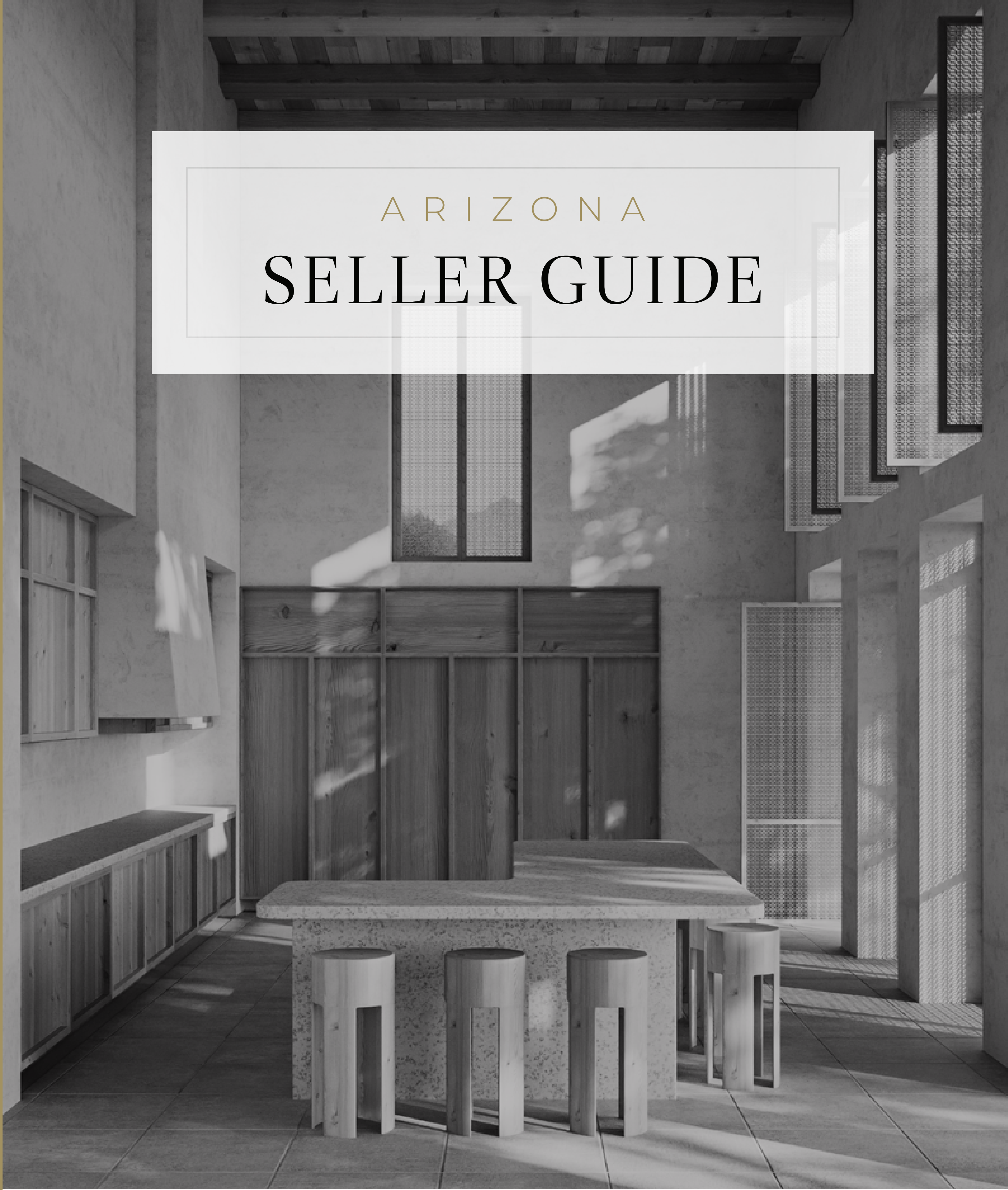

ARIZONA

SELLER GUIDE

WFG National Title Insurance Company®
a Williston Financial Group company

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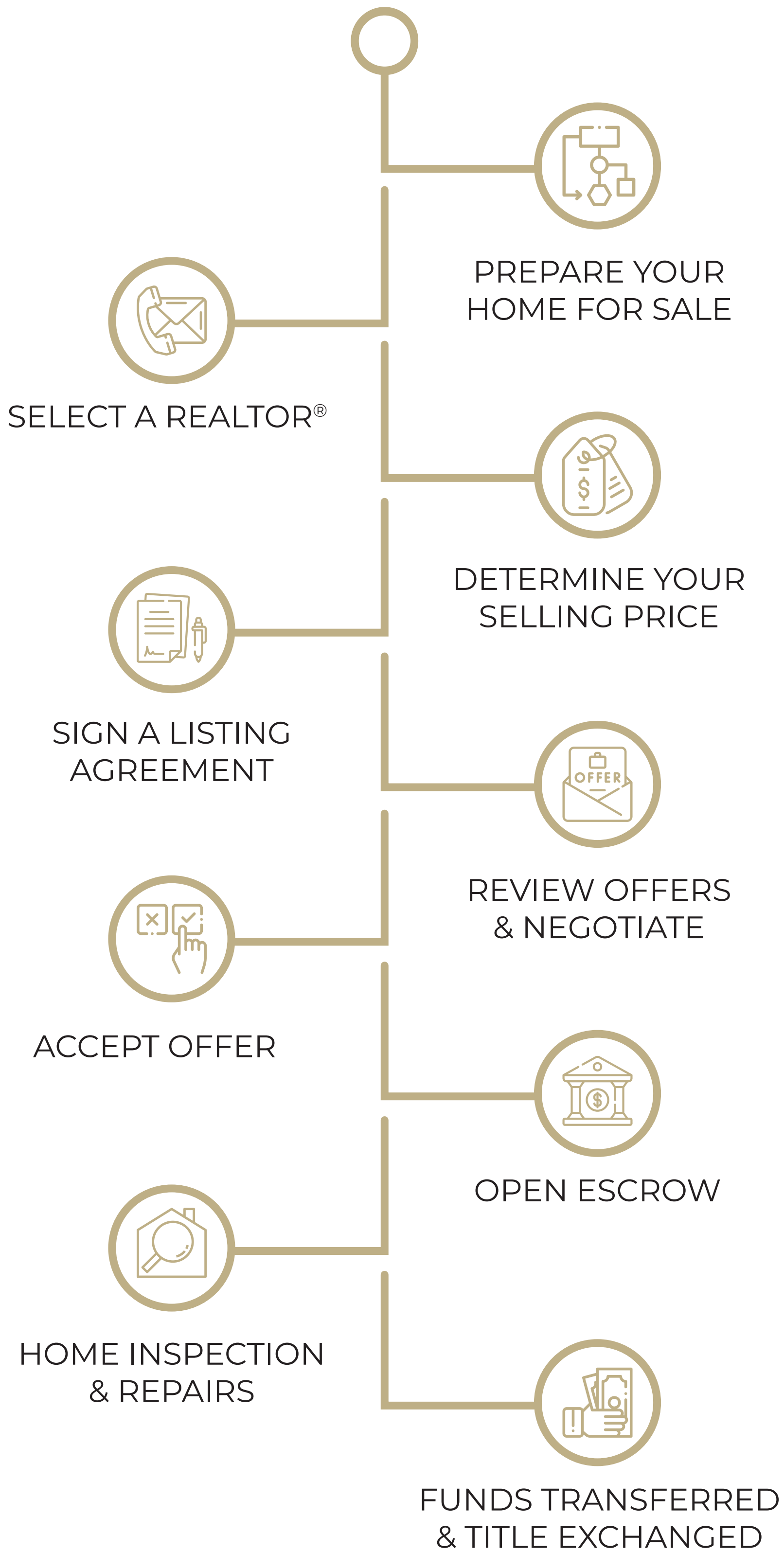
SELLING PROCESS

In the selling process, there are several things to consider before you list your home and after you accept an offer. Here is an overview of the entire process.



WHY USE A REALTOR®

The term “REALTOR®” identifies a real estate professional who is a member of the NATIONAL ASSOCIATION OF REALTORS® and abides by its strict Code of Ethics. They will direct, guide and represent you through the home-purchase process including:

- Monitoring the market for new listings and inform you of homes that meet your criteria
- Providing current and historical sales and listing data to help in gauging fair pricing
- Helping you explore financing options
- Preparing the Purchase Agreement according to your terms and ensure all documents are legally correct
- Negotiating price and other details of the offer in your best interest
- Ensuring that all disclosures are made
- Suggesting which professional inspections should or must be made on the property
- Handling any problems which may arise and recommend attorney services if necessary
- Overseeing the appraisal process
- Seeing that any repairs or requirements are met prior to the closing
- Accompanying you during the final walk-through
- Advising you as to any contractual changes which might be required prior to closing
