



Buyer & Seller Guide

Committed to Your **Successful** Closing.



Fidelity National Title

Trusted everywhere,
every day.



About This Guide

At Fidelity National Title, we are committed to your successful transaction and to guiding you through the entire process. Your team at Fidelity National Title is proud to provide this resource to understanding title insurance and the escrow process. We are committed to offering you the guidance and support you need every step of the way.

With over 160 years in the title industry, Fidelity National Title through our family of companies offers you the financial strength, experience and expertise needed to close your transactions with confidence and complete peace of mind.

This booklet has been prepared to give you an overview of the process involved during the purchase or sale of a property and also to explain the various roles that we will play in helping you as you move toward the close your transaction.

We hope you find this information helpful in the process of a smooth and successful transaction. Please feel free to **contact us** at any time with your questions or need for additional information. It is why we are...

**Trusted everywhere,
every day.**



Table of Contents

Your Transaction Details:	4
Important Contacts	5

All About Title Insurance

The Title Insurance “Value Proposition”	6
Life of a Title Search	7
About Title Insurance	8
Homeowner’s Policy Comparison	10
The Preliminary Title Report	11
Statement of Information	12
Common Ways of Holding Title (Vesting)	13

All About Escrow

Escrow FAQs	14
About The Escrow Process	15
The Life of an Escrow	16
Opening Escrow	17
Your Signing Appointment	18
Closing Costs and Who Pays What	19

Loans in Your Escrow

About The Loan Process	20
LOAN FAQs	22
What is a “Payoff”?	22
PMI: “Private Mortgage Insurance”	23

Other Parties, Taxes & Terms

Other Parties to an Escrow Transaction	24
Disclosure Report	25
Understanding Taxes in Escrow	26
Real Property Tax Dates	27
Glossary of Common Terms	30



Your Transaction Details:

Subject Property Address:

Escrow Number: _____

Loan Number: _____

Estimated Closing Date: _____

Inspection Date: _____

Inspection Date: _____

OTHER NOTES:

Important Contacts

Real Estate Agent

Name: _____

Company _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

Lender

Name: _____

Company _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

Home Inspection

Name: _____

Company _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

Title & Escrow

Name: _____

Company _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

Home Warranty

Name: _____

Company _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

Insurance Company

Name: _____

Company _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____



The Title Insurance “Value Proposition”

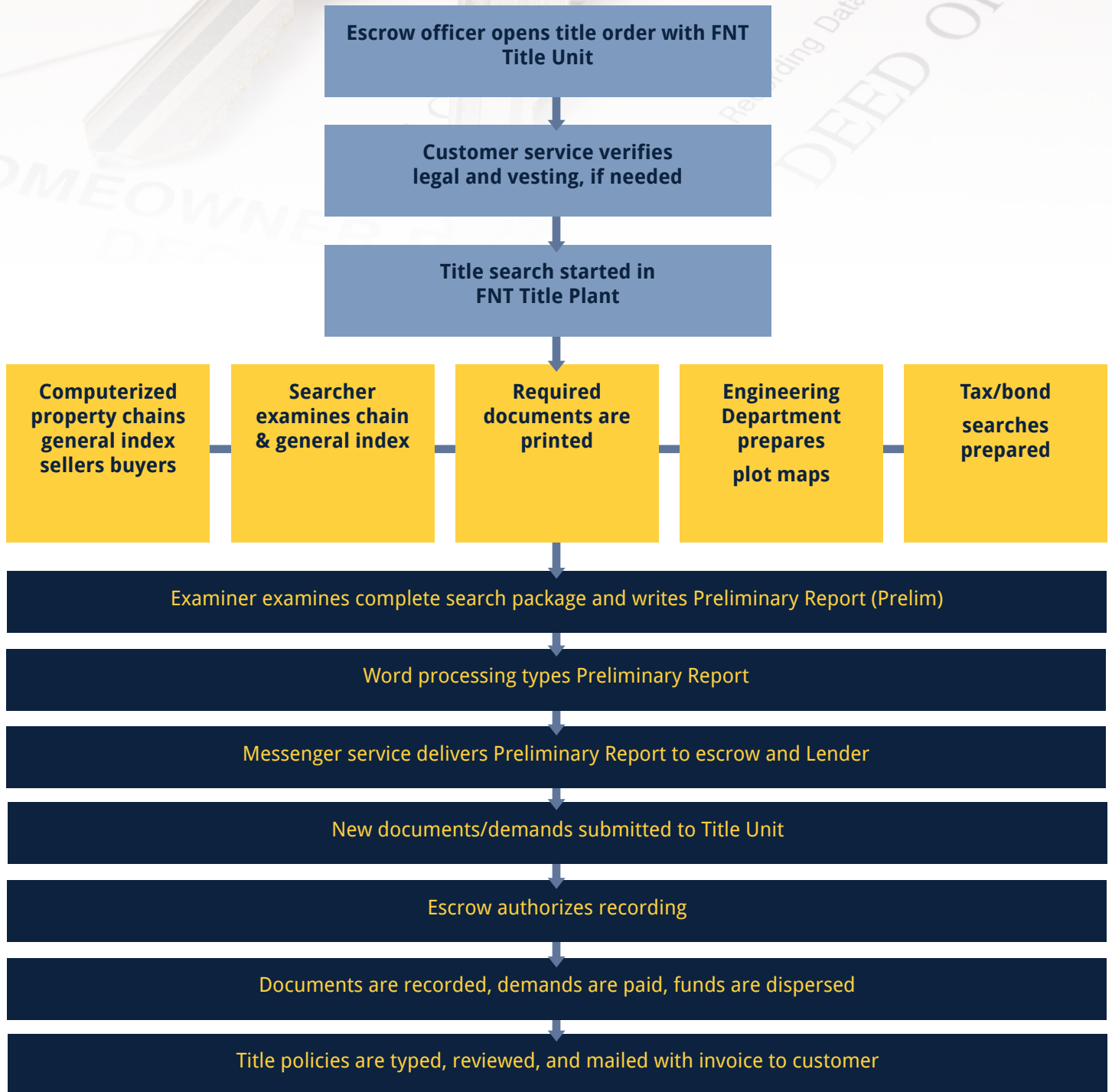
10 Reasons Why Title Insurance is Important and *Worth the Money*



A “**Value Proposition**” is the unique value a product or service provides to a customer. It describes the benefits the product delivers. In this instance, the value proposition will answer the question: **Why is this worth the money?**

1. Title insurance protects the interests of property owners and lenders against legitimate or false title claims by owners or lien holders. It insures the title to the investment, unlocking its potential as a financial asset for the owner.
2. At Fidelity National Title we access, assemble, analyze, and distribute title information, in addition to handling escrow and closing.
3. Potential title problems are discovered in more than one-third of residential real estate transactions. These “defects” must be resolved prior to closing. The most common problems are existing liens, unpaid mortgages, and recording errors of names, addresses or legal descriptions.
4. A homeowner’s title insurance policy protects the owner for as long as he or she has an interest in the property and the premium is **paid only once** at closing.
5. Title insurance is different from other forms of insurance because it insures against events that occurred before the policy is issued, as opposed to insuring against events in the future, as health, property or life insurance do. Title insurance is loss prevention insurance.
6. Fidelity National Title performs a thorough search of existing records to identify all possible defects in order to resolve them prior to issuing a policy. We perform intensive and extensive work up-front to minimize claims. The better we do this, the lower our rate of claims and the more secure your level of protection.
7. Researching titles is extremely labor-intensive since only a small percentage of public records are computerized. The industry invests a substantial amount of time and expense to collect and evaluate title records. As a result, the industry experiences relatively fewer claims compared to other lines of insurance.
8. Fidelity National Title’s impressive claim reserves gives you unquestionable security and peace of mind knowing that your policy is backed by a leader in the title insurance industry.
9. Dollar for dollar, title insurance is the best investment you can make to protect your interest in one of the most valuable assets you own: your home.
10. To get the best value, choose **Fidelity National Title** for all your Title and Escrow needs. Write us in on your next transaction and you’ll see why we are trusted everywhere, every day.

Life of a Title Search





All About Title Insurance

And Frequently Asked Questions



What is Title Insurance?

The purchase of a home is the largest investment most people will make in a lifetime; therefore, the importance of fully protecting such an investment cannot be overstressed. Title insurance is protection which assures that the rights and interests to the property are as expected, that the transfer of ownership is smoothly completed and that the new owner receives protection from future claims against the property. It is the most effective, most accepted and least expensive way to protect property ownership rights.

Because land endures over generations, many people may develop rights and claims to a particular property. The current owner's rights—which often involve family and heirs—may be obscure. There may be other parties (such as government agencies, public utilities, lenders or private contractors) who also have "rights" to the property. These interests limit the "title" of any buyer.

