



# Home Seller's Guide

to the Title and Escrow Process in California



*First American Title*™

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Your Escrow Number \_\_\_\_\_

Your New Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

## Title Contacts

Title Officer \_\_\_\_\_

Assistant \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_



Email \_\_\_\_\_

Email \_\_\_\_\_

Phone \_\_\_\_\_

Fax \_\_\_\_\_

## Escrow Contacts

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Email \_\_\_\_\_

Email \_\_\_\_\_

Phone \_\_\_\_\_

Fax \_\_\_\_\_





# Count on First American

**Welcome** to the home-selling process. Throughout this process, you can count on First American to guide you smoothly through your transaction, and provide expert answers to your questions. We are happy to serve you.

## **Count on us for service**

First American's professionals are proud to provide the title insurance that assures people's home ownership. Backed by First American Title Insurance Company, your transaction will be expertly completed in accordance with state-specific underwriting standards and state and federal regulatory requirements.

## **Count on us for stability**

First American Title Insurance Company is the principal subsidiary of First American Financial Corporation, and one of the largest suppliers of title insurance services in the nation. With roots dating back to 1889, we've served California families for generations.

## **Count on us for convenience**

First American has a direct office or agent near you, offering convenient locations throughout California. We also have an extensive network of offices and agents throughout the United States, Canada, Mexico, Puerto Rico, the U.S. Virgin Islands, Bermuda, Guam, and the United Kingdom.

## **Count on us to meet your needs**

First American Financial Corporation offers more than title insurance and escrow services through its subsidiaries. Our subsidiaries also provide property data, and title plant records and images; home warranties; property and casualty insurance; and banking, trust and advisory services..



# Terms You Should Know

## Understanding your escrow transaction

### ▼ AMENDMENTS

A change—either to alter, add to, or correct—part of an agreement without changing the principal idea or essence.

### ▼ APPRAISAL

An estimate of real property resulting from analysis of facts about the real property; an opinion of value.

### ▼ ASSUMPTION

Taking over another person's financial obligation; taking title to a parcel of real property with the Buyer assuming liability for paying an existing note secured by a deed of trust against the real property.

### ▼ BENEFICIARY

The recipient of benefits, often from a deed of trust; usually the lender.

### ▼ CLOSE OF ESCROW

Generally the date the documents are recorded and title passes from Seller to Buyer. On this date, the Buyer becomes the legal owner, and title insurance becomes effective.

### ▼ COMPARABLE SALES

Sales that have similar characteristics as the subject real property, used for analysis in the appraisal. Commonly called "comps."

### ▼ DEED, GRANT DEED, OR WARRANTY DEED

A real estate-oriented document used to convey fee title to real property from the grantor (usually the Seller) to the grantee (usually the Buyer).

### ▼ DEED OF TRUST

An instrument used in many states in place of a mortgage.

### ▼ DEED RESTRICTIONS

Limitations in the deed to a parcel of real property that dictate certain uses that may or may not be made of the property.

### ▼ EARNEST MONEY DEPOSIT

Down payment made by a purchaser of real property as evidence of good faith; a deposit or partial payment.

### ▼ EASEMENT

A right, privilege or interest limited to a specific purpose that one party has in the land of another.

### ▼ LIEN

A form of encumbrance that usually makes a specific parcel of real property the security for the repayment of a debt or discharge of an obligation. For example, judgments, taxes, mortgages, deeds of trust.

### ▼ MORTGAGE

The instrument by which real property is pledged as security for repayment of a loan.

### ▼ PITI

A payment that combines Principal, Interest, Taxes, and Insurance.

### ▼ POWER OF ATTORNEY

A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an "Attorney-in-Fact."

### ▼ PURCHASE AGREEMENT

The purchase contract between the Buyer and Seller. It is usually completed by the real estate agent and signed by the Buyer and Seller.

### ▼ QUITCLAIM DEED

A deed operating as a release, intending to pass any title, interest, or claim which the grantor may have in the real 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.



## Key professionals involved in your transaction

### ▼ REALTOR®

A Realtor® is a licensed real estate agent and a member of the National Association of Realtors®, a real estate trade association. Realtors also belong to their state and local Association of Realtors.

### ▼ REAL ESTATE AGENT

A real estate agent is licensed by the state to represent parties in the transfer of real property. Every Realtor is a real estate agent, but not every real estate agent has the professional designation of a Realtor®.