- Keeping you fully informed of all activities that lead to the closing

REAL ESTATE DESIGNATIONS:

ABR - Accredited Buyer Representative

CBR - Certified Buyer Representative

CRS - Certified Residential Specialist

GRI - Graduate REALTOR® Institute

MRP - Military Relocation Professional

PSA - Pricing Strategy Advisor

RENE - Real Estate Negotiation Expert

CIPS - Certified International Property Specialist

CPM - Certified Property Manager

NATIONAL ASSOCIATION OF REALTORS®

RETURN ON HOME IMPROVEMENTS

When you're ready to sell your home, rely on the objective opinion of your REALTOR® to offer suggestions on home improvements that will likely offer the highest return on your investment.

Below is a brief summary of upgrades that typically reap the highest return according to Realtor.com.

60%

Upgrade the front door – replace, repaint, replace hardware.

73%

Add more outdoor living space or enhance existing space by adding water features, outdoor fireplace or kitchen area, or new landscaping.

61%

Add indoor living space such as bedroom, bath, walk-in closet.

94%

Replace garage door

58%

Major kitchen remodel

73%

Minor kitchen remodel; repaint cabinets, replace counters, replace appliances

76%

Replace windows to be more energy efficient

64%

Upgrade the bathroom; new fixtures, mirrors, new paint, redo caulk around tub and shower, replace grout in tile flooring.

13 SELLING MISTAKES TO AVOID

1. PRICING YOUR HOME TOO HIGH

A Real Estate Agent can research comparable sales in your area and advise you for the appropriate price range of your property.

