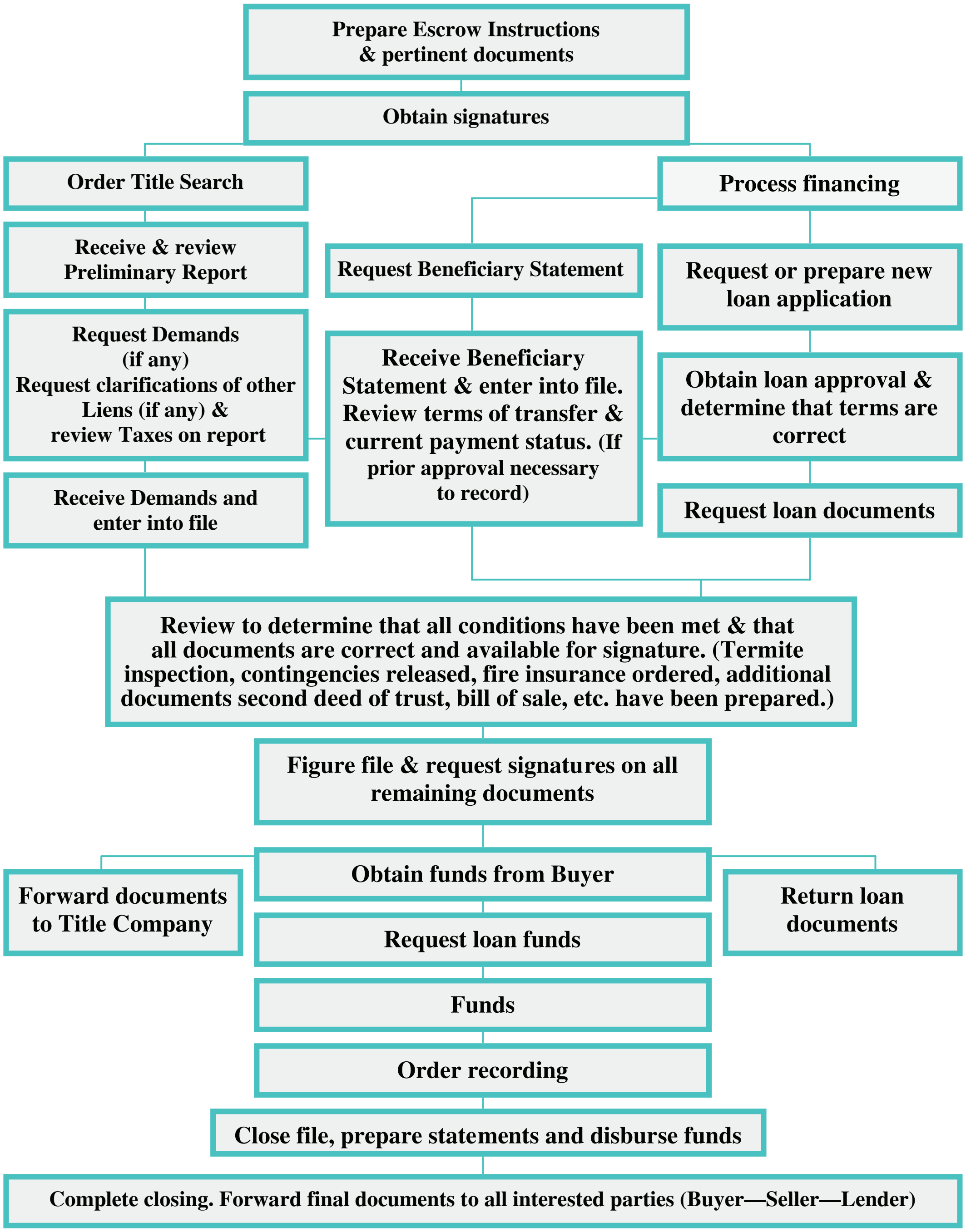
WHAT INFORMATION DO I NEED TO PROVIDE?

You may be asked to complete a Statement of Identity as part of the paperwork. Because many people have the same name, the Statement of Identity is used to identify the specific person in the transaction through such information as date of birth, social security number, etc. This information is considered confidential.

HOW LONG IS THE ESCROW?

The amount of time necessary to complete the escrow is determined by the terms of the Purchase Agreement. It is normally 45 to 60 days, but can range from a few days to several months.

LIFE OF AN 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 informational plat map.

We would love to be your title company of choice! Please contact your Title Representative for all your title questions.

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 Trusts are reconveyed. Upon proof of payment and/or an indemnity, the title company may insure around the encumbrance.