Why Do You Need a Title Insurance Policy?

If title insurance companies work to eliminate risks and prevent losses caused by defects in the title before the closing, why do you need a title insurance policy? The title to the property could be seriously threatened or lost completely by hazards which are considered hidden risks—"those matters, rights or claims that are not shown by the public records and, therefore, are not discoverable by a search and examination of the those public records." Matters such as forgery, incompetency or incapacity of the parties, fraudulent impersonation, and unknown errors in the records are examples of "hidden risks" which could provide a basis for a claim after the property has been purchased.

Title insurance isn't just for a homeowner. Subdividers need it when planning a new tract of homes or a commercial strip center. Attorneys use it for clients who are investing in shopping centers, hotels, office buildings and countless other projects. Builders need it in order to obtain construction loans from their lender. Everyone wants to have peace of mind when investing their hard-earned money. The title insurance company will help protect these important investments, no matter how large or small, with its own reputation and financial strength.

Why Does the Lender Need a Policy on My Property?

For the lender, a title policy is a guarantee that it has a valid and enforceable lien (loan or deed of trust) secured by the property, that no one else other than those listed on the policy has a prior claim (or loan, etc.) and that the party to whom they are making the loan does own the property being used as security for the loan. This protection remains in effect as long as the loan remains unpaid.

The existence of a lender's title policy encourages lenders such as banks, savings and loan associations, commercial banks, life insurance companies, etc., to loan money. Because they are lending other people's money (savings or policy holder's funds), they must be concerned with safety should the borrower not make their payments. The title company insures that the title to the property is marketable in the event of foreclosure and the guarantee is backed by the integrity and solvency of the title company. Of course, this benefits everyone - from the single family homeowner to the owner of a high-rise building.

Continued, next page.

Title Insurance Frequently Asked Questions, *continued.*

What is a Title Search?

Before issuing a policy of title insurance, the title company must review the numerous public records concerning the property being sold or financed. The purpose of this title search is to identify and attempt to clear potential problems before the new owner takes title or the lender loans money.

Our research helps us to determine if there are any rights or claims that may have an impact upon the title such as unpaid taxes, unsatisfied mortgages, judgments, tax liens against the current or past owners, easements, restrictions and court actions. These recorded defects, liens, and encumbrances are reported in a "preliminary report" to applicable parties. Once reported, these matters can be accepted, resolved or extinguished prior to the closing of the transaction. In addition, you are protected against any recorded defects, liens or encumbrances upon the title that are unreported to you and which are within the coverage of the particular policy issued in the transaction.

What Types of Policies Are There?

Protection against flaws and other claims is provided by the title insurance policy which is issued after your transaction is complete. Two types of policies are routinely issued at this time: An "owner's policy" which covers the home buyer for the full amount paid for the property; and a "lender's policy" which covers the lending institution over the life of the loan. When purchased at the same time, a substantial discount is given in the combined cost of the two policies. Unlike other forms of insurance, the title insurance policy requires only one moderate premium for a policy to protect you or your heirs for as long as you own the property. There are no renewal premiums or expiration date.

How is Title Insurance Different Than Other Types of Insurance?

With other types of casualty insurance such as auto, home, health, and life, a person thinks of insurance in terms of future loss due to the occurrence of some future event. For instance, a party obtains automobile insurance in order to pay for future loss occasioned by a future "fender bender" or theft of the car. Title insurance is a unique form of insurance which provides coverage for future claims or losses due to title defects which are created by some past event (i.e. events prior to the acquisition of the property).

Another difference is that most other types of insurance charge ongoing fees (premiums) for continued coverage. With title insurance, the original premium is the only cost as long as the owner or heirs own the property. There are no annual payments to keep the Owner's Title Insurance Policy in force. While some people balk at another "closing fee", title insurance is reasonable considering the factor that the policy could last a lifetime.

How Does a Title Insurance Policy Protect Against Claims?

If a claim is made against the owner or lender, the title insurance company protects the insured by:

1. Defending the title, in court if necessary, at no cost to owner/lender, and
2. Bearing the cost of settling the case, if it proves valid, in order to protect your title and maintain possession of the property.

Each policy is a contract of "indemnity." It agrees to assume the responsibility for legal defense of title for any defect covered under the policy's terms and to reimburse for actual financial losses up to the policy limits.



Homeowner's Policy Comparison

		ALTA Standard Owners	ALTA Std. Policy with Extended Coverage	ALTA Home-owners
1	Someone else owns an interest in your title	✓	✓	✓
2	Someone else has rights affecting your title because of recorded leases, contracts, or options	✓	✓	✓
	Someone else has rights or claims based upon possession under an unrecorded lease or month-to-month tenancy		✓	✓
3	Someone claims to have rights affecting your title because of forgery or impersonation	✓	✓	✓
4	Someone else has a recorded easement on the land	✓	✓	✓
	Someone else has an unrecorded easement on the land		✓	✓
5	Someone else has a right to limit your use of the land	*	*	✓
6	Your title is defective. Some of these defects are:	✓	✓	✓
	Someone else's failure to have authorized a transfer or conveyance of your title	✓	✓	✓
	Someone else's failure to create a valid document by electronic means	✓	✓	✓
	A document upon which your title is based is invalid because it was not properly signed, sealed, acknowledged, delivered or recorded	✓	✓	✓
	A document upon which your title is based was signed using a falsified, expired, or otherwise invalid power of attorney	✓	✓	✓
	A document upon which your title is based was not properly filed, recorded, or indexed in the Public Records	✓	✓	✓
	A defective judicial or administrative proceeding.	✓	✓	✓
7	Any of Covered Risks 1 through 6 occurring after the policy date.			✓
8	Someone else has a lien on your title including a:			
	Taxes or special assessments which are not shown as existing liens by the public records		✓	✓
	Lien of real estate taxes or assessments imposed on your title by a governmental authority that are due or payable, but unpaid;	✓	✓	✓
	Mortgage;	*	*	✓
	Judgments, state or federal tax lien;	*	*	✓
	Charge by homeowner's or condominium association assessed prior to policy date; or	*	*	✓
	Lien, occurring before or after the policy date, for labor and material furnished before the policy date	*	✓	✓
9	Someone else has an encumbrance on your title	*	✓	✓
10	Someone else claims to have rights affecting your title because of fraud, duress, incompetency, or incapacity	**	**	✓
11	You do not have actual vehicular and pedestrian access to and from the land, based upon a legal right	**	**	✓
12	You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the land, even if it is excepted in Schedule B		**	✓/****
13	Your title is lost because of a violation of a covenant, condition or restriction, which occurred before you acquired your title, even if it is excepted in Schedule B			✓
14	The violation or enforcement of those portions of any law or government regulation, if there is a notice recorded in the Public Records, claiming a violation exists declaring the intention to enforce the law or regulation, concerning:			****
	Building;	✓	✓	✓
	Zoning;	✓	✓	✓
	Land;	✓	✓	✓
	Land use;	✓	✓	✓
	Improvements on the land;	✓	✓	✓
	Land division; or	✓	✓	✓
	Environmental protection	✓	✓	✓
15	An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 14, if there is a notice recorded in the Public Records	✓	✓	✓/****
16	Because of an existing violation of a subdivision law affecting the land:			****
	You are unable to obtain a building permit;			✓
	You are required to correct or remove the violation; or			✓
	Someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it.			✓
17	You lose your title because of the right to take the land by condemning it, if:			
	There is a notice of the exercise of the right recorded in the Public Records and the notice describes any part of the land; or	✓	✓	✓
	The taking happened before the policy date and is binding on you if you bought the land without knowing of the taking	**	**	✓
18	You are forced to remove or remedy your existing structures – other than boundary walls or fences – because any portion was built without obtaining a building permit from the proper government office			✓/****
19	You are forced to remove or remedy your existing structures, because they violate an existing zoning law or zoning regulation			✓/****
20	You cannot use the land because use as a single-family residence violates an existing zoning law or zoning regulation			✓
21	You are forced to remove your existing structures because they encroach onto your neighbor's land		✓	✓/****
22	Someone else has the legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it, because your neighbor's existing structures encroach onto the land		✓	✓
23	You are forced to remove your existing structures, which encroach onto an easement or over a building set-back line, even if the easement or building set-back line is excepted in Schedule B			✓
24	Your existing structures are damaged because of the exercise of a right to maintain or use any easement affecting the land, even if the easement is excepted in Schedule B			✓
25	Your existing improvements, are damaged because of the future exercise of a right to use the surface of the land for the extraction or development of minerals, water or any other substance, even if those rights are excepted or reserved from the description of the land or excepted in Schedule B			✓
26	Someone else tries to enforce a discriminatory covenant, condition or restriction that they claim affects your title which is based upon race, color, religion, sex, handicap, familial status, or national origin	**	**	✓
27	A taxing authority assesses supplemental real estate taxes not previously assessed against the land for any period before the policy date because of construction or a change of ownership or use that occurred before the policy date	**	**	✓
28	Your neighbor builds any structures after the policy date – other than boundary walls or fences – which encroach onto the land			✓
29	Your title is unmarketable, which allows someone else to refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it	✓	✓	✓
30	Someone else owns an interest in your title because a court order invalidates a prior transfer of the title under federal bankruptcy, state insolvency, or similar creditors' rights laws	**	**	✓
31	The residence with the address shown in Schedule A is not located on the land at the policy date			✓
32	The map, if any, attached to this policy does not show the correct location of the land according to the Public Records			✓
33	Your coverage continues in full force and effect after you convey title to into Living Trust	✓	✓	✓
34	Your coverage continues in full force and effect after you convey title without payment to your wholly owned corporation, partnership, or LLC	✓	✓	✓

There are 3 types of title policies that are issued in California to insure ownership of your home. The information provided in the chart will help you understand the coverage variations.