2. TAKING AN INFLEXIBLE POSITION ON FINANCING

Have your Agent explain what financing options are available. Being flexible on financing terms may secure a better selling price, with other advantages as well.

3. ERRORS IN MARKET TIMING

Ask your Agent to determine whether the market cycle is poised to net you the most money.

4. NOT PROVIDING EASY ACCESS FOR SHOWINGS

There are many ways to show a home. “Appointment Only” is the most restrictive. Lock boxes (key safes) are the most accessible. If your home is easy for Agents to show, more prospective Buyers will see it, improving your odds of getting the deal you want. However, your specific lifestyle may not be compatible with frequent showings. Your Agent will help you determine a solution that will best fit your situation.

5. NOT UTILIZING CURRENT MARKET TECHNOLOGY

Make sure your Agent is up with the latest technology and resources available. Check around to see what technology is being utilized in your specific area. A good Agent will know where you can get the best exposure.

6. NOT “STAGING” YOUR PROPERTY CORRECTLY

Reference the sections on “Preparing Your Home To Sell” and “Preparing Your Home To Show” for tips on setting the stage for your home showings.

7. BELIEVING SELLING PROPERTY IS SEASONAL

Don’t base your selling decision on a season. Properties sell all year long.

8. PRICING YOUR PROPERTY TOO LOW

Hiring an Agent ensures no money is left on the table.

9. BELIEVING YOUR AGENT IS NOT DOING THEIR JOB WHEN THERE AREN’T ANY OFFERS

If your home shows well, but hasn’t generated any interested Buyers, it may be time to re-evaluate the price.

10. IGNORING THE IMPORTANCE OF FIRST IMPRESSIONS

Sales have been blown by unkempt lawns, cluttered closets, unpainted front doors, hard-to-work locks, blown light bulbs, bad colors, stains, unlit areas and bad smells. Spend time on the little things. Double up on your gardening, keep things cleaner than usual. Take serious control of your pets during this period.

11. NOT MAKING THE RIGHT KIND OF REPAIRS

Don’t be tempted to make improvements prior to listing without consulting your Agent. Some upgrades will not yield any real increase in value, while others may increase property value substantially.

12. NOT GIVING THE SALES EFFORT ENOUGH TIME

You should never give too little time to what is inherently a long process. Homes may take 3-6 months to sell, in any market. Estimate how much time you have before you need to sell and then plan ahead to allow extra time. You don’t want to be forced to accept a disappointing offer.

13. NOT SCREENING PROSPECTS ADEQUATELY

One of the best reasons for hiring an Agent is their ability to prequalify a prospect financially before valuable negotiation time is lost. More importantly, your Agent may discover when a prospect has an ulterior motive for shopping homes, other than purchasing.

TIPS FOR SELLERS

FIRST IMPRESSIONS ARE LASTING
The front door greets potential buyers. Make sure it is fresh and clean. Keep the lawn trimmed, edged, and free of refuse.

DECORATE FOR A QUICK SALE
Faded walls and worn woodwork reduce appeal. Why try to tell a potential buyer how your home could look when you can show them by redecorating?

LET THE SUNSHINE IN
Open draperies and curtains, and let potential buyers see how cheerful your home can be.

FIX THAT FAUCET
Dripping water discolors sinks and suggests faulty plumbing.

REPAIRS CAN MAKE A BIG DIFFERENCE
Loose knobs, sticking doors and windows, warped cabinet drawers, and other minor flaws detract from a home's value. Have them fixed.

FROM TOP TO BOTTOM
Display the full value of your attic and other utility space by removing all unnecessary articles.

SAFETY FIRST
Keep stairways clear. Avoid cluttered appearances and possible injuries.

BATHROOMS HELP SELL HOMES
Check and repair caulking in bathtubs and showers. Make this room sparkle.

ARRANGE BEDROOMS NEATLY
Remove excess furniture. Use attractive bedspreads and freshly laundered curtains.

CAN YOU SEE THE LIGHT?
Illumination is like a welcome sign. Potential buyers will feel a glowing warmth when you turn on all your lights for an evening inspection.

MAKE CLOSETS LOOK BIGGER
Neat, well-ordered closets show that space is ample.

THREE'S A CROWD
Avoid having too many people present during an inspection. A potential buyer will feel like an intruder and will hurry through the house.

PETS UNDERFOOT?
Keep pets out of the way, preferably out of the house.

SILENCE IS GOLDEN
Be courteous, but don't force conversation with a potential buyer.

BE IT EVER SO HUMBLE
Never apologize for the appearance of your home. After all, it has been lived in. Let the trained real estate agent answer any objections.

IN THE BACKGROUND
The buyer's agent knows the buyer's requirements and can better emphasize the features of your home when you don't tag along.

WHY PUT THE CART BEFORE THE HORSE?
Trying to dispose of furniture and furnishings to a potential buyer before they have purchased the house often loses a sale.

A WORD TO THE WISE
Let your real estate agent discuss price, terms, possession, and other factors with potential negotiations to a favorable conclusion.

USE YOUR AGENT
Show your home to potential buyers only by appointment through your agent. Your cooperation will be appreciated, and will close the sale more quickly.

WHAT IS PAYOFF?

