WFG National Title Company
a Williston Financial Group company

# HOME BUYER'S GUIDE

**WIRE FRAUD CHECKLIST:**
protect your money when buying a home

**TITLE INSURANCE:**
what is it and why do you need it?

**MOVING CHECKLIST**
and tips for a stress-free move

# TABLE OF CONTENTS



# BUYING PROCESS

In the buying process there are several things to consider before and after your offer has been accepted by the seller. Here is an overview of the entire process.

## BEFORE THE OFFER IS ACCEPTED

**A Real Estate Agent Will Interview You To:**
- Determine your criteria in a home.
- Discuss parameters and financial qualifications.

**Get Pre-Qualified by Lender**
- A loan pre-qualification approval letter is obtained from your lender.

**Arrange Property Tours**
- Tour available homes that suit your needs.
- Ask your real estate agent about the current market.

**Target a Home That is "Ideal" and Write the Offer**
- The real estate agent will write the offer on your "ideal" home.
- Writing an offer takes approximately 1-3 hours.
- Deliver your earnest money deposit made payable to WFG (this check will be held until we have a ratified contract).

**Counter Offer**
- The counter offer is discussed and prepared by the real estate agent.

## ONCE THE OFFER IS ACCEPTED

**Escrow**
- Once the offer is accepted and conveyed, escrow is opened with WFG.
- Earnest money is deposited at this time.
- Escrow orders a Preliminary Title Commitment and sends copies to the real estate agents and your lender.
- Escrow instructions are issued to all parties.

**Loan Application**
- Submit a completed loan application to the lender of your choice with all necessary documentation.

**Homeowner Insurance Coverage**
- The buyer obtains a Homeowner Insurance Policy for their new home and insurance information is given to the new lender or escrow.

**Down Payment & Closing Costs**
- The escrow officer provides you with a Buyer's Estimated Closing Statement which itemizes your costs and advises you of total monies due.
- The buyer sends a wire or brings a cashier's check to WFG several days prior to closing.

**Signing Documents at WFG**
- The buyer needs to bring 2 forms of current photo ID to sign notarized loan documents at WFG.
- Copies of title and lender documents are given to the buyer.

**Funding**
- The lender sends funds to WFG.

**Close of Escrow**
- The deed is recorded at the County Recorder's office by WFG. You will receive the original back from the county record in about 6 weeks.
- The keys are transferred from the seller to the buyer.

# GETTING PRE-APPROVED

Once you have an idea of the type and size home you want, as well as the area you'd like to look in, you need to get pre-approved by a lender. By doing this before looking for a home, you'll save yourself time, energy and frustration. The pre-qualification process will do the following things:

1. **DETERMINE HOW MUCH HOME YOU CAN AFFORD**
   Pre-approval helps you avoid buying less home than you can afford or being disappointed if you don't qualify for as much as you had hoped.

2. **SHOW YOUR TOTAL INVESTMENT**
   You'll know approximately how much money you'll need for a down payment and closing costs.

3. **LET YOU KNOW YOUR MONTHLY PAYMENT**
   You'll have a close estimate of what your monthly principal, interest, taxes, and insurance (PITI) will be.

4. **IDENTIFY THE LOAN PROGRAMS YOU QUALIFY FOR**
   With the wide variety of loan programs available, it's important to know which types you qualify for and which will best suit your needs.

5. **STRENGTHEN YOUR OFFER**
   Sellers are more inclined to accept realistic offers when they know that you have taken the time to be interviewed by a lender and can qualify for a loan.

## In order to be pre-approved, the lender will need to know:

- [ ] **Your employment history and income**
- [ ] **Your monthly debts and obligations**
- [ ] **The amount and source of cash available**

*Your lender can also help you determine alternatives and strategies that will help you buy the home of your choice.*

- Special first time homebuyer program
- Co-mortgage financing
- Debt consolidation counseling

# CHOOSING YOUR LENDER

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

### Build a list of lenders

Talk to people you know who have bought or refinanced a home recently. Check online as well as the newspaper's real estate or business section.

### Talk to a loan officer

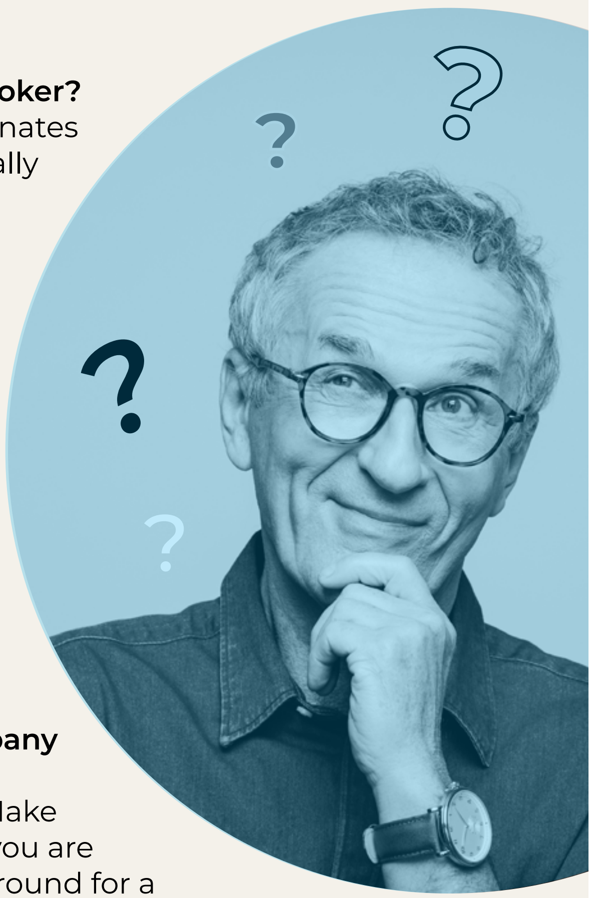
Call or visit the lenders on your list. Get a feel for what it will be like to work with them, and how they approach your needs. If you're still uncertain, ask for references—recent home buyers like yourself—and talk to them.