Please discuss your selection with your title representative.



Subject to deductible and maximum liability, which is less than the policy amount.
Revised and approved 03/2016)

The Preliminary Report



The **Preliminary Report** is an offer to issue a policy of title insurance covering a particular estate or interest in land subject to stated exceptions.

The Preliminary Report states that it is made solely to facilitate the subsequent issuance of a title insurance policy and that the insurer assumes no liability for errors in the report. Accordingly, any claim arising from a defect in title must be made under the title policy and not the Preliminary Report.

Since these exceptions may point to potential problems with your intended purchase, it is important for all parties to review the report once it is received.

A Preliminary Report provides a list of the matters which will be shown as exceptions to coverage in a designated policy or policies of title insurance, if issued currently, covering a particular estate or interest in land. It is designed to provide an interim, or “preliminary” response to an application for title insurance and is intended to facilitate the issuance of the designated policy or policies. It is normally prepared after application (order) for such policy(ies) of title insurance on behalf of the principals to a real property transaction, for the purpose of facilitating requirements relative to closing and policy issuance in form and content approved by those parties.

If a title policy is not contemplated, a Preliminary Report should not be ordered. Instead, consideration should be given to requesting a **Condition of Title Report** or other similar title product.

After a title order has been placed, matters relative to the title policy coverage on the subject property are assembled in a title search package and examined by skilled technicians. This is when the Preliminary Report is prepared and sent to the client. The report contains relevant information so that the parties to the transaction will become aware of matters which will not be insured against by the title company. This report is issued before the title policy, hence the name Preliminary Report.

The matters shown in the report are as follows:

- The estate of interest covered
- The owner of the estate or interest
- The parcel of land involved
- The exceptions, liens, encumbrances and other risks which will not be insured against if a title policy is issued.
- Other requirements and provisions which are reflected as “Notes” in the Preliminary Report which are removed if and when a title policy is issued.



Statement of Information

What is it & why would you need to fill one out?



**Do you have questions?
We are here to help.**

As part of the process to sell, purchase or refinance a property, you may be requested to complete a

Statement of Information

to assist your

team at Fidelity National Title in the process of researching and clearing the title to the property. A Statement of Information requests information about you and, if applicable, your spouse or partner such as past addresses, employment and other identifying information to assist us in that process.

Under California Recording law, liens recorded in the **General Index** of a County in the name of individuals or companies attach to property owned in that County by those individuals or companies. Some examples of the types of liens found in the General Index are bankruptcies, judgments, child support and tax liens. As part of the process of clearing the title to issue a **Title Policy**, a review of the General Index is completed by the Title Department prior to the close of your escrow.

Sometimes, if it cannot be clearly determined from information contained on the lien document whether a matching name is only a similar name and not actually you, we may ask for additional information to help us clarify.

Since there are so many similar names, a Statement of Information is very helpful and will speed up the title clearing process and improve the accuracy of the results that must be considered before the Title Policy is issued. The information provided can, in some cases, even help us detect fraud or forgery affecting the property. Therefore, it is important to completely fill out the form and have you (and your spouse or partner, if applicable) sign it.

Fidelity National Title complies with the **Privacy Act** and will safeguard your personal information and only use it to assist in clearing your title. We do not contact any Credit Reporting Agencies as part of the process nor do we provide or sell the information you give us to any outside companies or agencies.

Common Ways of Holding Title (Vesting)

Descriptions are provided for general reference purposes only. Please consult your attorney for detailed information about the best option for your specific needs.

	Community Property	Joint Tenancy	Tenancy In Common	Partnership Holding Title	Trust Holding Title	Community Property Right of Survivorship
Parties	Only Married Spouses	Any number of persons (can be Married Spouses)	Any number of persons (can be Married Spouses)	Only partners (any number)	Individuals, groups of persons, partnership or corporations, a living trust	Only Married Spouses
Division	Ownership & managerial interests are equal (except control of business is solely with managing spouse)	Ownership interest must be equal	Ownership can be divided into any number of interests equal or unequal	Ownership interest is in relation to interest in partnership	Ownership is a personal property interest and can be divided into any number of interests	Ownership and managerial interests are equal
Title	Title is in the "community". Each interest is separate but management is unified.	Sale or encumbrance by joint tenancy serves joint tenancy	Each co-owner has a separate legal title to his/her undivided interest	Title is in the "partnership"	Legal and equitable title is held by the trustee	Title is in the "community." management is unified
Possession	Both co-owners have equal management and control	Equal right of possession	Equal right of possession	Equal right of possession but only for partnership purposes	Right of possession as specified in the trust provisions	Both co-owners have equal management and control
Conveyance	Requires written consent of other spouse- or actual conveyance by deed. Separate interest is divisible by will.	Title is held jointly. Conveyance by one co-owner without the others breaks the joint tenancy	Each co-owner's interest may be conveyed separately by its owner	Purchaser acquires interest that partnership owned <i>*subject to the terms of the Partnership Agreement</i>	Designated parties with the trust agreement authorize the trustee to convey property. Also a beneficiary's interest in the trust may be transferred <i>* If allowed by the trust agreement</i>	Right of survivorship may be terminated pursuant to the same procedures by which by which a joint tenancy may be severed
Purchaser's Status	Purchaser can only acquire whole title of community; cannot acquire a part of it.	Purchaser will become a tenant in common with other co-owners in the property as to the purchaser's interest. Other owners may remain joint tenants	Purchaser will become a tenant in common with other co-owners in the property	Purchaser acquires interest that partnership owned <i>*subject to the terms of the Partnership Agreement</i>	A purchaser may obtain a beneficial interest by assignment or may obtain legal and equitable title from the trust	Purchaser can only acquire whole title of community; cannot acquire a part of it
Death	On co-owner's death 1/2 belongs to survivor in severalty. 1/2 goes by will to descendant's devisee or by succession to the survivor	On co-owner's death his/her interest ends and cannot be disposed of by will. Survivor owns the property by survivorship	On co-owner's death his/her interests passes by will to devisee or heirs. No survivorship right	On partner's death his/her partnership interest passes to the surviving partner pending liquidation of the partnership. Share of deceased partner then goes to his /her estate <i>*subject to the terms of the Partnership Agreement</i>	Successor beneficiaries may be named in the trust agreement, eliminating the need for probate	Upon the death of a spouse, his/her interest passes to the surviving spouse, without administration, subject to the same procedures as property held in joint tenancy
Successor's Status	If passing by will, tenancy in common between devisee and surviving spouse results	Last survivor owns property	Devisee or heirs become tenants in common	Heirs or devisee have rights in partnership interest but not specific property <i>*subject to the terms of the Partnership Agreement</i>	Defined by the trust agreement, generally the successor becomes the beneficiary and the trust continues	Surviving spouse owns property
Creditor's Rights	Property of community is liable for debts of either spouse which are made before or after marriage. Whole property may be sold on execution sale to satisfy creditor	Co-owner's interest may be sold on execution sale to satisfy creditor. Joint tenancy is broken, creditor becomes a tenant in common	Co-owner's interest may be sold on execution sale to satisfy his/her creditor. Creditor becomes a tenant in common	Partner's interest cannot be seized or sold separately by his/her personal creditor but his/her share of profits may be obtained by a personal creditor. Whole property may be sold on execution sale to satisfy	Creditor may seek an order for execution sale of the beneficial interest or may seek an order that the trust estate be liquidated and the proceeds distributed	Property of community is liable for debts of either which are made before or after marriage; whole property may be sold on execution sale to satisfy creditor
Presumption	Strong presumption that property acquired by Married Spouses is community	Must be expressly stated	Favored in doubtful cases except Married Spouse cases	Arise only be virtue of partnership status in property placed in partnership	A trust is expressly created by an executed trust agreement	Must be expressly stated



Escrow FAQs

What is an Escrow?