A Payoff is the receipt of funds from the buyer and the payment of the seller's obligations in conjunction with a real estate transaction. The payoff function is performed by the title company.

PAYOFF FEES

Fees for handling a payoff vary slightly from county to county. The fee is strictly a processing charge and does not cover special handling charges or potential shortages.

PREFIGURES

Estimated payoff figures are calculated and given prior to closing upon request. These figures are only valid through the date given and are based on the information provided at the time.

DEMANDS

Demands must include specific payoff information concerning the particular property and must be signed. It is the responsibility of the escrow company to order and provide all necessary demands, include any updates or changes, in a timely manner.

REFUNDS

Any overpayments of demands will be refunded to the escrow account upon receipt from the lender. Refunds typically take two to six weeks to process.

SHORTAGES

WFG will require from the escrow account the necessary funds to cover the outstanding obligations. Any shortages must be received prior to payoff.

DISBURSEMENT CHECKS

Checks are delivered locally to lending institutions by a contracted messenger service. Checks to individuals and out-of-area lenders are typically sent via an overnight delivery company.

WIRE TRANSFERS

Funds can be wired into or out of the Escrow or Title trust account(s).

WFG must be in receipt of "Good Funds" prior to the disbursement on a payoff. Types of "Good Funds" include:

- Funds wired to a WFG escrow/sub-escrow account
- A cashier's, teller's or certified check (next-day availability after deposit)
- Local check (fund availability 2 days after deposit)
- Out-of-area check (fund availability 5 days after deposit)

WHAT IS ESCROW?

When your offer has been accepted and conveyed, escrow is opened. An escrow is an arrangement made under contract between a buyer and seller. As the neutral third party, escrow is responsible for receiving and disbursing money and/or documents. Both the buyer and seller expect the escrow agent to carry out their written instructions associated with the transaction and also to advise them if any of their instructions are not being met, or cannot be met. If the instructions from all parties to an escrow are clearly set out, the escrow officer can proceed on behalf of the buyer and seller without further consultation.

TYPICAL ROLES IN THE CLOSING PROCESS

THE SELLER/AGENT

- Delivers Purchase Sale Agreement to the escrow agent

THE BUYER/AGENT

- Deposits funds required to close with the escrow agent
- Approves the commitment for title insurance, or other items as called for by the Purchase Sale Agreement
- Executes the paperwork and loan documents necessary to close the transaction

THE LENDER

- Deposits loan documents to be provided to the buyer
- Deposits the loan funds
- Informs the escrow agent of the conditions under which the loan funds may be used

THE ESCROW AGENT

- Clears Title
- Obtains title insurance
- Obtains payoffs and release documents for underlying loans on the property
- Receives funds from the buyer and/or lender
- Prepares vesting document affidavit on seller's behalf
- Prorates insurance, taxes, rents, etc.
- Prepares a final statement (often referred to as the "HUD Statement" or "Settlement Statement") for each party, indicating amounts paid in conjunction with the closing of your transaction
- Forwards deed to the county for recording
- Once the proper documents have been recorded, the escrow agent will distribute funds to the proper parties
- Prepares the paperwork necessary to close the transaction!

Escrow is the process that gathers and processes many of the components of a real estate transaction. The sale is officially closed when the new deed is recorded and funds are available to the seller, in turn transferring ownership from the seller to the buyer. The escrow agent is a neutral third party acting on behalf of the buyer and seller.

TITLE COMMITMENT

The Title Commitment contains vital information which may affect the willingness and ability of the parties to close escrow.

THE INFORMATION IN THE TITLE COMMITMENT INCLUDES:

- The ownership of the subject property
- The manner in which the current owners hold title
- Matter of record which specifically affect the subject
- property or its owners
- A legal description of the property
- An informational plat map
- The type of title insurance offered by the title company
- Exclusion and exceptions in the Title Insurance coverage
- Recorded deeds of trust
- Easements
- Agreements
- Covenants, Conditions, and Restrictions (C.C. & R.'s)
- Taxes

Your real estate agent should review the Title Commitment as soon as it arrives, with particular attention to certain areas:

VERIFY THE OWNERSHIP VESTING

The name(s) on the Title Commitment should match the name(s) on the purchase contract. Sometimes the name of an unexpected owner will appear and corrective documents may be required.

VERIFY THE PROPERTY ADDRESS

The plat map and legal description should match the address. An owner could own two properties adjacent to or across the street from each other, causing confusion in identifying the correct property.

LIFE OF AN ESCROW

1

Receive and Review Purchase Contract, Earnest Money and

Pertinent Instructions

Open Escrow and Order Title Commitment

2

Obtain name of new lender

Receive and review title report and distribute

3

Request payoff information, request clarification of other

title exceptions (if any)