### Compare rates for similar loans

Among the things you'll want to discuss with prospective lenders are the rates they offer on mortgages. When comparing rates between lenders, be sure the rates are for comparable loans and remember to include fees and other costs so you're really comparing apples to apples.

## SOME OF THE QUESTIONS TO ASK A LENDER SHOULD INCLUDE:

**Are they a mortgage banker?**
A mortgage banker is a lender who not only originates their own loans, but also underwrites, approves, funds, and services them. A mortgage banker has their own money to lend and therefore has the most control over the loan.



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

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

**What is their reputation within the real estate community?**

**Do they lock in their interest rates and for how long?**

# LOAN PROGRAMS

There are a variety of loan programs to consider and you will want to consult with your lender to determine the best one for you.

## FIXED RATE LOAN

A loan which has an interest rate that remains constant throughout the life of a loan.

## BUYDOWN

A fixed rate loan where the interest rate and payment are reduced for a specific period of time by paying the interest in advance (the buyer or seller can pay for the buydown).

## BALLOON LOAN

A fixed rate loan that is amortized over a 30 year period, but becomes due and payable at the end of a shorter term (i.e.: 5, 6, 7 or 10 years). Some of these loans have an option to be extended with a new rate or rolled into another type of loan. Usually, the rates on these loans are lower than a regular 30 year fixed rate loan.

## GRADUATED PAYMENT MORTGAGE (GPM)

A fixed rate loan which has payments starting lower than the payments on a standard fixed rate loan, then increasing by a predetermined amount each year for a specific number of years (usually five).

## ADJUSTABLE RATE MORTGAGE (ARM) FIXED RATE LOAN

A loan which has an interest rate that can change, either upward or downward, at specific periods during the life of the loan. The change in the interest rate is usually tied to a financial index over which the lender has no control.

## FHA LOAN

FHA loans are available as a fixed rate, ARM, GPM, or buydown. They are loans that are insured by the Federal Housing Administration and offer low down payments and lower income requirements.

## VA LOAN

Fixed loans are available with no down payment to eligible Veterans, in-service Veterans, and certain other reservists and National Guard members. VA loans are guaranteed by the Veteran's Administration. A VA GPM loan is also available with minimal down payment. (VA ARM loans are not presently available)

## COMMUNITY HOMEBUYERS PROGRAM

A fixed rate loan with a low (3% to 5%) down-payment, no cash reserve requirement, and lower income requirements. Subject to borrowers meeting maximum income limits and completion of a course of ownership.

## MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

A first-time homebuyer program subject to purchase price, income limits, and availability of funds. The MCC is actually a special tax credit and can be used with almost any loan program. The amount of the tax credit is used as additional income to qualify the borrower(s).

# PROTECT YOUR MONEY WHEN BUYING A HOME:

## YOUR WIRE FRAUD CHECKLIST

**Every day, hackers try to steal money by emailing fake wire instructions. Criminals will use a similar email address and steal a logo and other information to make it look like the email came from your real estate agent or title company. You can protect yourself and your money by following the steps below.**

- [ ] Don't send sensitive financial information via email.
- [ ] Call, don't email. Confirm your wiring instructions by phone using a known number before transferring funds.
- [ ] WFG will never email wiring instructions to you nor change WFG account information after it's been provided to you by our staff.
- [ ] Keep your email account clean, remove any stale messages. Hackers can watch your business patterns and use this information against you.
- [ ] Ask your bank to confirm the name on the account before sending a wire.
- [ ] Call your title company or real estate agent within four to eight hours to confirm they have received your money.

*This is for informational purposes only and should not be considered legal advice.*

This important question is one that California real property purchasers ask their real estate, escrow, and title professionals every day. Unfortunately, though these professionals may identify the many methods of owning property, they may not recommend a specific form of ownership, as doing so would constitute practicing law.

Because real property has become increasingly more valuable, the question of how parties take ownership of their property has gained greater importance. The vesting of title and exposure to creditor's claims can have significant probate implications in the event of death.

The American Land Title Association (ALTA) advises those purchasing real property to give careful consideration to the manner in which title will be held. Buyers may wish to consult legal counsel to determine the most advantageous form of ownership for their particular situation, especially in the case of multiple owners of a single property. The ALTA has provided the following definitions of common vesting as an information overview. Consumers should not rely on these as legal definitions.