Buyers and sellers of a piece of property establish terms and conditions for the transfer of ownership of the property. These terms and conditions are given to a third party known as the escrow holder. In turn, the escrow holder has the responsibility of seeing that terms of the escrow are carried out. The escrow is an independent neutral account and the vehicle by which the mutual instructions of all parties to the transaction are complied with.

Why is Escrow Needed?

Whether you are the buyer or the seller, you want assurance that no funds or property will change hands until all instructions have been followed. With the increasing complexity of transactions, it takes a trained professional to help navigate a successful closing.

How Long is an Escrow?

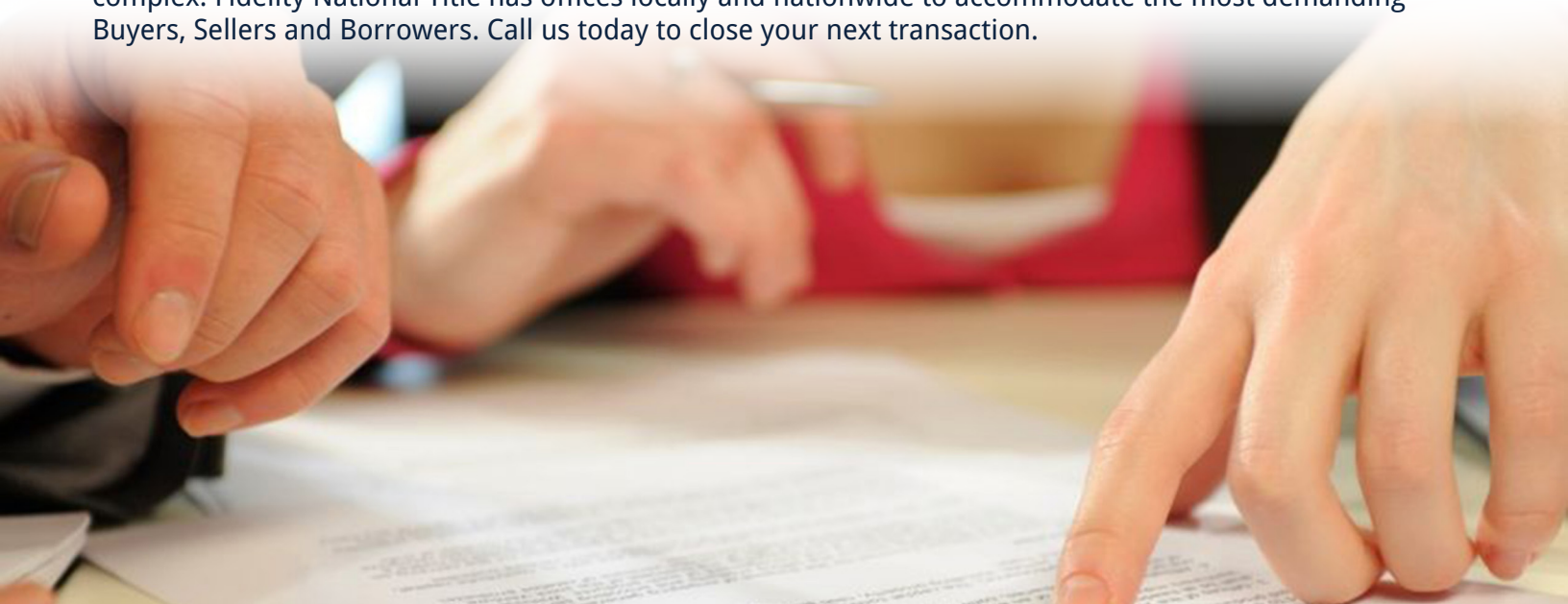
The length of an escrow is determined by the terms of the purchase agreement/joint escrow instructions and can range from a few days to several months.

Who Chooses the Escrow?

The selection of the escrow holder is normally done by agreement between the principals. If a real estate agent is involved, they may recommend an escrow holder.

Why Choose Fidelity National Title?

Fidelity National Title Escrow has experienced and knowledgeable Escrow Officers waiting to assist you. We can handle your Residential and Commercial Purchases and/or Refinance Escrows, from the unique to the complex. Fidelity National Title has offices locally and nationwide to accommodate the most demanding Buyers, Sellers and Borrowers. Call us today to close your next transaction.



About The Escrow Process

How Does The Escrow Process Work?

The escrow is a depository for all monies, instructions and documents necessary for the purchase of your home, including your funds for down payment and your lender's funds and documents for the new loan. Generally, the buyer deposits a down payment with the escrow holder and the seller deposits the deed and any other necessary documents with the escrow holder. Prior to the close of escrow the buyer deposits the balance of the funds required and agreed upon by the parties with the escrow holder. The buyer instructs the escrow holder to deliver the monies to the seller when the escrow holder:

- ✓ Forwards the deed to the title company for recording
- ✓ Is notified by the title company that a policy of title insurance can be issued showing title to the property is vested in the name of the buyer
- ✓ The escrow holder thus acts for both parties and protects the interests of each within the authority of the escrow instructions. Escrow cannot be completed until the terms and conditions of the instructions have been satisfied and all parties have signed escrow documents. The escrow holder takes instructions based on the terms of the purchase agreement and the lender's requirements

Escrow Duties

The Escrow Officer's duties typically include the following:

- Receive signed Purchase Agreement;
- Receive and deposit buyer's earnest money into an escrow account
- Serve as the neutral agent and liaison/communication link to all parties to the transaction
- Order Preliminary Report to determine status of title to property
- Request beneficiary's statement or pay-off demand related to existing financing
- Comply with lender's requirements as specified in the lender's closing instructions
- Secure releases of all escrow contingencies or other conditions required
- Prorate taxes, interest, insurance and rents
- Prepare/secure the transfer deed or other documents necessary to consummate the transaction
- Arrange appointments for buyer/seller to sign documents
- Request and receive purchase funds from the buyer and loan funds from new lender
- Close escrow pursuant to instructions provided by seller, buyer, and lender.
- Arrange for recording of deeds and any other documents as instructed
- Request issuance of the title insurance policies
- Disburse funds as authorized, including charges for title insurance, recording fees, commissions and loan payoffs
- Disposition of all funds held in escrow account
- Prepare final accounting statements for the parties