Request financing information from buyer

4

Order payoff and HOA (if applicable) and any other title exceptions

5

Receive loan documents

Finalize statements, escrow instructions, and pertinent documents

6

Forward documents for recording and recheck

Obtain signatures and closing funds from buyer/ seller

Return loan documents and request loan funds

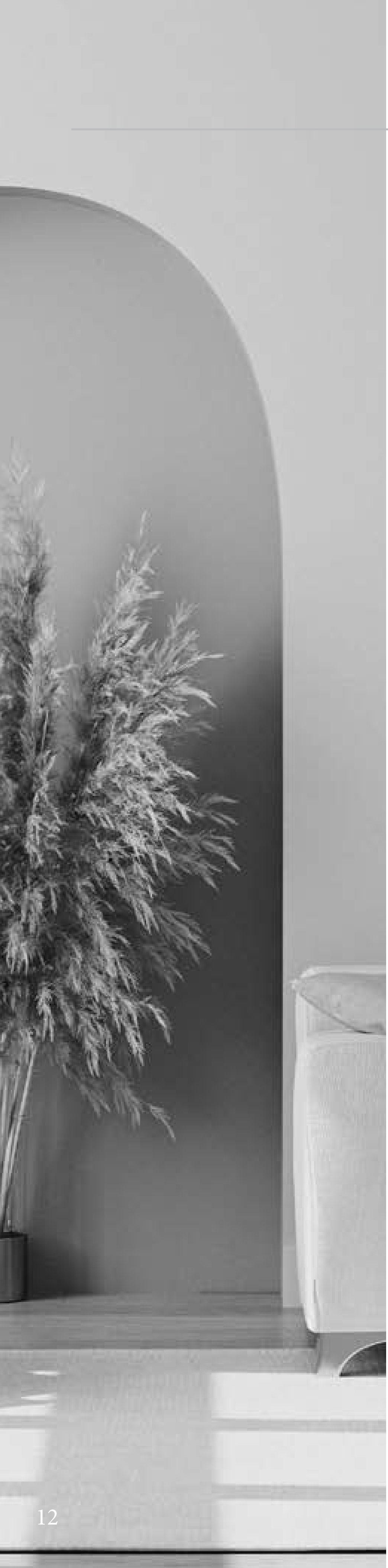
7

Receive loan funds on new loan(s)

8

Disburse funds

Forward final documents to all interested parties (seller, buyer, lender, real estate agents, etc.)



WHAT IS TITLE INSURANCE

Title insurance insures against financial loss from defects in title, liens or other matters. It protects both purchasers and lenders against loss by the issuance of a title insurance policy. Usually, during a purchase transaction the lender requests a policy (commonly referred to as the Lender's Policy) while the buyers receive their own policy (commonly referred to as an Owner's Policy).

It will protect against lawsuits if the status of the title to a parcel or real property is other than as represented, and if the insured (either the owner or lender) suffers a loss as a result of a title defect. The insurer will reimburse the insured for that loss and any related legal expenses.

HOW IS TITLE INSURANCE DIFFERENT THAN OTHER TYPES OF INSURANCE?

While the purpose of most other types of insurance is to assume risk through the pooling of monies for losses happening because of unforeseen future events (like sickness or accidents), the primary purpose of title insurance is to eliminate risks and prevent losses caused by defects in title arising out of events that have happened in the past. To achieve this, title insurers perform a thorough search and examination of the public records to determine whether there are any adverse claims (title defects) attached to the subject property. These defects/claims are either eliminated prior to the issuance of a title policy or their existence is excepted from coverage. The policy is issued after the closing of your new home, for a one time nominal fee, and is good for as long as you own the property.

WHAT'S INVOLVED IN A TITLE SEARCH?

- A title search is made up of three separate searches:
- Chain of Title – History of the ownership of the subject property
- Tax Search – The tax search shows the status of the taxes and assessments
- Judgment and Name Search – Searches for judgment and liens against the owners' and purchasers' name

AFTER THE THREE SEARCHES HAVE BEEN COMPLETED, THE FILE IS REVIEWED BY AN EXAMINER WHO DETERMINES:

- If the Chain of Title shows that the party selling the property has the rights to do so.
- If the taxes for the subject property show the existence of any special assessments against the land and whether or not these assessments are current or past due.
- Whether there are any unsatisfied judgments on the Judgment and Name Search against the previous owners, sellers, and/or purchasers.

Rights established by judgment decrees, unpaid federal income taxes, and mechanics liens all may be prior claims on the property, ahead of the buyer's or lender's rights. The title search will only uncover issues in title that are of public record and therefore allowing the title company to work with the seller to clear up these issues and provide the new buyer with title insurance.

Once the searches have been examined, the title company will issue a commitment, stating the conditions under which it will insure title. The buyer, seller, and the mortgage lender will proceed with the closing of the transaction after clearing up any defects in the title that have been uncovered by the search and examination.

WHY DO YOU NEED TITLE INSURANCE?

The purchase of a home is likely going to be one of the most expensive and important purchases you will ever make. You and your mortgage lender want to make sure the property is indeed yours and that no individual or government entity has any right, lien, claim, or encumbrance to your property.

The title insurance company's function is to make sure your rights and interests to the property are clear, that transfer of title takes place efficiently, and correctly, and your interests as a homebuyer are protected. Title insurance companies provide services to buyers, sellers, real estate developers and builders, mortgage lenders, and others who have an interest in the real estate transfer.

TITLE COMPANIES ISSUE TWO TYPES OF POLICIES:

- "Owners Policy" (which covers the homebuyer)
- "Lenders Policy" (which covers the bank, savings and loan, or other lending institution over the life of a loan).

BOTH ARE ISSUED AT THE TIME OF PURCHASE FOR A ONE-TIME PREMIUM.