The ALTA urges real property purchasers to carefully consider their titling decisions prior to closing, and to seek legal counsel should they be unfamiliar with the most suitable ownership choice for their particular situation.

# COMMON WAYS TO HOLD TITLE

Title to real property in California is commonly held by individuals in Sole Ownership or by two or more persons in Co-Ownership. There are several variations as to how title may be held in each type of ownership and the following summaries reference the more common examples. How title is vested has important legal consequences and tax consequences. The tax consequences may be different for same sex legally-related couples. You may wish to consult an attorney or tax advisor to determine the most advantageous form of ownership for your particular situation.

## SOLE OWNERSHIP

Sole ownership may be described as ownership by an individual or other entity capable of acquiring title. Examples of common vesting cases of sole ownership are:

**1. A Single Man or Woman, an Unmarried Man or Woman, or a Widow or Widower:**

A man or woman who is not legally married or in an domestic partnership.
*For example: Bruce Buyer, a single man.*

**2. A Married Man or Woman as His or Her Sole and Separate Property:**

A married man or woman who wishes to acquire title in his or her name alone. The title company insuring title will require the spouse of the married man or woman acquiring title to specifically disclaim or relinquish his or her right, title, and interest to the property. This establishes that both spouses want title to the property to be granted to one spouse as that spouse's sole and separate property. The same rules will apply for same-sex married couples. *For example: Bruce Buyer, a married man, as his sole and separate property.*

**3. A Domestic Partner as His or Her Sole and Separate Property:**

A domestic partner who wishes to acquire title in his or her name alone. The title company insuring title will require the domestic partner of the person acquiring title to specifically disclaim or relinquish his or her right, title, and interest to the property. This establishes that both domestic partners want title to the property to be granted to one partner as that person's sole and separate property. *For example: Bruce Buyer, a registered domestic partner, as his sole and separate property.*

## CO-OWNERSHIP

Title to property owned by two or more persons may be vested in the following forms:

**1. Community Property:**

A form of vesting title to property owned together by married persons or by domestic partners. Community property is distinguished from separate property, which is properly acquired before marriage or before a domestic partnership, by separate gift or bequest, after legal separation, or which is agreed in writing to be owned by one spouse or domestic partner.

In California, real property conveyed to a married person, or to a domestic partner, is presumed to be community property, unless otherwise stated (i.e. property acquired as separate property by gift, bequest or agreement). Since all such property is owned equally, both parties must sign all agreements and documents transferring the property or using it as security for a loan.
*For example: Bruce Buyer and Barbara Buyer, husband and wife, as community property, or Sally Smith and Jane Smith, registered domestic partners, as community property. Another example for same-sex couples: Sally Smith and Jane Smith, who are married to each other, as community property.*

**2. Community Property with Right of Survivorship:**

A form of vesting title to property owned together by spouses or by domestic partners. This form of holding title shares many of the characteristics of community property, but adds the benefit of the right of survivorship similar to title held in joint

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tenancy. There may be tax benefits for holding title in this manner. On the death of an owner, the decedent's interest ends and the survivor owns all interests in the property.
*For example: Bruce Buyer and Barbara Buyer, husband and wife, as community property with right of survivorship, or Sally Smith and Jane Smith, registered domestic partners, as community property with right of survivorship.*

**3. Joint Tenancy:**
A form of vesting title to property owned by two or more persons, who may or may not be married or domestic partners, in equal interests, subject to the right of survivorship in the surviving joint tenant(s). Title must have been acquired at the same time, by the same conveyance, and the document must expressly declare the intention to create a joint tenancy estate. When a joint tenant dies, title to the property is automatically conveyed by operation of law to the surviving joint tenant(s).
*For example: Bruce Buyer, a married man, and George Buyer, a single man, as joint tenants.*

Note: If a married person enters into a joint tenancy that does not include their spouse, the title company insuring title may require the spouse of the married man or woman acquiring title to specifically consent to the joint tenancy. The same rules will apply for same-sex married couples and domestic partners.

**4. Tenancy in Common:**
A form of vesting title to property owned by any two or more individuals in undivided fractional interests. These fractional interests may be unequal in quantity or duration and may arise at different times. Each tenant in common owns a share of the property, is entitled to a comparable portion of the income from the property, and must bear an equivalent share of expenses. Each co-tenant may sell, lease, or will his/her heir that share of the property belonging to him/her.
*For example: Bruce Buyer, a single man, as to an undivided 3/4 interest, and Penny Purchaser, a single woman, as to an undivided 1/4 interest.*

**OTHER WAYS OF VESTING TITLE INCLUDE:**

**1. A Corporation*:**
A corporation is a legal entity, created under state law, consisting of one or more shareholders but regarded under law as having an existence and personality separate from such shareholders.

**2. A Partnership*:**
A partnership is an association of two or more persons who can carry on business for profit as co-owners, as governed by the Uniform Partnership Act. A partnership may hold title to real property in the name of the partnership.

**3. Trustees of a Trust*:**
A Trust is an arrangement whereby legal title to property is transferred by a grantor to a person called a trustee, to be held and managed by that person for the benefit of the people specified in the trust agreement, called the beneficiaries. A trust is generally not an entity that can hold title in its own name. Instead, title is often vested in the trustee of the trust. *For example: Bruce Buyer, trustee of the Buyer Family Trust.*

**4. Limited Liability Companies (LLC)***:
This form of ownership is a legal entity and is similar to both the corporation and the partnership. The operating agreement will determine how the LLC functions and is taxed. Like the corporation, its existence is separate from its owners.