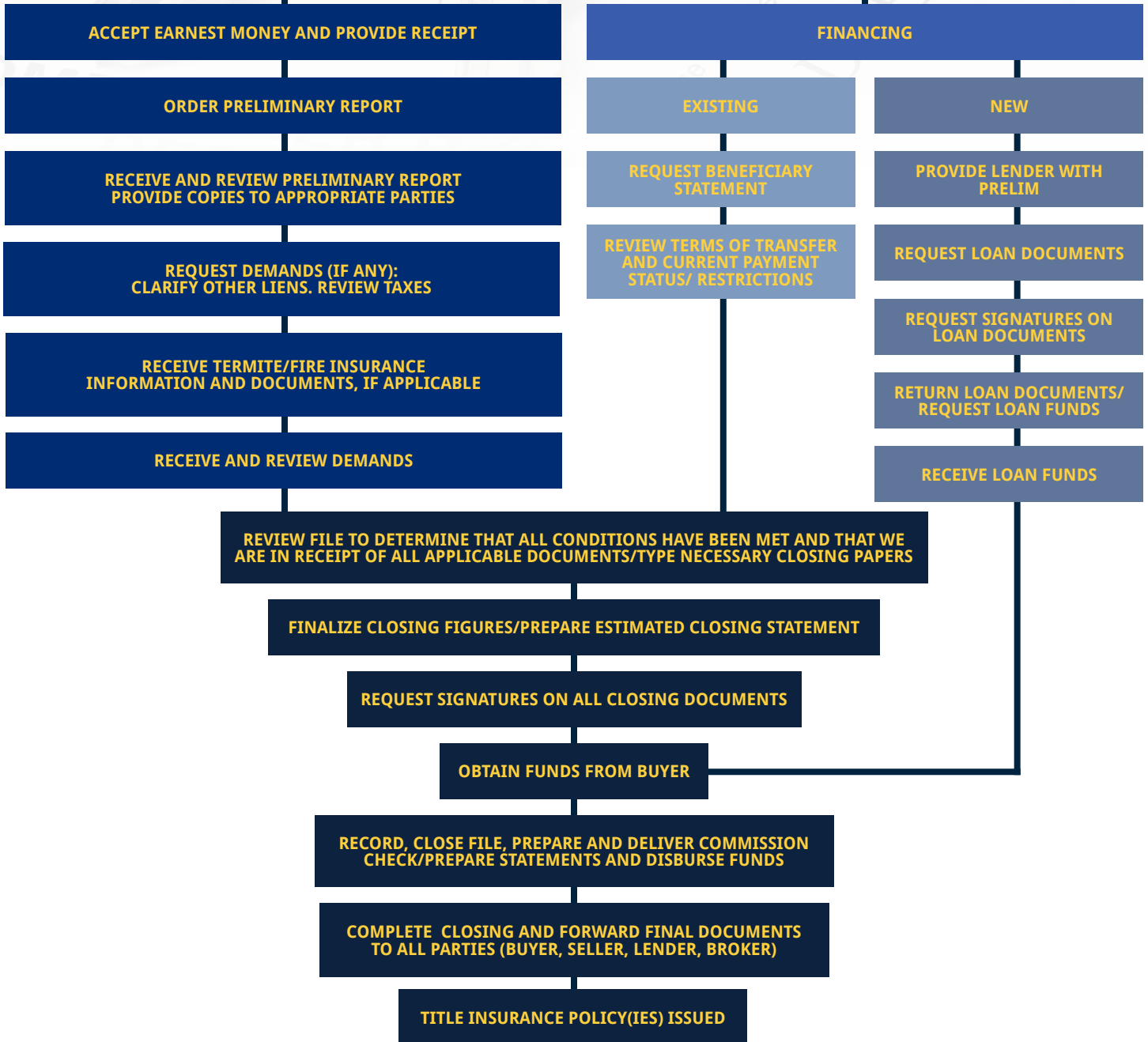
Communication Tips for Escrow

- ✓ When calling the escrow officer, have the escrow number and buyer/seller's names handy.
- ✓ Keep the escrow officer informed on any matters that may affect the transaction.
- ✓ Direct your questions to the proper representative, such as:
 - Real Estate Agent:** Physical aspects of property, conflicts, and terms of sale.
 - Lender:** Loan terms, credit report issues, etc.
 - Escrow Officer:** Escrow instructions, documents and forms to be filled out.



The Life of an Escrow

ORDER IS OPENED. PREPARE ESCROW INSTRUCTIONS, NECESSARY DOCUMENTS AND COMMISSION ORDER. FORWARD TO APPROPRIATE PARTIES FOR REVIEW AND EXECUTION, NOTE: THIS IS DONE EITHER AT OPENING OR AT CLOSING DEPENDING ON THE CUSTOM OF THE COUNTY WHEREIN YOU ARE CLOSING.



Opening Escrow

The selection of the escrow holder is normally done by agreement between the parties to a transaction. Typically, the escrow is then opened by the real estate agent. Which agent (the “seller side” or the “buyer side”) will open the escrow is generally determined by local practice.

Escrow may be opened via telephone, email, website form or in person, depending upon the preference of the agent and which options are available through the escrow company. An escrow file number is assigned and the appropriate information is entered into the computer. Upon issuance of the escrow file number, the escrow officer will order a Preliminary Report from the title company or title department.

The escrow officer will need some basic information in order to open and proceed with the escrow:

- Correct street address, and parcel # if available
- Sales price
- Full names of all parties involved and marital status
- Contact information for all parties
- Existing lender name, loan number, contact information and approximate unpaid balance
- HOA (Homeowner’s association) information, such as address and dues
- HOA management company information (if any)
- Commission amount and additional conditions

In general, the first item to enter the escrow is the buyer’s initial deposit. The escrow file will grow, item by item, until all of the conditions have been met and the escrow is ready to close.

The Escrow Officer Will Also Need the Following From the Buyer’s Agent:

- How the buyer(s) wants to take title (see Vesting Chart)
- New lender information
- Fire/hazard insurance information for new policy or existing policy





Your Signing Appointment

Please refer to the following list of considerations before your signing appointment:

IDENTIFICATION

There are several acceptable forms of identification which may be used during the escrow process including:

- A current driver's license
- Passport
- 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.

VESTING FOR TITLE

Before recording ownership for your new property, you will need to decide how you would like to hold title. You may wish to consult a lawyer, accountant, or other qualified professional before making this decision.

DEPOSITING FUNDS TO CLOSE ESCROW

In order to prevent possible delays in the closing of your escrow, be prepared to provide a Cashiers or Certified check cleared through the CA Federal Reserve for the amount requested by your escrow officer. Wire instructions will be provided should you prefer to wire transfer funds into escrow.

LENDER'S REQUIREMENTS

Check in with your loan officer to ensure that you have satisfied your lender's requirements before coming to the Fidelity National Title office to sign papers.

FIRE & HAZARD INSURANCE

When you are buying a single-family, detached home, and in some cases, a townhouse, be sure to order your hazard insurance policy before the loan has been approved. You will then need to contact your escrow officer to provide the insurance agent's name and contact information so that they can make sure the policy complies with your lender's requirements. You must have the insurance policy in place before the lender sends money to the title company for closing. If you do not have an insurance agent, your real estate agent may be able to refer someone for you.

Closing Costs and Who Pays What

Closing costs are what the buyer and seller will pay as part of the escrow transaction. Some fees are negotiable between the seller and buyer as to “Who Pays What.” Below is an example of some typical closing costs which may vary from county to county.*

YOURS or THEIRS?

The Personal vs. Real Property Dilemma

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, trees and shrubs in the ground. It would not include potted plants, free-standing 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.

The **SELLER** can generally be expected to pay:

- Real Estate Commission
- Document preparation fee for deed
- Documentary transfer tax, if any
- Payoff of all loans in Seller’s name
- Interest accrued to lender being paid off
- Statement fees, reconveyance fees and any prepayment penalties
- Termite inspection (or according to contract)
- Termite work (or according to contract)
- Home warranty (or according to contract)
- Any judgments, tax liens, etc., against the Seller
- Tax proration (for any taxes unpaid at time of transfer of title)
- Any unpaid homeowner’s dues
- Recording charges to clear all document of record against Seller
- Any bonds or assessments (or according to contract)
- Any and all delinquent taxes
- Seller Notary fees
- Escrow fee (one half)
- Title insurance premium for Owners’s policy
- Homeowner’s transfer fee
- City transfer/conveyance tax (or according to contract)

The **BUYER** can generally be expected to pay:

- Title insurance premium for Lender’s policy
- Escrow fee (one half)
- Document preparation (if applicable)
- Buyer Notary fees
- Recording charges for all documents in Buyer’s name
- Tax 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 records fees for takeover of existing loan
- Beneficiary statement fee for assumption of existing loan
- Inspection fees (roofing, property inspection, geological, etc.)
- Fire insurance premium for first year

*This list is an example only of typical closing costs in California and may vary based on negotiations or customary area practice.



About Loans in Your Escrow

While your selected Loan Officer will always be your best resource for information about your loan and the process of closing your loan, there are many elements that will be managed and coordinated within your escrow. In this section, we offer a general overview of the loan process as it relates to your escrow and some of the terms and concepts that may arise during your transaction.



About The Loan Process

Step 1: Application

Your loan process should go smoothly if you complete your loan application properly and provide all necessary documentation to your loan consultant at the time of application.

Step 2: Ordering Documentation

Your loan consultant will order the necessary documentation for the loan as soon as it is received. Any verifications will be mailed, and the credit report and appraisal will be ordered. You will also receive a Good Faith Estimate of your costs and details of your loan.

Step 3: Awaiting Documentation

Within approximately two weeks, all necessary documents should be received from your loan consultant. Each item is reviewed carefully in case additional items may be needed from you to resolve any questions or problems.

Step 4: Loan Submission

Submitting your loan is a critical part of the process. All of the necessary documentation will be sent to the lender, along with your credit report and appraisal.

Step 5: Loan Approval

Loan approval may be obtained in stages. Usually within one to three days, your loan consultant should have pre-approval from the lender. If the loan requires mortgage insurance, or if an investor needs to review the file, final approval could take additional time. You do not have final loan approval until ALL of the necessary parties have underwritten the loan.

Step 6: Lender Preparation of Documents

As soon as the loan is approved and all requirements of the lender have been met, the loan documents will be prepared. These documents will be sent to the escrow officer, and you will be asked to sign the documents. Your lender may require an impound account for tax installment payments, depending on the type of loan.

Step 7: Funding

Once you have signed the documents and they have been returned to the lender, the lender will review them and make sure that all conditions have been met and all of the documents have been signed correctly. When this is completed, they will "fund" your loan. ("Fund" means that the lender will give the title company the money by check or wire.)