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 must 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 or 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 owners policy may be requested and a survey of the property will be requi red.

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.

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.

Every day 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 INFORMATION
CONFIDENTIAL INFORMATION FOR YOUR PROTECTION

Completion of this statement expedites your application for title insurance, as it assists in establishing identity, eliminating matters affecting persons with similar names and avoiding the use of fraudulent or forged documents. Complete all blanks (please print) or indicate "none" or "N/A". If more space is needed for any item(s), use the reverse side of the form. Each party (and spouse, if applicable) to the transaction should personally sign this form.

ESCROW: ORDER NUMBER:

NAME AND PERSONAL INFORMATION

First Name Middle/Maiden Name (If none, indicate) Last Name Date of Birth:
Home Phone: Business Phone: Birthplace:
Social Security No.: Driver's License No.:
List any other name you have used or been known by:
State of residence: Date residence began:
Are you currently married? If yes, complete the following information:
Date and place of marriage:

First Name Middle/Maiden Name (If none, indicate) Last Name Date of Birth:
Home Phone: Business Phone: Birthplace:
Social Security No.: Driver's License No.:
List any other names you have used or been known by:
State of residence: Date residence began:

RESIDENCES (LAST 10 YEARS)

Number & Street City/State From (date) to (date)
Number & Street City/State From (date) to (date)
Number & Street City/State From (date) to (date)

OCCUPATIONS/BUSINESS (LAST 10 YEARS)

Firm or Business name Address From (date) to (date)
Firm or Business name Address From (date) to (date)
Firm or Business name Address From (date) to (date)

SPOUSE'S OCCUPATIONS/BUSINESS (LAST 10 YEARS)

Firm or Business name Address From (date) to (date)
Firm or Business name Address From (date) to (date)
Firm or Business name Address From (date) to (date)

PRIOR MARRIAGE (S)

Any prior marriages for either spouse?: If yes, complete the following:
Prior spouse's name: Prior spouse of husband: Wife:
Marriage terminated by: ☐ Death ☐ Divorce Date of termination:
Prior spouse's name: Prior spouse of husband: Wife:
Marriage terminated by: ☐ Death ☐ Divorce Date of termination:

INFORMATION ABOUT THE PROPERTY

Street Address of Property in this transaction:
Any construction on this property pending or contemplated? ☐ Yes ☐ No Any current loans on property? ☐ Yes ☐ No If yes, complete the following:
Lender: Loan amount: Loan date:
Lender: Loan amount: Loan date:

The undersigned declare, under penalty of perjury, that the foregoing is true and correct.
Executed on , at
Signature Signature
(Note: If applicable, both spouses must sign.)

Form provided by Orange Coast Title Company and Orange Coast Title Company of Southern California

A properly completed Statement of Information will allow California 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 CTC to competently carry out its duties without unnecessary delay.

LIFE OF A TITLE ORDER

ESCROW OFFICER CONTACTS TITLE OFFICER & OPENS THE ORDER

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

TITLE UNIT REQUESTS 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 EXAMINER REVIEWS SEARCH PACKAGE AND WRITES PRELIMINARY TITLE REPORT

WORD PROCESSING OPERATOR TYPES PRELIMINARY TITLE REPORT

TC REP. DELIVERS OR SENDS PRELIM VIA EMAIL TO BUYER AND SELLERS AGENTS

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

NEW DOCUMENTS/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

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 the land.
7. There is a lien on your land because of: a mortgage or deed of trust, judgment, 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 a 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, state or federal tax lien, or special assessment; charge by a homeowners 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, incompetency 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 excepted in Schedule B.

(continued on next page)

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 excepted 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 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 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 excepted 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 excepted in Schedule B.
23. Someone else 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 assesses 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.

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 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 unenforceablity 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

A LOOK AT SOME WAYS TO TAKE TITLE

COMMUNITY PROPERTY

* Requires a valid marriage between two people
* Each spouse holds an undivided one-half interest in the estate
* One spouse cannot partition the property by selling his or her interest
* Requires signatures of both spouses to convey or encumber
* Each spouse can devise (will) one-half of the community property
* Upon death, the estate of the decedent must be "cleared" through probate, affidavit or adjudication
* Both halves of the community property are entitled to a "stepped up" tax basis as of the date of death

JOINT TENANCY

* Parties need not be married; may be more than two joint tenants
* Each joint tenant holds an equal and undivided interest in the estate, unity of interest
* One joint tenant can partition the property by selling his or her interest
* Requires signatures of all joint tenants to convey or encumber the whole
* Estate passes to surviving joint tenants outside of probate
* No court action required to "clear" title upon death of joint tenant(s)
* Deceased tenant's share is entitled to a "stepped up" tax basis as of the date of death