**In cases of corporate, partnership, LLC, or trust ownership, required documents may include corporate articles and bylaws, partnership agreements, LLC operating agreements, and trust agreements and/or certificates.*

# WAYS TO TAKE TITLE (TITLE VESTING)

| | COMMUNITY PROPERTY | COMMUNITY PROPERTY WITH RIGHT OF SURVIVORSHIP | JOINT TENANCY | TENANCY IN COMMON | PARTNERSHIP | TRUST |
|---|---|---|---|---|---|---|
| **PARTIES** | Husband and wife or domestic partners | Husband and wife or domestic partners | Any number of persons (can be husband and wife or domestic partners) | Any number of persons | Any number of persons | Any number of beneficiaries of the trust |
| **DIVISION OF INTERESTS** | Equal | Equal | Equal | Any number of interests, equal or unequal | Partnership interests may be equal or unequal | Beneficial interests under trust may be equal or unequal |
| **TITLE** | In the names of the individual owners | In the names of the individual owners | In the names of the individual owners | In the names of the individual owners | In the name of the partnership | In the name of the trustee "as trustee" |
| **POSSESSION** | Equal right of possession | Equal right of possession | Equal right of possession | Equal right of possession | According to partnership agreement | According to trust agreement |
| **CONVEYANCE** | Both spouses must join in a conveyance | Both spouses must join in a conveyance | Conveyance by one co-owner breaks the joint tenancy | Each co-owner's interest may be conveyed separately | Any general partner authorized by the partnership agreement may convey | Trustee may convey in accordance with the trust agreement |
| **DEATH** | Decedent's Spouse 1/2 interest passes to decedent's estate | Decedent's 1/2 interest passes to the survivor | Decedent's interest passes to the survivor(s) | Decedent's interest passes to the decedent's estate | Partnership agreement provides for either termination or continuance of the partnership | Trust agreement usually provides for distribution upon death of the settlor |
| **SUCCESSOR'S STATUS** | Tenancy in common between devisee and survivor results | Survivor owns entire interest | Last survivor owns entire interest | Devisees or heirs become tenants in common | Heirs or devisee have rights in partnership interest but not in specific property | Trust agreement usually provides for distribution upon death of the settlor |
| **CREDITOR'S RIGHTS** | Community property is liable for the debts of either spouse incurred before or during marriage or domestic partnership | Community property is liable for the debts of either spouse incurred before or during marriage or domestic partnership | Co-owner's interest may be sold at an execution sale to satisfy the co-owner's judgement creditor | Co-owner's interest may be sold at an execution sale to satisfy the co-owner's judgement creditor | Only a partner's right to receive profits can be executed upon by the partner's judgement creditor | Usually, the creditor cannot execute on a beneficiary's interest |

Information deemed reliable, but accuracy is not guaranteed.

# LOAN UNDERWRITING

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

### Your Employment History

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

### Your Income

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

### Your Credit History

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

### Your Assets

Money you have available for a down payment, closing costs, cash reserves (money left over after close of escrow to cover two to three months' mortgage payments), and other liquid assets is your net worth. The underwriter wants to see your ability to save money for the down payment and where closing costs are coming from. It must be verified that you have had the money (or assets) for a two to three month period.

### Your Debts

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

### The Property

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

# 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
- Prepares the paperwork necessary to close the transaction

### 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 by 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

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 Preliminary 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
- Matters 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
- Exclusions 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:**

### 1 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.

### 2 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 Escrow and pertinent information

Open Title Report and distribute

**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.

Generally there are two policies issued: the **Lender's Policy** which insures the lender for the amount of the loan and the **Owner's Policy** which insures the purchaser for the purchase price.

### 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, or/and purchasers.

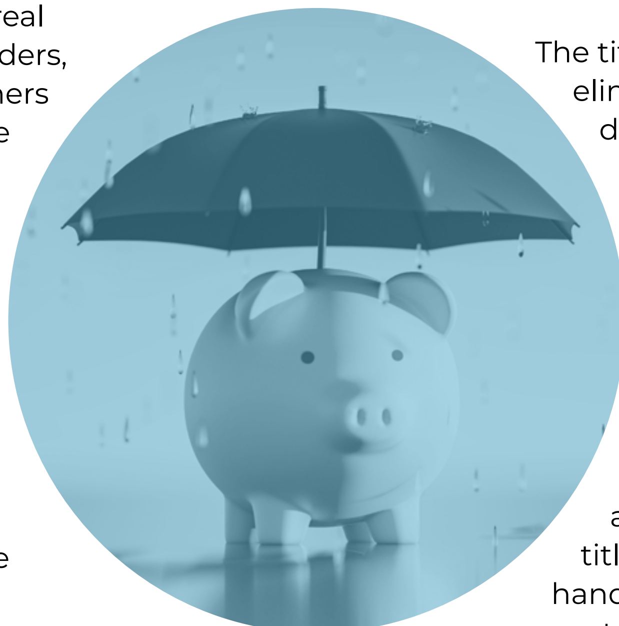
Rights established by judgment decrees, unpaid federal income taxes, and mechanics liens all may be prior claims on the property, ahead of the buyer's or lender's rights. The title search will only uncover issues in title that are of public record and therefore allowing the title company to work with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

# INSPECTION PROCESS

During the contingency period, your real estate agent will order physical inspections as specified in your purchase agreement. This may help you determine what kind of property inspections you feel are desired or necessary. Your real estate agent will help you arrange for these inspections.