Step 8: Recordation

When the loan has been funded, the title company will record the Deed of Trust with the county in which the property is located (usually by the next day). Upon receipt of confirmation of the deed being recorded, title or escrow will then disburse monies to the appropriate parties. At this time, in most cases, your loan is considered complete.



LOAN FAQs

When do I sign loan documents?

Generally, your escrow instructions will be mailed to you for completion and signature. Your escrow officer or real estate agent will contact you to make an appointment for you to sign your final loan papers. At this time, the escrow holder will also tell you the amount of money you will need (in addition to your loan funds) to purchase your new home. The lender will send your loan funds directly to the title company.

What do I bring to my loan document signing appointments?

Obtain a cashier's check made payable to your escrow company or title company in the amount indicated to you by the escrow officer. You may also wire funds. A personal check will delay closing because the check must clear before funds are disbursed.

Please bring one of the following with you to your signing:

- Valid state ID card
- Diver's license
- Passport

(These items are needed by a Notary Public to verify your identity. It is a routine but necessary step for your protection.)

Make sure you are aware of your lender's requirements and that you have satisfied those requirements before you come to the escrow company to sign your papers. Your loan officer or real estate agent can assist you.

What's the next step after I've signed the loan documents?

After you have signed all the necessary instructions and documents, the escrow holder will return them to the lender for final review. This review usually occurs within a few days. After the review is completed, the lender is ready to fund your loan and informs the escrow holder.

When will I receive the deed?

The original deed to your home will be mailed directly to you at your new home by the County Recorder's office. This service takes several weeks (sometimes longer, depending on the County Recorder's work volume).

What is a "Payoff"?

A loan payoff is an extremely important service provided by title companies to facilitate the handling of money in the closing of a real estate transaction. It is the receipt of funds from the buyer and the payment of the obligations of the seller (if any) in conjunction with a real estate transaction. The payoff function is performed by Fidelity National Title as part of the escrow process.

Commonly Used Payoff Terms:

Prefigures: Estimated payoff figures 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.

Good Funds: Fidelity National Title must be in receipt of "good funds" prior to disbursing on a payoff. Types of good funds include: a) funds wired into Fidelity National Title; b) a cashier's, teller's or certified check (provide next day availability after deposit to comply with AB51 2); c) other local checks (provide availability of funds two days after deposit), and d) out of area checks (provide availability of funds five days after deposit).

Demands: Demands must include specific payoff information concerning the particular property and must be signed. It is the responsibility of the Escrow Officer to order and provide all necessary demands, including any updates or changes on a timely basis.

Taxes: Outstanding property taxes can be paid out of the payoff proceeds.

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

Shortages: Your Escrow Officer will contact you if there is a shortage of the necessary funds to cover the outstanding obligations. The 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 to out of area lenders are typically sent via an overnight delivery company.

Wire Transfers: Funds can be wired into and out of Fidelity National Title offices with our bank.

Out of County Transactions: Fidelity National Title offices can receive and disburse payoff funds through any of our offices.

PMI: “Private Mortgage Insurance”



What Is PMI?

Buying a home is easier than ever, thanks to the availability of private mortgage insurance, or PMI. Private mortgage insurance has made it possible for qualifying buyers to obtain mortgages with a down payment as low as 3%. Such mortgages are increasingly in demand in today's home market because potential homeowners, especially first time home buyers, are unable to accumulate the 20 or 30% down payment that would be required without private mortgage insurance.

Definition PMI

PMI is a type of insurance required by the lender that helps protect lenders against losses due to foreclosure. This protection is provided by private mortgage insurance companies and enables lenders to accept lower down payments than would normally be allowed.

When Do I Need to Carry PMI?

If you make a down payment of less than 20% of the home sales price, your lender will require you to carry PMI. This will protect the lender from a potential loss if you default on your low down payment loan.

How Long Am I Required to Carry PMI?

PMI can usually be canceled by the home buyer when they have at least 20% equity in the home, either due to payment of the principal or the appreciation of the property. When you believe your home has achieved 20% equity, you can contact your loan server for guidelines. Usually lenders will require an appraisal on the property to verify the equity.

How Much Is PMI Going to Cost Me?

The House Banking Committee has estimated that the average cost of mortgage insurance is between \$300 and \$900 a year. Premiums are based on the amount and terms of the mortgage and will vary according to loan to value ratio, type of loan and the amount of coverage required by the lender.

What Are the Payment Options for PMI?

PMI can be paid on either an annual, monthly or single premium plan.



Other Parties to an Escrow Transaction



In addition to the buyer, seller, lender and real estate agent(s), Escrow may involve several other parties. For example: Appraisal, Home Warranty, Home Inspection, Termite/Pest Inspection and Disclosure Report.

Appraisal

If the buyer is securing a new loan for the purchase, an appraisal will be required by the lender. An appraiser will:

- Research the subject property as to year built bedrooms, baths, lot size and square footage.
- Compare data of recent sales in the subject's neighborhood, typically within a one mile radius. The appraiser usually locates at least three (and preferably more) similar homes that have sold within the past six months. These homes are considered the "Comparable Properties" or "Comps" for short.
- Field inspection is conducted in two parts: (1) the inspection of the subject property, and (2) the exterior inspection of the comparable properties.

The subject property inspection includes taking photos of the front and rear of the home (that may include portions of the yard) and photos of the street scene. The appraiser also makes an interior inspection for features and conditions which may detract from or add to the value of the home. A floor plan of the home is drawn and included while doing the inspection.

Home Warranty

Home Warranties offer advantages to both the buyer and seller. This policy protects the buyer by paying for certain repairs and costs of major mechanical systems and major appliances in the home such as heating and air conditioning. There are a variety of plans available.

Benefits of Home Warranty Coverage to the Seller:

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

Benefits of Home Warranty Coverage to the Buyer:

- Warranty coverage for major systems and built-in appliances
- Protects cash flow
- Puts a complete network of qualified service technicians at the Buyer's service
- Low deductible

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. FNF offers Home Warranty coverage at www.HomeWarranty.com or call 1.800.862.6837

Home Inspections

A home inspection is another component of the escrow process. It is a physical examination to identify material defects in the systems, structure and components of a building, such as foundations, basements and under-floor areas, exteriors, roof coverings, attic areas and roof framing, plumbing, electrical systems, heating and cooling systems, fireplaces and chimneys, and building exteriors.

Is Your Home Inspector Insured?

They should have: Professional Liability Insurance Coverage, General Liability and Workers Compensation.

How the Seller Should Prepare for a Home Inspection?

The seller should have the property fully accessible, including elimination of stored objects that may prevent the inspector from accessing key components of the home. Areas of special concern are attics, crawl spaces, electric panels, closets, garages, gates/yards, furnaces and water heaters. All utilities should be on with functioning pilots lit.

Inspector's Responsibility to the Homeowner

Respect the property. Leave the property as they found it. Answer questions about the report after the inspection is completed. Provide a copy of the report on site.

Termite/Pest Inspection

This report is prepared by a State Certified Inspector as evidence of the existence or absence of wood destroying organisms or pests which were visible and accessible on the date the inspection was made. In almost every instance when they receive a request for an inspection the caller refers to it as a "termite" inspection. In addition to looking for subterranean termites, the inspector is also looking for signs of activity from other wood organisms such as carpenter ants, carpenter bees, wood destroying fungus, or dry wood termites.

These conditions are easy to spot and in most cases are simple and inexpensive to correct. If you aren't certain about the condition of your property, seek assistance from a State Certified Termite Inspector.

Disclosure Report

What is a Disclosure Report?

Disclosure reports are designed to assist sellers (and their agents) disclose legally required information to a potential purchaser in a real estate transaction in an easy to understand, economical format. Buyers can rely on the information to make a more informed decision regarding the property being purchased.

It's the Law!

California law requires sellers to disclose certain types of naturally occurring hazards to potential buyers. Assembly Bills 6x, 1195 and 248 created a mandatory form for these disclosures. This form is the Natural Hazard Disclosure Statement.

Required Disclosure Information

There are six 'hazard zones'. The disclosure law requires all potential buyers to be told whether the property is in one, or more, of the following zones:

- A Special Flood Hazard Zone as designated by the Federal Emergency Management Agency (FEMA).
- A Dam Failure Inundation Zone
- A Very High Fire Hazard Severity Zone
- A Wildland Area That May Contain Substantial Forest Fire Risks
- An Earthquake Fault Zone
- A Seismic Hazard Zone

California Civil Code Section 1103.4 provides a liability shield for sellers who rely on third party experts. This section states that the seller is not liable for errors, inaccuracies or omissions of any of the information provided by the third party disclosure report unless the seller has personal knowledge of the error.