COMMUNITY PROPERTY WITH RIGHT OF SURVIVORSHIP

* Requires a valid marriage between two people
* Each spouse holds an undivided one-half interest in the estate
* One spouse cannot partition the property by selling his or her interest
* Requires signatures of both spouses to convey or encumber
* Estate passes to surviving spouse outside of probate
* No court action is required to "clear" title upon the first death
* Both halves of the community property are entitled to a "stepped up" tax basis as of the date of death

HOW TO TAKE TITLE IN CALIFORNIA

COMMON WAYS OF HOLDING TITLE IN CALIFORNIA

CONCURRENT CO-OWNERSHIP INTERESTS

	TENANCY IN COMMON	JOINT TENANCY	COMMUNITY PROPERTY	TENANCY IN PARTNERSHIP	COMMUNITY PROPERTY W/ RIGHT OF SURVIVORSHIP
PARTIES	Any number of persons (can be) husband and wife or Registered Domestic Partners, but see "Presumption" limitations below).	Any number of persons (can be husband and wife or Registered Domestic Partners).	Only husband and wife or Registered Domestic Partners.	Only partners (any numbers).	Only husband and wife or Registered Domestic Partners.
DIVISION	Ownership can be divided into any number of interests equal or unequal.	Ownership interests must be equal.	Ownership and managerial interests are equal, except control of business is solely with managing spouse or Domestic Partner.	Ownership interest is in relation to interest in partnership.	Ownership and managerial interest are equal, except control of business is solely with managing spouse/Domestic Partner.
TITLE	Each co-owner has separate legal title to his/her undivided interest.	There is only one title to the whole property. (Joint ownership is undivided equal shares).	Title is the "community."	Title is the "partnership."	Title is the "community."
POSSESSION	Equal right of possession (only unity of interest required).	Equal right of possession.	Both co-owners have equal management and control with similar absolute power of disposition.	Equal right of possession but only for partnership purposes, absent agreement by the other partners.	Both co-owners have equal management and control with similar absolute power of disposition.
CONVEYANCE	Each co-owner's interest may be conveyed separately by its owner. Tenancy in common dissolved by conveyance of co-tenant interest to another. New tenancy in common is created between grantees and remaining co-tenant's.	Conveyance by one co-owner without the others breaks the joint tenancy.	Personal property (except "necessaries") may be conveyed for valuable consideration without consent of other spouse/ Domestic Partner; real property requires written consent of other spouse/Domestic Partner, and separate interest cannot be conveyed except upon death.	Any authorized partner may convey whole partnership property. No partner may sell or assign his interest in specific partnership property without the consent of and in conjunction with all co-partners.	Personal property (except "necessaries") may be conveyed for valuable consideration without consent of other spouse/Domestic Partner; real property requires written consent of other spouse/Domestic Partner, and separate interest cannot be conveyed upon death.
PURCHASER'S STATUS	Purchaser will become a tenant in common with the other co-owners in the property.	Purchaser will become a tenant in common with the other co-owners in the property.	Purchaser can only acquire whole title of community, cannot acquire a part of it.	Purchaser can only acquire the whole title.	Purchaser can only acquire whole title of community, cannot acquire a part of it.
DEATH	On co-owner's death, interest pases by will to his devisees or heirs by intestate succession. No survivorship rights.	Upon death of joint tenant, title to the property passes to the surviving joint tenants by operation of law. Survivor owns the property by survivorship. Ownership cannot be passed by will or intestate succession.	On co-owner's death, 1/2 belongs to survivor as separate property, 1/2 goes by will to decedent's devisees or by succession to survivor.	On partner's death, his partnership interest passes to the surviving partner pending liquidation of the partnership. Share of deceased partner then goes to his estate.	On death, title passes to surviving spouse/Domestic Partner. Ownership cannot be passed by will or succession.
SUCCESSOR'S STATUS		Remaining owner holds title to the decedents share as joint tenants.	If passing by will, tenancy in common between devisee and survivor results, otherwise survivor owns entire property.	Heir or devisees have rights in partnership interest but not in specific partnership property.	Surviving spouse/Domestic Partner owns entire property.
Creditor's Rights	Co-owner's interest may be sold on execution sale to satisfy creditors; purchaser becomes tenant in common with remaining owners.	Co-owner's interest may be sold on execution sale to satisfy his/her creditor. Joint tenancy is broken, purchaser becomes a tenant in common with remaining owners.	Community property is generally liable for a debt incurred by either spouse/Domestic Partner before or during marriage. Whole property may be sold on execution sale to satisfy creditor.	Partnership interest is treated as personal property and may be sold to pay debts. The real property may be sold to satisfy partnership debts.	Community property is generally liable for a debt incurred by either spouse/Domestic Partner before or during marriage. Whole property may be sold on execution sale to satisfy creditor.
Presumption	Favored in doubtful cases except conveyance to a husband and wife or Registered Domestic Partners.	Deed must expressly vest title to grantees as joint tenants.	Conveyance to husband and wife or Registered Domestic Partners raises presumption of Community Property.	Arises only by virtue of partnership status on property placed in partnership.	Deed must expressly vest title to grantees as Community Property with Right of Survivorship.