## Who Pays?

Your purchase agreement will specify who is responsible for the costs of inspections and for making any needed corrections or repairs. The cost is negotiable between the parties and should be considered carefully. Your real estate agent will advise you what is customary and prudent.

## Structural Pest Control Process

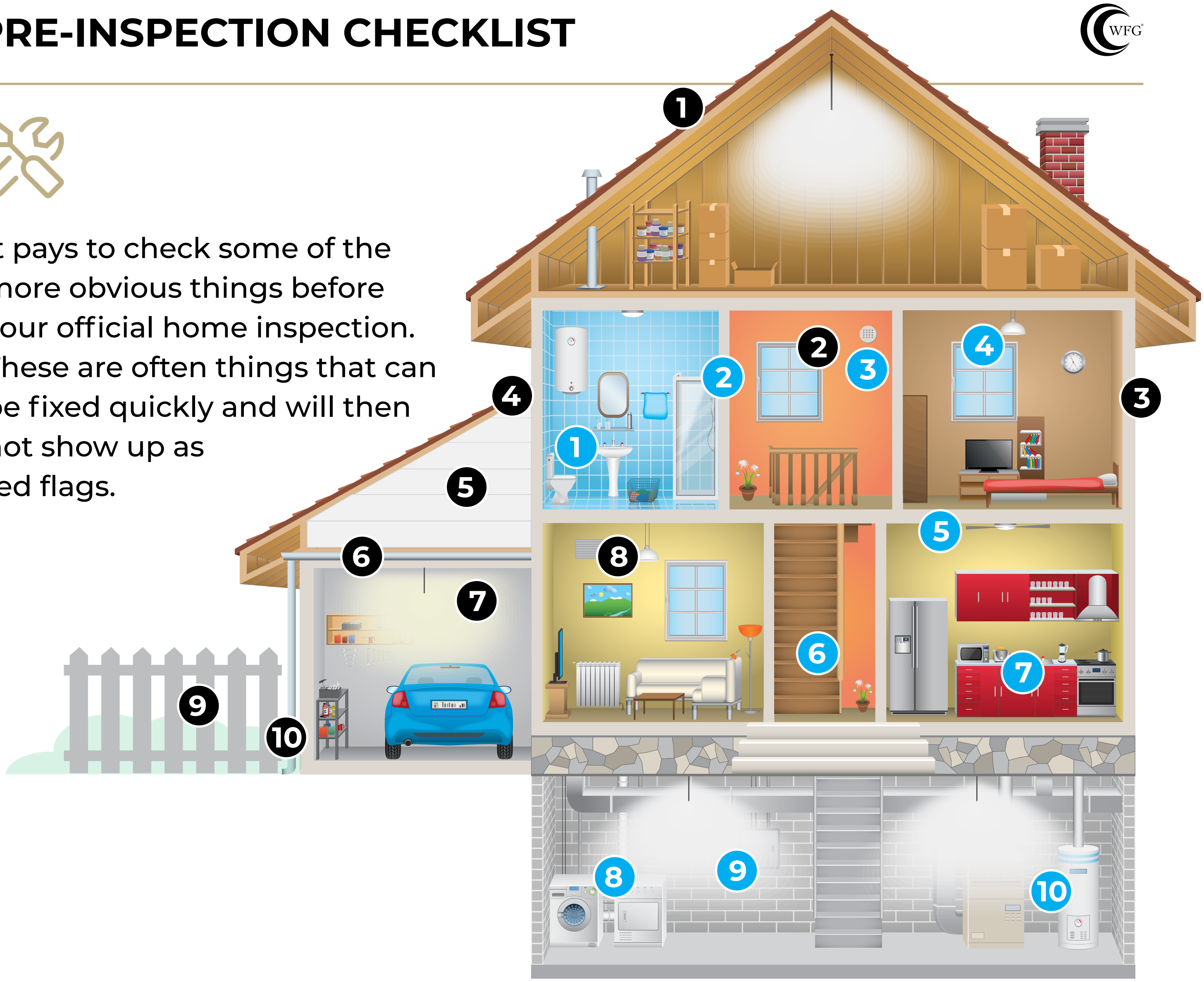
A licensed inspector will examine the property for any active infestation by wood destroying organisms and conditions likely to cause damage if left untreated.

## Home Inspection

This inspection encompasses roof, plumbing, electrical, heating, appliances, water heater, furnace, exterior siding, and other visible features of the property. A detailed report will be written with recommendations; often times the recommendation is to consult a professional. The inspection fee is usually paid by the buyer.

# PRE-INSPECTION CHECKLIST

It pays to check some of the more obvious things before your official home inspection. These are often things that can be fixed quickly and will then not show up as red flags.