The title company conducts an extensive search of public records to determine if anyone other than you has an interest in the property before issuing a policy. The search may be performed by title company personnel using either public records, or more likely, information gathered, reorganized, and indexed in the company's title "plant". With such a thorough examination of records, title problems can usually be found and cleared up prior to purchase of the property. Once a title policy is issued, if for some reason any claim, which is covered under your title policy, is ever filed against your property, the title company will pay the legal fees involved in defense of your rights as well as any covered loss arising from a valid claim. That protection, which is in effect as long as you or your heirs own the property, is yours for a one-time premium paid at the time of purchase.

The title company works to eliminate risks before they develop. This makes title insurance different from other types of insurance. Most forms of insurance assume risks by providing financial protection through a pooling of risks or losses arising from unforeseen events, like fire, theft, or accident. The purpose of title insurance, on the other hand, is to eliminate risks and prevent losses caused by defects in title that happened in the past. Risks are examined and mitigated before property changes hands. Eliminating risk has benefits to both of you, the home buyer, as well as the title company. It reduces the chance adverse claims might be raised, and by doing so reduces the number of claims that have to be defended or satisfied. This keeps costs down for the title company and your title premiums low. With title insurance you are assured that any valid claim against your property will be taken on by the title company, and that the odds of a claim being filed is slim.

TITLE INSURANCE COVERAGE

Not all risks can be eliminated by a title search, since certain "hidden defects" like forgeries, identity of person, and failure to comply with the law, cannot be disclosed by an examination of the public records. Where the preliminary title commitment is an offer to insure under certain circumstances, the title policy is a contract, providing coverage against such "hidden defects."

THESE HIDDEN DEFECTS MAY INCLUDE:

- A forged signature on a deed
- Impersonation of the real owner
- Mistakes in interpretation of wills or other legal documents
- 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 persons supposedly single but are actually married
- Recording mistakes and missed recorded documents
- Falsification of records
- Errors in copying or indexing

In addition to indemnifying the insured against losses which result from a covered claim, the policy also provides for legal fees and defense against future claims against the property.

Extended Owner's and Lender's policies provide broader coverage and are available through the American Land Title Association (ALTA). Coverage is extended to certain matters that are off-record but which are generally discoverable by an inspection of the property or by questioning the parties in possession, such as:

- Unrecorded Liens and encumbrances
- Unrecorded easements
- Unrecorded rights of parties in possession
- Encroachments, discrepancies, or conflicts in boundary lines

ALTA Policies are available for lenders or owners, and a "Plain Language" ALTA Residential policy is also available for residential property of one to four units.

APPRAISAL PROCESS

Having an idea of what is involved in appraising a piece of property can greatly help in maximizing the appraisal value to avoid costly details and re-inspections.

The appraisal process consists of several steps. The following are the major steps in the sequence normally taken by appraisers:

1 RESEARCH THE SUBJECT PROPERTY

as to size, bedrooms, baths, year built, lot size, and square footage.

2 GATHER DATA OF RECENT SALES

in the subject's neighborhood. The appraiser needs to locate at least three and preferably similar sized homes which have sold and closed escrow in the neighborhood. The homes need to be within one mile of the "comparable properties" or "comps."

3 FIELD INSPECTION

consists of two parts: first the inspection of the subject property, and second, the exterior inspection of the comparable properties which have been selected to estimate the value of the subject property.

The inspection consists of taking photos of the street scene, front of the home, and rear of the home which may include portions of the yard. The appraiser will make an interior inspection for condition, noting any items that would detract or add to the value of the home. He will also draw a floor plan of the home while doing the inspection.

The inspection of the comparable properties is limited to an exterior inspection. For features that cannot be seen from the street, the appraiser has reports from Multiple Listings Services (MLS), county public records, and appraisal files along with other sources to help determine the condition and amenities of the comparables. After the field inspection has been completed, the appraiser must go through the reconciliation process with the three comparable properties to determine a final estimated value. This method of estimating value is called the "Direct Sales Comparison Approach to Value", and it accounts for nearly all of the considerations in determining value of single family homes.

It is important to consider that the appraiser will be taking photos of the street scene and the front of the property. The street scene gives the lender an idea as to the type of neighborhood the property is located in. The photo of the front of the property gives the lender an idea of its condition and its curb appeal. And lastly, a photo of the back of the property and part of the rear yard is taken. Many homeowners don't take care of the rear portion of their property, so for this reason the rear photo is required.

In most cases, what you see in the condition of the exterior of a home will be repeated almost exactly in the interior. An appraiser will call in advance to set up the appointment to inspect the home. At that time, any information about the property (number of bedrooms, bathrooms, pool, enclosed patio, etc.) should be given. The more that is known about the property prior to inspection, the better the appraiser can focus on researching the most similar comparables.

WHO PAYS FOR WHAT?