Where to Order a Disclosure Report

FNF's own Disclosure Source is a premier provider for Natural Hazards, Special Taxes & Assessments and Environmental Hazard information to safely comply with statutory requirements.

California Real Estate Law gives buyers three days to cancel a transaction whenever material information is disclosed to them. It is in your best interest, as the seller, to get all disclosures in the hands of the potential buyer as soon as possible. We recommend ordering the Disclosure Report as soon as the property is listed. Buyers will then be able to review and accept the disclosures as part of their offer. Your agent can advise you on these issues.

For more information, please call (800) 880-9123 or visit www.DisclosureSource.com.





Understanding Taxes in Escrow



There are many types of tax issues which should be considered during a real estate transaction. Fidelity National Title provides the following information as a resource only and we always recommend that a seller or buyer consult with their legal and tax professionals for advice.

The escrow officer, as the settlement agent, will ask the seller to complete a Certificate for Information Reporting for the 1099 S form which may be required by the IRS. The seller is required to provide their correct taxpayer identification number (social security number), as well as the closing date of the transaction and gross proceeds of the transaction. Most settlement agents now transmit the reportable information electronically to the IRS at the end of the year, although a “hard copy” of the form is included in the seller’s closing documents.

Topics we will briefly overview which may be a part of, or a result of, your escrow include:

- Capital Gains Tax
- Change of Ownership Filing
- Transfer Tax
- FIRPTA
- CAL Withholding
- Property Taxes
- Supplemental Taxes
- Mello Roos

The I.R.S. provides free publications that explain the tax aspects of real estate transactions. A few of these include:

- Publication #523: Selling Your Home
- Publication #530: Tax Information for First Time Homeowners
- Publication #544: Sales and Other Dispositions of Assets
- Publication #551: Basis of Assets

Federal Requirements

The Internal Revenue Service (IRS) requires that sellers report certain information pertaining to sales of real property. Under the Tax Reform Act of 1986, reportable transactions include sales and exchanges of properties including, but not limited to, houses, townhouses and condominiums. Also reportable is stock in cooperative housing corporations and mobile homes without wheels. Specifically excluded from reporting are foreclosures and abandonment of real property, as well as financing or refinancing of properties.

Withholding Requirements

Some states, such as California, require that certain sellers “prepay” their required state taxes through withholding of a percentage of the sale proceeds. State law requires the buyer accomplish the withholding, and the buyer may be subject to penalties for failure to withhold and send the appropriate amount to the State Franchise Tax Board. However, the buyer may delegate this responsibility to the escrow holder, and the escrow holder may charge a fee for this service. The law requires the escrow agent to give written notice of the withholding requirement to the buyer.

Most sellers will qualify for an exemption to the withholding law. Here are some of the exemption situations:

- Principal residence
- Property that is part of a like-kind exchange
- Properties under \$100,000
- Sales that result in zero gain or loss for state tax purposes
- Property owned by certain corporations and partnerships
- Property ownership by tax exempt entities

The escrow holder will provide a state withholding form to the seller to help determine if any of the exemptions apply. The withholding guidelines can seem quite complex, but your escrow officer has forms and educational materials to help your clients. Further information is also available through your local Franchise Tax Board or from the American Land Title Association (ALTA).

Continued, next page.

Understanding Taxes in Escrow, continued.

FIRPTA: Foreign Investors Real Property Taxation Act

- Requires 10% of sales price be withheld for foreign ownership of properties used as a primary residence with a sales price over \$300,000 but not over \$1,000,000. Properties between \$300,000 and \$1,000,000 that are not purchased as a primary residence will be subject to a withholding of 15%.
- For properties over \$1,000,000, FIRPTA requires that 15% of the sales price be withheld for foreign ownership.
- For properties with a sales price under \$300,000 that are used as the buyer's residence, a FIRPTA withholding does not apply (0%). If the property is not used as the buyer's residence, then a 15% FIRPTA withholding applies.
- Applies to nonresident aliens of USA, including foreign partnerships, foreign trusts and foreign estates.
- Buyer's responsibility to report and withhold, not the escrow officer
- Exceptions under Internal Revenue Code (IRC 1034): If the sales price is less than \$300,000 and buyer will use the property as principal residence. Additional exceptions apply. Please consult your tax professional regarding full information and details.

CAL Withholding: Additional California Withholding

- Requires that 31/3% of sales price or the alternative withholding amount be paid to the Franchise Tax Board
- The alternative withholding amount is the amount of estimated gain from line 16 on FTB Form 593 E multiplied by 9.3% for individuals. Other percentages apply to corporations.
- Applies to non owner-occupied property
- Prepayment of California state income tax for sellers on the taxable gain of California real property
- Requires the buyer to withhold 31/3% of the total sales price or the alternative withholding amount
- Buyer's responsibility to report and withhold; it can be passed onto escrow
- Escrow must inform buyer of the responsibility (in escrow general provisions)
- Escrow must accept responsibility if buyer requests it
- Payment and Form 593 and 593 B to FTB by 20th day of month after closing
- Interest due on all late payments (FTB calculates, and interest can be substantial)

- Escrow can charge a fee for processing withholding or waiver
- Escrow cannot charge for giving written notice to parties or obtaining 593 C and 593 W Certifications

CAL Withholding Exemptions for INDIVIDUALS

- Property is seller's principal residence under IRC 121
- Total sales price is \$100,000 or less
- The seller will incur a loss on the sale for California Income Tax purposes (must use FTB form 593 E)
- Non-recognition rules apply
- Simultaneous or delayed exchange pursuant to IRC Section 1031
- Installment sales when the buyer agrees to withhold on each principal payment
- The property is being involuntarily converted and will qualify for non-recognition of gain for California Income Tax purposes under IRC Section 1033

CAL Withholding Exemptions for NON INDIVIDUALS ONLY

- Corporation
- Partnership
- Limited Liability Company (LLC) with certain requirements
- Tax Exempt Entity (church, charity, school, etc.)
- Sale by estates when the property was the decedent's principal residence
- IRAs, Pension Funds, Insurance Companies
- The seller will incur a loss on the sale for California Income Tax purposes
- Simultaneous or delayed exchange pursuant to IRC Section 1031
- The property is being involuntarily converted and will qualify for nonrecognition of gain for California

Continued, next page.



Understanding Taxes in Escrow, *continued.*

Change of Ownership Filings

When property changes hands, local government agencies require notice of change of ownership. At the local level, this would be any county office that assesses or collects taxes. Reporting a change in the ownership of the property allows the local jurisdiction to assess the tax liability for each property as the title is transferred from seller to buyer.

The reporting documents vary from state to state, but all states require at minimum the names of the seller and buyer, assessor's parcel number or other property identifying number, the property location and tax address. Also required is the total purchase price, terms of sale and signature of the new owner. The reporting document is recorded along with documents evidencing a change in ownership. In California, the document is called a Preliminary Change of Ownership (PCOR), and it assists the local agency in identifying situations in which a property reassessment is allowed under Proposition 13.

Penalties or fines may be assessed from the governing body for failure to file the document as required by state or local laws. The escrow officer will generally assist the client in completing the document and ensuring that it reaches the Recorder's Office along with the other documents pertinent to the change of ownership.

Some situations which appear to be a change of ownership are exempt from the filing of this type of document, including corrections to the record and status changes such as a change in vesting.

Transfer Taxes

Transfer Tax, often called Real Property Transfer Tax, is a tax collected by the County Recorder when an interest in real property is conveyed. It is paid at the time of recording, and is computed using the actual sales price. An amount, legislated by the state or county, is charged per \$500 or \$ 1,000 of the sales price. Although it is common for the seller to pay this tax, in some areas tradition dictates that the buyer and seller will split the payment.

Many cities have levied an additional tax within their jurisdictions. In some counties, these taxes are collected by the County Recorder along with county transfer tax, but in other areas a separate check will be mailed to the city. Your escrow officer is familiar with the taxes required and will coordinate payment of the appropriate amount.

Property Taxes

See tax calendar example next page.

Homeowners pay property taxes to their appropriate assessment, collection or franchise tax department in each county. A change in ownership or the completion of new construction could result in a change in the assessed value of the property and may result in the issuance of a supplemental property tax bill. Taxes are due on predesignated dates and become delinquent when not paid. Penalties are assessed for delinquent taxes. The yearly "tax calendar" varies by state.

In addition to standard property taxes, many jurisdictions also contain special assessment districts, which may have been formed as a means of financing infrastructure. Bonds may have been sold to finance the infrastructure and the ultimate property owner continues to make payments on the principal and interest on the bond. The bond issues vary in size and term. Other special city and county districts may be assessed for a variety of purposes, including street lights and traffic signals, street maintenance, certain educational purposes, etc.