### ▼ LISTING AGENT

A key role of the listing agent or broker is to form a legal relationship with the homeowner to sell the property and place the property in the Multiple Listing Service.

### ▼ BUYER'S AGENT

A key role of the buyer's agent or broker is to work with the buyer to locate a suitable property and negotiate a successful home purchase.

### ▼ MULTIPLE LISTING SERVICE (MLS)

The MLS is a database of properties listed for sale by Realtors who are members of the local Association of Realtors. Information on an MLS property is available to thousands of Realtors.

### ▼ TITLE COMPANY

These are the people who carry out the title search and examination, work with you to eliminate the title exceptions you are not willing to take subject to, and provide the policy of title insurance regarding title to the real property.

### ▼ ESCROW OFFICER

An escrow officer leads the facilitation of your escrow, including escrow instructions preparation, document preparation, funds disbursement, and more.





# Understanding Title Insurance

The title industry and title insurance in brief

Prior to the development of the title industry in the late 1800s, a homebuyer received a grantor's warranty, attorney's title opinion, or abstractor's certificate as assurance of home ownership. The buyer relied on the financial integrity of the grantor, attorney, or abstractor for protection. Today, homebuyers look primarily to title insurance to provide this protection. Title insurance companies are regulated by state statute. They are required to post financial guarantees to ensure that any claims will be paid in a timely fashion. They also must maintain their own "title plants" which house duplicates of recorded deeds, mortgages, plats, and other pertinent county property records.

## ▼ WHAT IS TITLE INSURANCE?

Title insurance provides coverage for certain losses due to defects in the title that, for the most part, occurred prior to your ownership. Title insurance protects against defects such as prior fraud or forgery that might go undetected until after closing and possibly jeopardize your ownership and investment.

## ▼ WHY IS TITLE INSURANCE NEEDED?

Title insurance insures Buyers against the risk that they did not acquire marketable title from the Seller. It is primarily designed to reduce risk or loss caused by defects in title from the past. A Loan Policy of Title Insurance protects the interest of the mortgage lender, while an Owner's Policy protects the equity of you, the Buyer, for as long as you or your heirs (in certain policies) own the real property.

## ▼ WHEN IS THE PREMIUM DUE?

You pay for your Owner's title insurance policy only once, at the close of escrow. Who pays for the Owner's Policy and Loan Policy varies depending on local customs.

## Understanding home warranty

A home warranty plan covers a variety of mechanical, electrical, and plumbing items, as well as some appliances. Optional coverage is available for additional items such as air conditioners, refrigerators, pools, and spas.

The Seller may purchase a home warranty plan prior to sale to protect against repairs needed during the listing period, and the Buyer may be able to assume the plan at the close of escrow. Or the Seller may offer to purchase a home warranty plan for the Buyer. Offering a home warranty plan may provide these benefits:

- ▶ Increase the marketability of your home by reassuring potential Buyers
- ▶ Help sell your home faster and at a higher price
- ▶ Ward off potential disputes after the sale for repair and/or replacement of covered items

Most home warranty plans can be paid for at the close of escrow. A copy of the invoice is presented to the escrow company, and it becomes part of the Seller's closing costs.

## Understanding the appraisal process

If the Buyer is securing a new loan to purchase your home, the Buyer's lender will require an appraisal to determine the fair market value of the property. A licensed appraiser will research nearby houses that have sold recently, usually in the last six months, and are similar to yours in size, age, construction, and amenities.

The appraiser will make an appointment to see your home and will take about 30 minutes to an hour to look over the property. He or she will measure your home, draw a representative floor plan, take photographs inside and out, and review the property's condition, specific improvements, and amenities.