ADDITIONAL INFORMATION

WHO PAYS FOR WHAT?

One very common question of real estate transactions is, "Who pays for what on a real estate transaction". Below is a list to give you an idea of some of the common expectations, but this list will vary from region to region. Also, if it's a buyer's or seller's market could possibly change the common fee responsibility. This is a breakdown of what the SELLER and BUYER would each generally be expected to pay for.

SELLER:

- Real Estate Commission
- Document preparation fee for Deed
- Documentary transfer tax
- Any city Transfer/Conveyance Tax (according to contract)
- 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)
- Interest accrued to lender being paid off, Statement Fees, reconveyance Fees and any Prepayment Penalties
- Termite Inspection (according to contract)
- Termite Work (according to contract)
- Home Warranty (according to contract)
- Any judgments, tax liens, etc., against the seller
- Tax proration (for any taxes unpaid at time of transfer of title)
- Any unpaid Homeowner's dues
- Title Insurance Premium
- Recording charges to clear all documents of record against seller
- Any bonds or assessments (according to contract)
- Any and all delinquent taxes
- Notary Fees
- Escrow Fee

BUYER:

- Title Insurance Premium
- Escrow Fee
- Notary Fee
- Document preparation (if applicable)
- Recording charges for all documents in buyer's name
- Termite Inspection (according to contract)
- Tax proration (from date of acquisition)
- Homeowner's transfer fee
- All new loan charges (except those require by the lender for seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Assumption/Change of Records fees for takeover of existing loan
- Beneficiary Statement Fee for assumption of existing loan
- Inspection Fees (roofing, property inspection, geological, etc.)
- Home warranty (according to contract)
- City transfer/Conveyance Tax (according to contract)
- Fire insurance Premium for first year

TERMS TO KNOW

- **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 the interest rate can change once a year.
- **Amortization:** Repayment of a loan in equal installments of principal and interest, rather than interest-only payments.
- **Annual Percentage Rate (APR):** The total finance charges (interest, loan fees, points) expressed as a percentage of the loan amount.
- **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.
- **Balloon Payment:** A lump sum principal payment due at the end of some mortgages or other long-term loans.
- **Binder:** Sometimes known as an offer to purchase or an earnest money request. A binder is the acknowledgment 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's:** 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 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 interest in certain common areas. The unit itself is generally a separately owned space whose interior surfaces (wall, floors and ceilings) serve as its boundaries.
- **Contingency:** A condition that must be satisfied before a contract is binding. For instance, a sales agreement may be contingent upon the buyer obtaining financing.
- **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 licensed broker and have completed five required Residential Division courses.
- **Conversion Clause:** A provision in 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 the prevailing interest rate for fixed-rate mortgages. This conversion 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 proprietary leases or similar arrangements.
- **Due-On-Sale Clause:** An acceleration clause that requires full payment of a mortgage or deed or trust when the secured property changes ownership.
- **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.
- **Escrow:** A procedure in which a third party acts as a stakeholder for both the buyer and the seller, carrying out both parties' instructions and assuming responsibility for handling all of the paperwork and distribution of funds.
- **FHA Loan:** A loan insured by the Insuring Office of the Department of Housing and Urban Development; the Federal Housing Administration.
- **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.
- **Finance Charge:** The total cost a borrower must pay, directly or indirectly, to obtain credit according to Regulation 2.
- **Graduated Payment Mortgage:** A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.
- **GRI:** Graduate, Realtors Institute. A professional designation granted to a member of the National Association of Realtors® who has successfully completed twelve 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.

TERMS TO KNOW (cont.)