## EXTERIOR

| | | OK | NEEDS FIXING |
|---|---|---|---|
| 1 | Roof | ☐ | ☐ |
| 2 | Screens/Windows | ☐ | ☐ |
| 3 | Cracked Caulk | ☐ | ☐ |
| 4 | Faded/Peeling Paint | ☐ | ☐ |
| 5 | Siding | ☐ | ☐ |
| 6 | Gutters/Trim | ☐ | ☐ |
| 7 | Garage Door | ☐ | ☐ |
| 8 | AC Unit | ☐ | ☐ |
| 9 | Fence/Deck | ☐ | ☐ |
| 10 | Drainage | ☐ | ☐ |

## INTERIOR

| | | OK | NEEDS FIXING |
|---|---|---|---|
| 1 | Toilets | ☐ | ☐ |
| 2 | Showers/Tubs | ☐ | ☐ |
| 3 | Smoke/CO Alarms | ☐ | ☐ |
| 4 | Lighting | ☐ | ☐ |
| 5 | Ceiling Fans | ☐ | ☐ |
| 6 | Stairs | ☐ | ☐ |
| 7 | Plumbing | ☐ | ☐ |
| 8 | Appliances | ☐ | ☐ |
| 9 | Electrical | ☐ | ☐ |
| 10 | Water Heater | ☐ | ☐ |

# THE APPRAISAL

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
- Documentary transfer tax ($1.10 per $1,000 of sales price)
- 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 and/or Work (according to contract)
- Home Warranty (according to contract)
- Any judgements, tax liens, etc., against the seller
- Tax pro-ration (for any taxes unpaid at time of transfer of title)
- Any unpaid Homeowner's dues
- 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
- Title Insurance Premium

## The Buyer

- Title Insurance Premium
- Escrow Fee
- Document preparation (if applicable)
- Notary Fees
- Recording charges for all documents in buyer's name
- Termite Inspection (according to contract)
- Tax pro-ration (from date of acquisition)
- Homeowner's transfer fee
- All new loan charges (except those required by lender for seller to pay)
- Interest on a new loan from date of funding to 30 days prior to first payment date
- Assumption /Change of Records Fees for takeover 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
- Endorsements

### 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 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, freestanding refrigerators, washer/dryers, microwaves, bookcases, swag 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.

# SIGNING AND MORE

An appointment is required for the signing. Please call your Escrow Officer to arrange a convenient time. There are several acceptable forms of identification which may be used during the escrow process, including: A current driver's license; Passport; and State of California Department of Motor Vehicles ID card.

*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 the seller or buyer must deposit money into the escrow. Should this situation occur, the buyer or seller will need to wire transfer the funds and/or obtain a cashier's check or certified check issued by a California financial institution that is made payable to the title company in the amount indicated by the escrow officer. A personal check may not be accepted, as it might delay the closing since the title 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.*

**Paying Off Your Existing Loans**

Unless the buyer takes over the seller's existing loan(s), the loan(s) will be paid off at the close of escrow. The seller will need to furnish complete information to the escrow officer and real estate agent on each loan against the property and will need to provide the name of each lender. The escrow officer will need this information to order the loan payoff demands so the loan(s) may be paid off correctly at the close of escrow. Homeowners Association information may also be required if the property being sold is a condominium, townhouse, or property located in a planned unit development. All of this information will help to insure the timely closing of escrow.

**Disclosures and Contingencies**

During the process of selling the property, the seller will be asked to fill out a property disclosure form which is required by law. In this document, the seller will inform the buyer of any significant facts he/she has about the conditions of the property. Your real estate agent or escrow officer can assist you with these. 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 Title Report, approval of structural pest control and other inspections. Stay closely in touch with your real estate agent regarding these important dates.

**After The Buyer's Loan Is Approved**

When the buyer's loan is approved and the loan documents are sent to the escrow officer handling the transaction, the escrow officer contacts the buyer to schedule a signing appointment and collect the final closing funds. The escrow officer will collect any and all necessary documents needed from the seller, together with the executed Grant Deed if it has not already been handed to escrow.

**After Completion of the Sign-Off**

After the seller and the buyer have signed all necessary instructions and documents, the escrow officer will return them to the new lender for a final review. Following the review, 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" escrow.

**What is "Close" of Escrow?**

It signifies the legal transfer of title to the property from the seller to the buyer and is the end of the transaction. Usually, the Grant Deed and Deed of Trust are recorded within one working day of the escrow holder's receipt of loan funds.

**When are the proceeds received from the sale?**

A final settlement statement and the seller's net sales proceeds are available to the seller the day the sale is completed, documents are recorded and the escrow is closed. The seller may receive his/her proceeds in the form of a company check or wired funds.