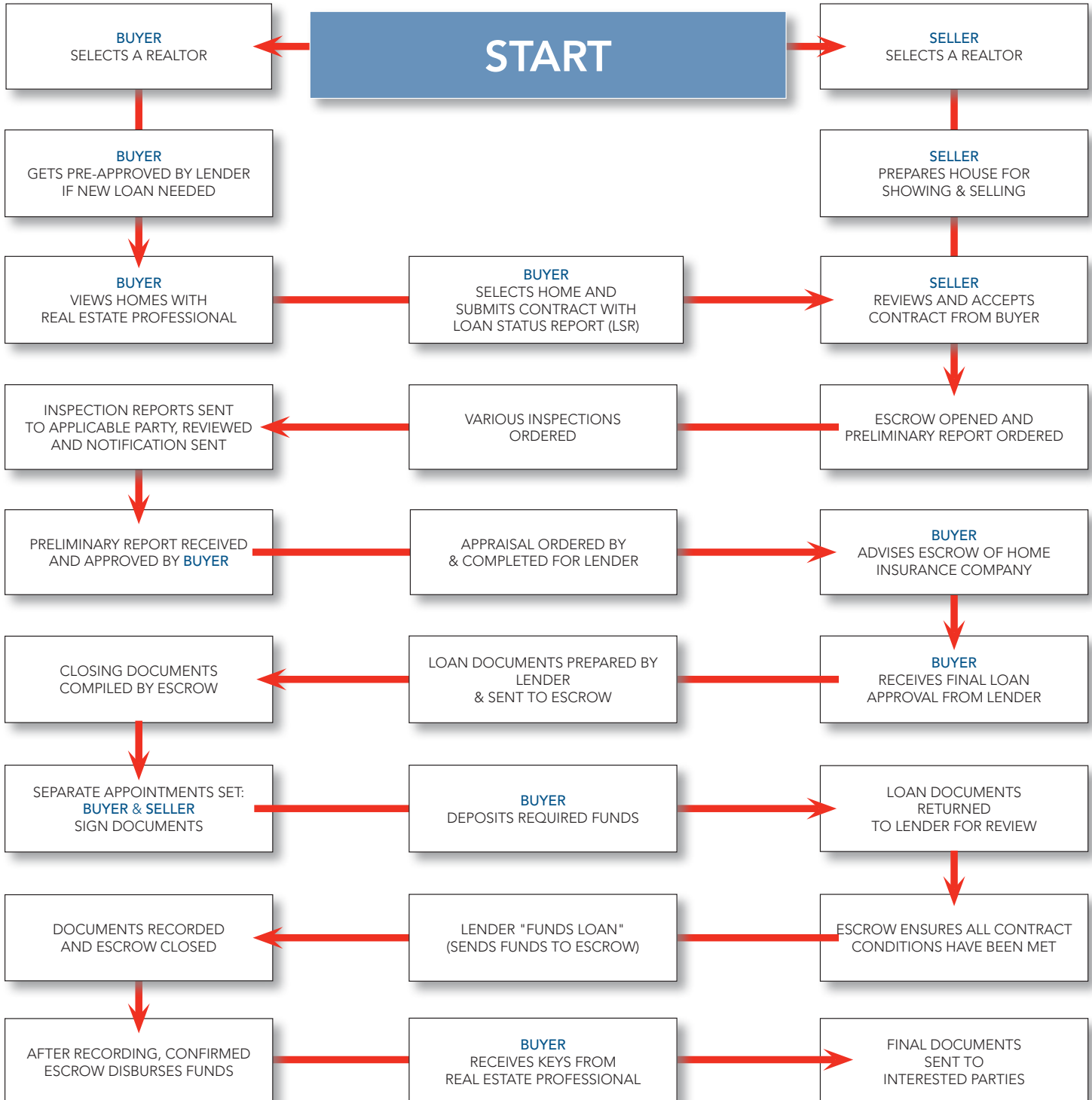
The appraiser will provide a typed appraisal report to the Buyer's lender within a few days after visiting your property. You will be notified if the lender requires repairs before they will lend on your home. If repairs are required, the appraiser will have to return to review the repairs and a re-inspection fee may be charged.

## Understanding the escrow process

An escrow is a process wherein the Buyer and Seller deposit written instructions, documents, and funds with a neutral third party until certain conditions are fulfilled. It enables the parties to the escrow to deal with each other without risk, provides an accounting of all the funds deposited in the escrow, and provides the Buyer and the Seller with a settlement statement. In a real estate transaction, the Buyer does not pay the Seller directly for the property. The Buyer deposits the funds to an escrow holder. The escrow holder, acting as a neutral third party, verifies that a title insurance policy can be issued pursuant to the terms of the contract. Then, the escrow holder arranges for the documents transferring title to the property to the Buyer to be recorded, for the issuance of the title policy, pays any liens and all the costs associated with the sale that are chargeable to the Buyer and Seller, and disburses the sales proceeds to the Seller. If the Buyer gets a new loan, then the lender's money is deposited into the escrow and the lender's security documents are recorded at the same time as the Deed.