- **Index:** A measure of interest rate changes used to determine changes in an ARM's interest rate over the 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 decedent's interest in the property.
- **Lien:** A legal hold or claim on property as security for a debt or charge.
- **Loan Commitment:** A written promise to make a loan for a specified amount on specified terms.
- **Loan-To-Value 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.
- **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 an 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 purposed mortgage loan. The fee is limited to 1 percent for FHA and VA loans.
- **PITI:** Principal, interest, taxes and insurance.
- **Planned Unit Development (PUD):** A zoning designation for property developed at the same or slightly greater overall density than conventional development, sometimes with improvements clustered between open, common areas. Uses may be residential, commercial or industrial.
- **Point:** An amount equal to 1 percent of the principal amount of the investment or note. The lender assesses loan discount points at closing to increase the yield on the mortgage to a position competitive with other types of investments.
- **Prepayment Penalty:** A fee charged to a mortgagor who pays a loan before it is due. Not allowed for FHA or VA loans.
- **Private Mortgage Insurance (PMI):** Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.
- **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 for sale.
- **Realtor®:** A real estate broker or associate active in a local real estate board affiliated with the National Association of Realtors®.
- **Regulation Z:** The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.
- **Tenancy in Common:** A type of joint ownership of property by two or more persons with no right of survivorship.
- **Title Insurance Policy:** A policy that protects the purchaser, mortgagee or other party against losses.
- **VA Loan:** A loan that is partially guaranteed by the Veterans Administration and made by a private lender.

CHECKLIST FOR MOVING

Before You Leave:

Address Change
- ❑ Post Office: Give Forwarding Address
- ❑ Charge Accounts, Credit Cards
- ❑ Subscriptions: Notice requires several weeks
- ❑ Friends and Relatives

Bank
- ❑ Transfer funds, arrange check-cashing in new city
- ❑ Arrange credit references

Insurance
- ❑ Notify company of new location for coverages:
- ❑ Life, Health, Fire & Auto

Utility Companies
- ❑ Gas, light, water, telephone, fuel, garbage, cable
- ❑ Get refunds on any deposits made

Delivery Service
- ❑ Laundry, newspaper, changeover of services

Medical, Dental, Prescription Histories
- ❑ Ask doctor and dentist for referrals; transfer needed prescriptions, eyeglasses, X-rays.
- ❑ Obtain birth records, medical records, etc.

Pets
- ❑ Ask about regulations for licenses, vaccinations, tags, etc.

Don't Forget To:
- ❑ Empty freezer; plan use of foods
- ❑ Defrost freezer and clean refrigerator. Place charcoal inside to dispel odors.
- ❑ Have appliances serviced for moving
- ❑ Remember arrangements for TV and antenna
- ❑ Clean rugs or clothing before moving; have them moving wrapped
- ❑ Check with your Moving Counselor; insurance coverage, packing and unpacking labor, arrival days, various shipping papers, method and time of expected payment
- ❑ Plan for special care needs of infants or pets

On Moving Day:

- ❑ Carry enough cash or travelers checks to cover cost of moving services and expenses until you make banking connections in your new city
- ❑ Carry jewelry and documents yourself; or use registered mail
- ❑ Plan for transporting pets; they are poor traveling companions, if unhappy
- ❑ Carry travelers checks for quick, available funds
- ❑ Let a close friend or relative know route and schedule you will travel including overnight stops; use him or her as message headquarters
- ❑ Double check closets, drawers, shelves to be sure they are empty
- ❑ Leave all old keys needed by new tenant or owner with Realtor® or neighbor

At Your New Address:
- ❑ Obtain certified check or cashiers check necessary for closing Real Estate Transaction
- ❑ Check on service of telephone, gas, electricity, water and garbage
- ❑ Check pilot light on stove, hot water heater and furnace
- ❑ Have appliances checked
- ❑ Ask Mail Carrier for mail he or she may be holding for your arrival
- ❑ Have new address recorded on driver license
- ❑ Visit city offices and register for voting
- ❑ Register car within five days after arrival in state or a penalty may have to be paid when getting new license plates
- ❑ Obtain inspection sticker and transfer motor club membership
- ❑ Apply for state driver license
- ❑ Register family in your new place of worship
- ❑ Register children in school
- ❑ Arrange for medical services: doctor, dentist, veterinarian, etc.

Moving expenses can be tax deductible when you meet the IRS's definition of a qualifying move. You can deduct the cost of trips to the area of a new job to look for a home, shipping costs of furniture including insurance and storage up to 30 days and more. You can also deduct certain costs associated with selling your old home including real estate commission, legal fees, appraisal and title fees. For a full description of IRS deductions please contact a professional or go to **www.irs.gov.**

California
title company

Protecting Your Property Rights