THE SELLER

- Real Estate Commission
- Document preparation fee for Deed
- Payoff of all loans in the 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 to Payoff Lender
- Termite Inspection (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 Association dues
- Recording charges to clear documents of record against seller
- Any bonds or assessments (according to contract)
- Any and all delinquent taxes
- Notary Fees
- Escrow Fee (one half)
- Title Insurance Premium of Owner's Policy

THE BUYER

- Title Insurance Premium for Lender's Policy
- Escrow Fee (one half)
- Document preparation (if applicable)
- Notary fees
- Recording charges for all documents in Buyer's name
- Termite Inspection (according to contract)
- Tax proration (from date of acquisition)
- Homeowner's Association transfer fee
- HOA proration (from date of acquisition)
- All new loan charges (except those required by lender for seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Assumption/Change of Record fees for takeover of existing loan (if applicable)
- Beneficiary Statement Fee for assumption of existing loan (if applicable)
- Inspection Fees (roofing, property inspection, geological)
- Home Warranty (according to contract)
- Fire Insurance Premium for first year
- Any bonds or assessments (according to contract)

PERSONAL PROPERTY VS. REAL PROPERTY

The distinction between personal property and real property can be the source of difficulties in a real estate transaction. A purchase contract is normally written to include all real property; that is, all aspects of the property that are fastened down or which are an integral part of the structure. For example, this would include light fixtures, drapery rods, attached mirrors, and trees and shrubs in the ground. It would not include potted plants, free-standing refrigerators, washer/dryer, microwave, bookcases, lamps, etc. If there is any uncertainty whether an item is included in the sale or not, it is best to be sure that the particular item is mentioned in the purchase agreement as being included or excluded.

REAL ESTATE TERMINOLOGY

ADDENDUM
A list or other material added to a document, letter, contractual agreement, escrow instructions, etc.

AGENCY
Agency is the relationship that occurs when a Broker represents a Buyer or Seller in a real estate transaction. An Agent has fiduciary duties to the Client, such as confidentiality, accounting, reasonable care, loyalty, obedience, advocacy, and disclosure.

ANNUAL PERCENTAGE RATE
The yearly interest percentage of a loan, as expressed by the actual rate of interest paid. The A.P.R. is disclosed as a requirement of federal truth-in-lending statutes.

APPRAISAL
A valuation of property by the estimate of an appraiser. The appraiser can use any number of valuation methods to determine the appropriate value, including the current market value of similar properties, quality of property, and valuation models.

AS IS
In an "AS IS" contract, the Seller is saying the property will be sold in its existing physical condition and the Buyer is taking the property's condition into account when making an offer. The clause does not negate a Seller's common law duty to disclose known latent material defects.

ASSUMPTION
Agreement by a Buyer to assume the liability under an existing note secured by a mortgage or deed of trust. The Lender usually must approve the new debtor in order to release the existing debtor (usually the Seller) from liability.

BENEFICIARY
As used in a trust deed, the Lender is designated as the beneficiary, i.e., obtains the benefit of the security.

BUYER-BROKER AGREEMENT
An employment agreement between a Buyer and a Broker that employs the Broker to locate property and negotiate terms and conditions acceptable to the Buyer for the purchase of a home. The Buyer usually agrees to work exclusively with the Broker and the compensation the Buyer is obligated to pay is often offset by any compensation the Broker receives from the Listing Agent.

CLOSE OF ESCROW
The date that title passes from Seller to Buyer and documents are recorded.

CHAIN OF TITLE
The chronological order of conveyance of a parcel of land from the original Owner (usually the government) to the present Owner.

CLOSING DISCLOSURE
Provided to the borrower at least three business days before he or she becomes contractually obligated for the loan (generally when final loan documents are signed). Like the Loan Estimate, the Closing Disclosure lists information about the loan terms, monthly payments and closing costs. However, these are not estimates, but the actual and final terms of the loan. The two forms work together so borrowers can easily compare them and ensure they are getting the terms promised to them. The Closing Disclosure is required to be used if the loan is subject to the requirements of the Final Rule of the CFPB, effective Oct. 3, 2015.

CLOSING STATEMENT
An all-inclusive summary itemizing debits and credits to each party, Seller and Buyer, and presented in the form of a balance sheet.

CLOUD ON TITLE
An invalid encumbrance on real property, which if valid, would affect the rights of the Owner. The cloud may be removed by quitclaim deed, or, if necessary, by court action.

COMPARABLE SALES
Sales of properties used as comparisons to determine the value of a specific property.

CONDITIONS, COVENANTS & RESTRICTIONS (CC&RS)
CC&Rs are recorded against the home and are an enforceable contract. The CC&Rs empower the homeowner's association, if there is one, to control certain aspects of the home. A Homebuyer should always carefully read the CC&Rs (and any other association documents) because the Buyer will be obligated to comply with all the rules and restrictions.

CONTRACT
A contract for the sale of a home must be signed and in writing to be enforceable.

REAL ESTATE TERMINOLOGY

CONTINGENCY
A contingency is a clause in a contract that requires the completion of a certain act before the parties are obliged to perform their contractual obligations. The most common contingencies are financing, acceptable property condition, and condition of title.

CONVEYANCE
Transfer of title to a property. Includes most instruments by which an interest in real estate is created, mortgaged, or assigned.

COUNTEROFFER
An offer (instead of acceptance) in response to an offer. For example: A offers to buy B's house for X dollars; B, in response, offers to sell to A at a higher price. B's offer to A is a counteroffer.

DEED
Written instrument by which the ownership of land is transferred from one person to another.