# The Life of an Escrow

Understanding your escrow transaction







## The Escrow Process

### ▼ YOUR ESCROW PROFESSIONAL MAY:

- ▶ Open escrow and deposit good faith funds into an escrow account.
- ▶ Conduct a title search to determine the ownership and title status of the real property.
- ▶ Review the preliminary report and begin the process of working with you and the title officer to eliminate the title exceptions the Buyer and the Buyer's new lender are not willing to take subject to. This includes ordering a payoff demand from your existing lender.
- ▶ Work with the Buyer's lender to get the loan documents into escrow.
- ▶ Prorate fees, such as real property taxes, per the contract and prepare the settlement statement.
- ▶ Set separate appointments allowing the Buyer and Seller to sign documents and deposit funds.
- ▶ Review documents and ensure all conditions are fulfilled and certain legal requirements are met.
- ▶ Request funds from Buyer and Buyer's new lender.
- ▶ When all funds are deposited and conditions met, record documents with the County Recorder to transfer the real property to the Buyer.
- ▶ After recording is confirmed, close escrow and disburse funds, including proceeds, loan payoffs, tax payments, and more.
- ▶ Prepare and send final documents to all parties.

### ▼ THE CLOSING OR SIGNING APPOINTMENT

- ▶ The escrow holder will contact you or your agent to schedule a closing or signing appointment.

- ▶ You will have a chance to review the settlement statement and supporting documentation. This is your chance to ask questions and clarify terms. You should review the settlement statement carefully and report discrepancies to the escrow officer. This includes any payments that may have been missed. You are responsible for all charges incurred, even if overlooked by the escrow holder. It's better to bring any issues to his or her attention before the closing has been completed.
- ▶ The escrow holder is obligated by law to have the designated amount of money before releasing any funds. If you have questions or foresee a problem, let your escrow officer know immediately.
- ▶ Don't forget your identification. You will need valid identification with your photo I.D. on it when you sign documents that need to be notarized (such as a deed). A driver's license is preferred. You will also be asked to provide your social security number for tax reporting purposes, along with a forwarding address.

### ▼ WHAT HAPPENS NEXT?

- ▶ If the Buyer is obtaining a new loan, the Buyer's signed loan documents will be returned to the lender for review. The escrow holder will ensure that all contract conditions have been met and will ask the lender to "fund the loan." If the Buyer's loan documents are satisfactory, the lender will send the check directly to the escrow holder. When the loan funds are received, the escrow holder will verify that all necessary funds are in. Escrow funds will be disbursed to you and other appropriate payees. The keys to the property are then given to the Buyer.

### Consider this

One escrow transaction could involve more than 20 individuals, including real estate agents, Buyers, Sellers, attorneys, escrow officer, escrow technician, title officer, loan officer, loan processor, loan underwriter, home inspector, termite inspector, insurance agent, home warranty representative, contractor, roofer, plumber, pool service, and so on. And often, one transaction depends on another. When you consider the number of people involved, you can imagine the opportunities for delays and mishaps. Your experienced escrow team can't prevent unforeseen problems from arising; however, they can help smooth out the process.



# Eagle Owner's Policy

## The benefits of First American Title Insurance Company's Eagle Owner's Policy versus the Standard ALTA Owner's Policy

First American Title Insurance Company's EAGLE Owner's Policy provides expanded title coverage for owners of one-to-four family residences, including condominiums. Coverages included in the EAGLE Owner's Policy offer the highest levels of protection available to our California homeowners.

### Eagle Owner's Policy benefits you won't get with a Standard ALTA Owner's Policy

- ▼ Post-policy Forgery
- ▼ Post-policy Encroachments
- ▼ Post-policy Adverse Possession
  - ▶ Coverage extended to homeowner when someone claims to have the insured's title arising out of someone else's continued use and occupancy
- ▼ Post-Policy Easement by Prescription
  - ▶ Coverage if another claims right to use a part of the insured's land as an easement because of continuous use over time
- ▼ Building Permit and Zoning Violation
  - ▶ Coverage for losses up to \$25,000, after a small deductible, for building permit violations and forced remediation of zoning violations, and up to the full policy amount for forced removal of structures due to zoning violations
- ▼ Expanded Access
  - ▶ Expanded to include both vehicular and pedestrian access to and from land, based upon legal right
- ▼ Encroachment of Improvements onto Easements and Set-backs
- ▼ Subdivision Violation
  - ▶ Homeowners are covered up to \$10,000, after a small deductible, for protection against subdivision violations prior to purchase
- ▼ Restrictive Covenant Violations
  - ▶ Coverage provided for violations of restrictive covenants, occurring before homeowner acquired land if the homeowner is forced to correct or remove the violation or if the homeowner's title is lost or taken because of the violation
- ▼ Structural Damage for Mineral Abstraction or Easement Use
- ▼ Living Trust Coverage
  - ▶ Coverage includes not only the trustees of a trust, but the beneficiaries as well
- ▼ Encroachment of Boundary Walls and Fences
  - ▶ Protection of up to \$5,000, after a small deductible, for encroachments onto a neighbor's land, onto an easement, or over a building set-back line