# PROPERTY TAX CALENDAR

| JANUARY | FEBRUARY | MARCH |
|---|---|---|
| **January 1st**<br>Tax Assessment Date | **February 1st**<br>**2nd Tax Installment Due**<br><br>**February 10th**<br>*Last day to file Homeowner's exemption* | **March 1st**<br>Unsecured Property taxes |
| **APRIL** | **MAY** | **JUNE** |
| **April 10th**<br>2nd Tax Installment Delinquent<br><br>*10% penalty plus 10% fee. (Penalty & fee valid from April 10th - June 30th)* | | |
| **JULY** | **AUGUST** | **SEPTEMBER** |
| **July 1st**<br>One or both tax installments still delinquent<br><br>*Add 10% penalty plus $15 additional fee, plus additional 1.5% per month* | | |
| **OCTOBER** | **NOVEMBER** | **DECEMBER** |
| | **November 1st**<br>**1st Tax Installment Due** | **December 1st**<br>*Last day to file Homeowner's exemption*<br><br>**December 10th**<br>*1st tax installment delinquent Add 10% penalty plus $10 fee.* |

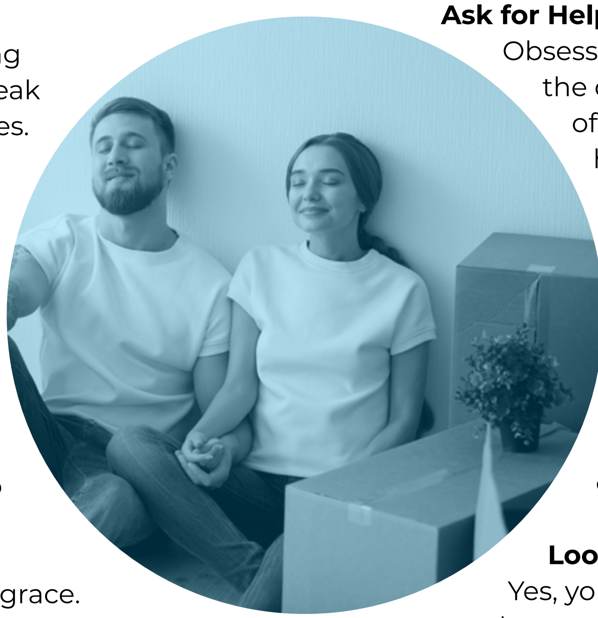
# TIPS FOR A STRESS-FREE MOVE

Moving can be very stressful, so what do you do when circumstances or opportunities require that you relocate? How do you get through a move in one piece? You might begin by following these helpful stress relief tips.

**Start Early**
Few people feel relaxed under a deadline, but having the benefit of time can help calm the nerves. The time to start planning for your move is as soon as you know you need to move.

**Get Organized**
The number one method for alleviating emotional stress when moving is to feel like you have control over what's happening. As illusory as that control may be, being organized will help you handle the unexpected.

First, come up with a relocating schedule that will help you break the moving process into phases. Detail exactly which task needs to be accomplished when. Use a checklist to make sure you are taking care of necessary goals by their due dates. Create a system that works to help you keep track of everything. Whether you make up your own or get help from someone with moving experience, having a model to work from will be your saving grace.



**Make it Easy**
Don't be married to an initial moving plan simply because it was your first. As you do the footwork, you may discover there is an easier way to get the move done, and you should embrace this! Sure, driving your car cross-country might have seemed the only affordable option initially, but a search for reputable auto shippers and a sale on airfares could make all the difference between a stressful move and a more relaxed one. The same philosophy goes for packing. Rather than take on the entire process yourself, be sure to get quotes for having movers assist you.

**Schedule Time for Stress Relief**
In the weeks leading up to your move, you may be so focused on getting everything done that you neglect your own health. Coping with a move requires that you stay physically and emotionally fit, so get plenty of sleep, eat well, and get some exercise. This would also be a good time to schedule a massage or a spa session. If time allows, try to get a weekend or at least a night away so that you can take your mind off your move for a little while.

**Ask for Help**
Obsessive-compulsive people and the detail-oriented among us often have trouble asking for help. While you are making your thorough preparations, also be sure to contact friends and family on both sides of your move to help you in any way possible. Many hands really do make the work lighter, which can relieve a lot of stress. You'll be glad for the company, too.

**Look Forward to the End Results**
Yes, you know moving will be hard and potentially fraught with stresses, but you will survive it. Many others have gone before you and lived to tell about it. Know that there is nothing that can happen that you can't handle and focus on the potential for new growth and adventure in your new home. Moving is one of the more stressful things we can experience, but there are ways to make it easier. Prepare, get organized, and stay flexible. Before you know it, you'll be unpacking your things in your new home and wondering what all that worry was about!

# MOVING CHECKLIST

## 8 WEEKS BEFORE YOU MOVE

- [ ] **Inventory Sheets:** Create an inventory sheet of all which is to be moved.
- [ ] **Research Moving Options:** You'll need to decide if yours is a do-it-yourself move or if you'll be using a moving company.
- [ ] **Request Moving Quote:** Solicit moving quotes from as many moving companies and movers as possible. There can be a large difference between rates and services within moving companies.
- [ ] **Discard Unnecessary Items:** Moving is a great time for ridding yourself of unnecessary items. Have a yard sale or donate unnecessary items to charity.
- [ ] **Packing Material:** Gather moving boxes and packing material for your move.
- [ ] **Contact Insurance Companies:** You'll need to contact your insurance agent to cancel/transfer your insurance policy.