DEED OF TRUST
An instrument used in many states in place of a mortgage. Property is transferred to a trustee by the Borrower (Trustor), in favor of the Lender (Beneficiary) and reconveyed upon payment in full.

DEPOSIT
Money given by the Buyer with an offer to purchase. Shows good faith.

DISCLOSURE
To make something known. All disclosures should be in writing when dealing with real estate interests and real property.

DUE ON SALE CLAUSE
An acceleration clause that requires full payment of a mortgage or deed of trust balance when the secured property changes ownership.

EASEMENT
The right to use another person's land for a specified purpose, such as for public utilities, ingress and egress, etc.

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 the paperwork and distribution of funds.

ESCROW ACCOUNT:
Account held by Lender for payment of taxes, homeowner's insurance, and other periodic debts against real property required to protect their security interest.

FAIR MARKET VALUE
Price that probably would be negotiated between a willing Seller and a willing Buyer in a reasonable time.

FIXTURES AND PERSONAL PROPERTY
A fixture is an item that was once personal property, but is affixed to the home in such a manner as to become part of the home itself. A Buyer purchases the fixtures affixed to the home, but personal property is not part of the transaction unless it is listed in the contract. The contract should specifically identify all items that are to be conveyed in the transaction.

HOMEOWNERS' ASSOCIATION (HOA)
An association of people who own real property in a given area, formed for the purpose of improving or maintaining the quality of the area. Also an association formed by the builder of condominiums or planned developments, and required by statute in some states. The builder's participation as well as the duties of the association is controlled by statute.

HOMEOWNER'S INSURANCE
Property insurance protecting against loss caused by fire, some natural causes, vandalism, etc., depending upon the terms of the policy.

HOMESTEAD EXEMPTION
A homestead exemption protects equity in a home in case of bankruptcy. The homestead exemption is usually automatic, meaning you do not have to file a homestead declaration to claim it in bankruptcy.

LIEN
An encumbrance against a property for the repayment of a debt. Examples include judgments, taxes, mortgages, and deeds of trust.

LISTING AGREEMENT
An employment contract between a Seller and a Listing Broker, that establishes the duties of the Broker and the terms under which the Broker will earn a commission.

REAL ESTATE TERMINOLOGY

LOAN ESTIMATE
Usually provided to the borrower within three business days of applying for a mortgage loan. It includes the terms of the loan, the projected payments, and an estimate of the closing costs. Since the Loan Estimate is uniform from Lender to Lender, it can be used to compare and shop for the best mortgage to fit a borrower's situation. The form is required to be used if the loan is subject to the requirements of the Final Rule of the CFPB, effective Oct. 3, 2015.

MORTGAGE
The instrument by which real estate is pledged as security for the repayment of a loan.

MORTGAGE INSURANCE
Insurance written by an independent mortgage insurance company protecting the Lender against loss incurred by a mortgage default, thus enabling the Lender to lend a higher percentage of the sales price.

MULTIPLE LISTING SERVICE (MLS)
The MLS is a repository of information on homes for sale. The MLS is also a means by which Broker participants make offers of compensation to other Broker participants for bringing a ready, willing, and able Buyer for the property.

PITI
Payment that combines the Principal, Interest, Taxes, and Insurance.

POINTS
An amount equal to 1 percent of the mortgage loan. Lenders can charge a point as an origination fee to cover the cost of making the loan. A discount point can be paid by the Borrower to lower the interest rate on the loan.

POWER OF ATTORNEY
An authority by which one person (principal) enables another (attorney) to act for him or her.

PURCHASE AGREEMENT
An agreement between a Buyer and Seller of real property, setting forth the price and terms of the sale.

QUITCLAIM DEED
A Deed operating a release; intended to pass any title, interest, or claim that the Grantor may have in the property, but not containing any warranty of a valid interest or title by the Grantor.

RECORDING
Filing documents affecting real property with the County Recorder as a matter of public record.

RIGHT OF FIRST REFUSAL
A first right of refusal is a provision in a contract that requires the Owner of a home to give another party (usually a tenant) the first opportunity to purchase or lease the property before it is offered for sale to another.

SUBDIVISION
The division of one parcel of land into smaller parcels (lots) created by filing a subdivision plat with the governmental authority (city or county) and receiving approval from the governmental authority.

TITLE:
The evidence one has of right to possession of land.

TITLE COMMITMENT
The title commitment reflects the condition of the title to the property. The commitment tells the Buyer whether the taxes and assessments are paid, whether there are deed restrictions, liens, and easements on the property, and what the requirements are to the issuance of title insurance on the property.

TITLE INSURANCE
There are generally two title insurance policies issued at close of escrow, Owner's Title Insurance and the Lender's Title Insurance. The Owner's policy is an insurance policy that protects the homeowner from defects in the title to the home, such as a forged deed. The Lender's policy protects the Lender against the same sort of title defects until the loan is paid.

WARRANTY DEED
A deed that conveys fee title to real property from the Grantor (usually the Seller) to the Grantee (usually the Buyer).

§1031 EXCHANGE
A tax-deferred or §1031 exchange is a transaction involving the transfer of investment or income property and the receipt of like-kind property that will be used as income or investment property. When certain criteria are met, as set forth in section 1031 of the Internal Revenue Code, the income taxes on any gain realized from the sale of the relinquished property are deferred.