# Compare First American's Eagle Owner's Policy

EAGLE

ALTA  
Standard  
or  
CLTA

**Protection from:**

1	Someone else owns an interest in your title	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2	A document is not properly signed	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3	Forgery, fraud, duress in the chain of title	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4	Defective recording of any document	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
5	There are restrictive covenants	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
6	There is a lien on your title because there is:		
	a) a deed of trust	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	b) a judgement, tax, or special assessment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	c) a charge by a homeowner's association	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
7	Title is unmarketable	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
8	Mechanics lien	<input checked="" type="checkbox"/>	
9	Forced removal of a structure because it:		
	a) extends on another property and/or easement	<input checked="" type="checkbox"/>	
	b) violates a restriction in Schedule B	<input checked="" type="checkbox"/>	
	c) violates an existing zoning law*	<input checked="" type="checkbox"/>	
10	Cannot use the land for a Single-Family Residence because the use violates a restriction in Schedule B or a zoning ordinance	<input checked="" type="checkbox"/>	
11	Unrecorded lien by a homeowners association	<input checked="" type="checkbox"/>	
12	Unrecorded easements	<input checked="" type="checkbox"/>	
13	Building permit violations*	<input checked="" type="checkbox"/>	
14	Restrictive covenant violations	<input checked="" type="checkbox"/>	
15	Post-policy forgery	<input checked="" type="checkbox"/>	
16	Post-policy encroachment	<input checked="" type="checkbox"/>	
17	Post-policy damage from extraction of minerals or water	<input checked="" type="checkbox"/>	
18	Lack of vehicular and pedestrian access	<input checked="" type="checkbox"/>	
19	Map not consistent with legal description	<input checked="" type="checkbox"/>	
20	Post-policy adverse possession	<input checked="" type="checkbox"/>	
21	Post-policy prescriptive easement	<input checked="" type="checkbox"/>	
22	Covenant violation resulting in your title reverting to a previous owner	<input checked="" type="checkbox"/>	
23	Violation of building setback regulations	<input checked="" type="checkbox"/>	
24	Discriminatory covenants	<input checked="" type="checkbox"/>	
	<b>Other benefits:</b>		
25	Pays rent for substitute land or facilities	<input checked="" type="checkbox"/>	
26	Rights under unrecorded leases	<input checked="" type="checkbox"/>	
27	Plain language statements of policy coverage and restrictions	<input checked="" type="checkbox"/>	
28	Compliance with Subdivision Map Act	<input checked="" type="checkbox"/>	
29	Coverage for boundary wall or fence encroachment*	<input checked="" type="checkbox"/>	
30	Added ownership coverage leads to enhanced marketability	<input checked="" type="checkbox"/>	
31	Insurance coverage for a lifetime	<input checked="" type="checkbox"/>	
32	Policy adopted by the California Land Title Association (CLTA)	<input checked="" type="checkbox"/>	
33	Post-policy inflation coverage with automatic increase in value up to 150% over five years	<input checked="" type="checkbox"/>	
34	Post-policy Living Trust coverage	<input checked="" type="checkbox"/>	

\* Deductible and maximum limits apply. Not available to investors on 1- to 4-unit residential properties. Coverage may vary based on an individual policy.

As with any insurance contract, the insuring provisions express the coverage afforded by the title insurance policy and there are exceptions, exclusions and conditions to coverage that limit or narrow the coverage afforded by the policy. Also, some coverage may not be available in a particular area or transaction due to legal, regulatory, or underwriting considerations. Please contact a First American representative for further information. The services described above are typical basic services. The services provided to you may be different due to the specifics of your transaction or the location of the real property involved.





*First American Title*<sup>™</sup>

800.854.3643 | [www.firstam.com](http://www.firstam.com)