## 4 WEEKS BEFORE YOU MOVE

- [ ] **Start Packing:** Begin packing all things destined for your new location.
- [ ] **Obtain Your Medical Record:** Contact your doctor, physician, dentist, and other medical specialists who may currently be retaining any of your family's medical records. Obtain these records or make plans for them to be delivered to your new medical facilities if changing.
- [ ] **Note Food Inventory Levels:** Check your cupboards, refrigerator and freezer to use up as much of your perishable food as possible.
- [ ] **Small Engines:** Service small engines for you move by extracting gas and oil from the machines. This will reduce the chance to catch fire during your move.
- [ ] **Protect Jewelry and Valuables:** Transfer jewelry and valuables to a safety deposit box so they cannot be lost or stolen during your move.
- [ ] **Borrowed and Rented Items:** Return items which you may have borrowed or rented. Collect items borrowed to others.

# MOVING CHECKLIST

## 1 WEEK BEFORE YOU MOVE

- [ ] **Your Change of Address:** Change your address with the USPS, DMV, Financial Institutions, Utilities, Government Offices, Health Care Service Providers, Memberships and Subscriptions.

- [ ] **Bank Accounts:** Transfer or close bank and financial accounts if changing banks. Make sure to have a money order for paying the moving company.

- [ ] **Service Automobiles:** If automobiles are to be driven long distance, you'll want to have them serviced so you have a trouble-free drive.

- [ ] **Cancel Services:** Notify any remaining service providers (newspapers, lawn services, etc.) of your move.

- [ ] **Travel Items:** Set aside all items you'll need while traveling. Make sure these are not packed on the moving truck.

- [ ] **Contact Utility Companies:** Set utility turnoff date, seek refunds and deposits, and notify them of your new address.

## MOVING DAY

- [ ] **Plan Your Itinerary:** Make plans to spend the entire day at the house or at least until the movers are on their way.  Someone will need to be around to make decisions. Make plans for kids and pets to be at a sitters for the day.

- [ ] **Review the House:** Once the house is empty, check the entire house (closets, attic, basement, etc.) to ensure no items are left or no home issues exist.

- [ ] **Double Check With Your Mover:** Ensure the mover has the new property address and all of your most recent contact information should they have any questions during your move.

- [ ] **Vacate Your Home:** Make sure utilities are off, doors and windows are locked, and notify your real estate agent you've left the property.

- [ ] **Questions To Ask:** Where is the garage door opener? Where are the keys to the house, mailbox, and other lockable area? Did you retrieve all keys from neighbors and friends?

# NOTIFICATION CHECKLIST

## UTILITIES

- ☐ Electric
- ☐ Natural Gas
- ☐ Water District
- ☐ Sewer District
- ☐ Garbage Provider
- ☐ Cable/Satellite
- ☐ Fuel (Propane)
- ☐ Phone Services
- ☐ Internet

## GOVERNMENT OFFICES

- ☐ US Post Office
- ☐ Department of Motor Vehicles
- ☐ IRS
- ☐ Passport Office
- ☐ Veteran Affairs
- ☐ Unemployment Office

## SUBSCRIPTIONS

- ☐ Newspapers
- ☐ Magazines
- ☐ Movie Subscriptions
- ☐ Book or Music Clubs

## FINANCIAL INSTITUTIONS

- ☐ Banks/Credit Unions
- ☐ Credit Card Companies
- ☐ Lenders
- ☐ Insurance Companies
- ☐ Retirement Plans
- ☐ Investments
- ☐ Online Bill Payer
- ☐ PayPal

## SERVICE PROVIDERS

- ☐ Childcare
- ☐ Housecleaning Services
- ☐ Delivery Services
- ☐ Lawn Care Services
- ☐ Veterinarian
- ☐ Pool Service

## OTHER

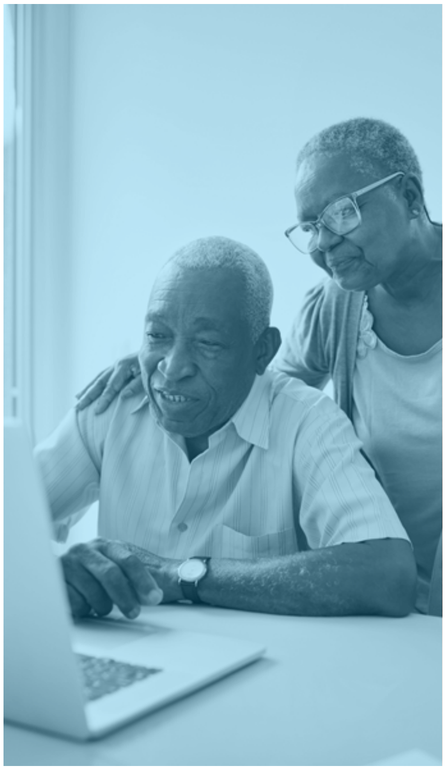
- ☐ Friends and Family
- ☐ Employers

## MEMBERSHIPS

- ☐ Health Clubs
- ☐ Membership Clubs
- ☐ Community Groups
- ☐ Children's Extracurricular Activities

## HEALTH

- ☐ Physicians
- ☐ Dentists
- ☐ Pharmacies



# REAL ESTATE TERMINOLOGY

Every industry has its own terminology. The following are some common real estate terms and their meanings.

**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.

**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.

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