CA Real Property Tax Dates

JANUARY 1 Assessment Date (Lien Date)	Taxes become a lien at 12:01 a.m. Not yet due and payable for the Fiscal Tax Year starting July 1. Thereafter title evidence must show taxes as a lien for the coming Fiscal Tax Year.
APRIL 15 Last day to file for 100% Veterans or Homeowner's Exemption.	To be eligible for applicable exemptions you must own and occupy property on March 1.
JULY 1 Current fiscal tax year begins	
NOVEMBER 1 1st Installment due	(First Installment - July 1 to December 31)
DECEMBER 1 Last day to file for 80% Veterans or homeowner's exemption	
DECEMBER 10 1st Installment becomes delinquent at 5 p.m.	10% penalty added to taxes due. If December 10 falls on a weekend or holiday, taxes are not delinquent until 5 p.m. the next business day.
JANUARY 1 Assessment Date (Lien Date)	
FEBRUARY 1 2nd Installment Due	(Second Installment - January 1 to June 30)
APRIL 10 2nd Installment becomes delinquent at 5 p.m.	10% penalty plus administrative charge attaches. If April 10 falls on a weekend or holiday, taxes are not delinquent until 5 p.m. the next business day.
JUNE 30 Property tax may become defaulted	If you fail to pay either or both installments by 5 p.m., property tax becomes defaulted and additional costs and penalties accrue. If June 30 falls on a weekend or holiday, taxes must be paid by 5 p.m. of the preceding business day.

Reminder - Property may be sold at public auction after 5 years of delinquency.

How Property Taxes are Determined

Property taxes are governed by California State law and collected by the county. The County Assessor must first assess the value of your property to determine the amount of property tax.

Generally, the assessed value is the cash or market value at the time of purchase. This value increases not more than 2% per year until the property is sold or new construction is completed.

The Auditor-Controller applies the appropriate tax rates, which include the general tax levy, locally voted special taxes, and any city or district direct assessments. The Tax Collector prepares property tax bills based on the Auditor-Controller's calculations, distributes the bills, and then collects the taxes.



Glossary of Terms

The following is a short glossary of commonly used terms during escrow transactions. For a detailed explanation of the meaning of these terms, please consult an attorney or real estate professional. For additional terms and definitions, please visit us online at www.FNTIC.com.

Adjustable Rate Mortgage (ARM): A mortgage in which the interest rate is adjusted periodically in accordance with a market indicator, to more closely coincide with the current rates. Also sometimes known as renegotiable rate mortgage, the variable rate mortgage, or the graduated rate mortgage.

Amendments: A change to any part of an agreement without changing the general essence of the original.

Amortization: Reduction of the principal of a debt in regular, periodic installments.

Annual Percentage Rate (APR): An interest rate reflecting the cost of a mortgage as a yearly rate. This rate is likely to be higher than the stated note rate or advertised rate on the mortgage, because it takes into account point and other credit cost. The APR allows home buyers to compare different types of mortgages based on the annual cost for each loan.

Assumption of Mortgage: An obligation undertaken by a new purchaser of land to be liable for payment of an existing note secured by a mortgage.

Beneficiary: The recipient of benefits most often from a deed of trust. This is usually the lender.

Buyer's Agent: The agent or broker serving as a representative of the buyer in order to identify a property and negotiate on their behalf for the purchase.

Caps: Consumer safeguards that limit the amount the interest rate on an adjustable rate mortgage can change at each adjustment or over the life of the loan.

Conditions, Covenants & Restrictions (CC&R's): A document that controls the use, requirements and restrictions of a property.

Certificate of Reasonable Value (CRV): An appraisal issued by the Veterans Administration showing the property's current market value.

Closing (also called "settlement"): The completion of a real estate transfer, where the title passes from seller to buyer, or a mortgage lien is given to secure debt.

Comparable Sales: Also referred to as "comps". Sales of other properties that have characteristics similar to the subject property. Generally used for the preparation of an appraisal.

Condominium: A statutory form of real estate development of separately- owned units and jointly-owned common elements in a multi-unit project.

Conventional Mortgage: A mortgage securing a loan made by investors without governmental underwriting, i.e., a loan which is not FHA insured or VA guaranteed.

Deed: Written instrument which, when properly executed and delivered, conveys title.

Discount Point: An additional charge made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent.

Earnest Money Deposit (EMD): A deposit of funds made by a buyer of real estate as evidence of good faith.

Easement: A non-possessory right to use all or part of the land owned by another for a specific purpose.

Equity: The difference between the fair market value and current indebtedness, also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

Federal Housing Administration Loan (FHA Loan): A loan insured by the Federal Housing Administration, open to all qualified home purchasers.

Farmers Home Administration Loan (FMHA Loan): A loan insured by the federal government similar to FHA loan, but usually used for residential properties in rural areas.

Federal National Mortgage Association (FNMA): Also known as "Fannie Mae." A U.S. government sponsored corporation dealing in the purchase of first mortgages for the secondary market.

Fee Simple Deed: The absolute ownership of a parcel of land. The highest degree of ownership that a person can have in real estate, which gives the owner unqualified ownership and full power of disposition.

Joint Tenancy: An equal undivided ownership of property by two or more persons. Upon death of any owner, the survivors take the decedent's interest in the property.

Glossary, *continued.*

Legal Description: The description of land based on government surveys that identifies exact boundaries of an entire parcel of land and recognized by law.

Lien: A claim upon a piece of property for the payment or satisfaction of a debt or obligation.

Listing Agent: The agent or broker in agreement with the property owner to sell the subject property and list the property in the Multiple Listing Service.

Loan-To-Value Ratio: The relationship between the amount of the mortgage loan and the appraised value of the property expressed as a percentage.

Mortgage: A conditioned pledge of property to a creditor as security for the payment of a debt.

Multiple Listing Service: The database of properties listed for sale by Realtors® who are members of their local Association of Realtors®.

Negative Amortization: Occurs when your monthly payments are not large enough to pay all the interest due on the loan. This unpaid interest is added to the unpaid balance of the loan. The danger of negative amortization is that the home buyer ends up owing more than the original amount of the loan.

Personal Property: Any property which is not real property, e.g., money, savings accounts, appliances, cars, boats, etc.

Points (also called “commission or discount” points): Each point is equal to 1% of the loan amount (e.g., two points on a \$100,000 mortgage would cost \$2000).

Power of Attorney: A written instrument in which a principal grants authority to a specified agent.

Principal, Interest, Taxes and Insurance (PITI): Also called monthly housing expense. This is the combined Principal, Interest, Taxes and Insurance for a total payment.

Private Mortgage Insurance (PMI): In the event that a buyer does not have a 20% down payment, lenders will allow a smaller down payment—as low as 3% in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance will usually require an initial premium payment and may require an additional monthly fee, depending on the loan’s structure.

Purchase Agreement: The contract between the Buyer and Seller for the purchase of a designated property.

Quitclaim Deed: A deed that serves as a release with the purpose of transferring any title, interest or claim held by the grantor. The Quitclaim Deed does not contain any warranty of valid interest or title by the grantor.

Real Estate Agent: An individual licensed by the state to represent parties in the transfer of property.

Realtor®: A real estate broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors®. Every Realtor is a Real Estate Agent but not every Real Estate Agent necessarily maintains the designation of Realtor®.

Recording: The filing of documents for real property with the County Recorder’s office that becomes public record.

Subdivision: A tract of land surveyed and divided into lots for purposes of sale.

Tenancy in Common: An undivided ownership in real estate by two or more persons, without right of survivorship – interests need not be equal.

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

Trustee: The neutral third party in the deed of trust with limited powers. When the loan is paid in full, the property is reconveyed by the trustee back to the person or persons legally entitled to the land, or if delinquent, the property will be conveyed pursuant to non judicial foreclosure proceedings, to the highest bidder in a public sale.

Trustor: The borrower, owner and guarantor of the property conveyed in a deed of trust.

Veterans Administration Loan (VA Loan): Housing loan to veterans by banks, savings and loans, or other lenders that are guaranteed by the Veterans Administration, enabling veterans to buy a residence with little or no down payment.

Warranty: In a broad sense, an agreement or undertaking by a seller to be responsible for present or future losses of the purchaser occasioned by deficiency or defect in the quality, condition or quantity of the thing sold. In a stricter sense, the provision or provisions in a deed, lease or other instrument conveying or transferring an estate or interest in real estate under which the seller becomes liable to the purchaser for defect in or encumbrances on the title.



Fidelity National Title[®]

Trusted everywhere,
every day.