



Fidelity National Title

# Buyer's Guide

A Guide To Purchasing Your Dream Home

escrow process

title insurance

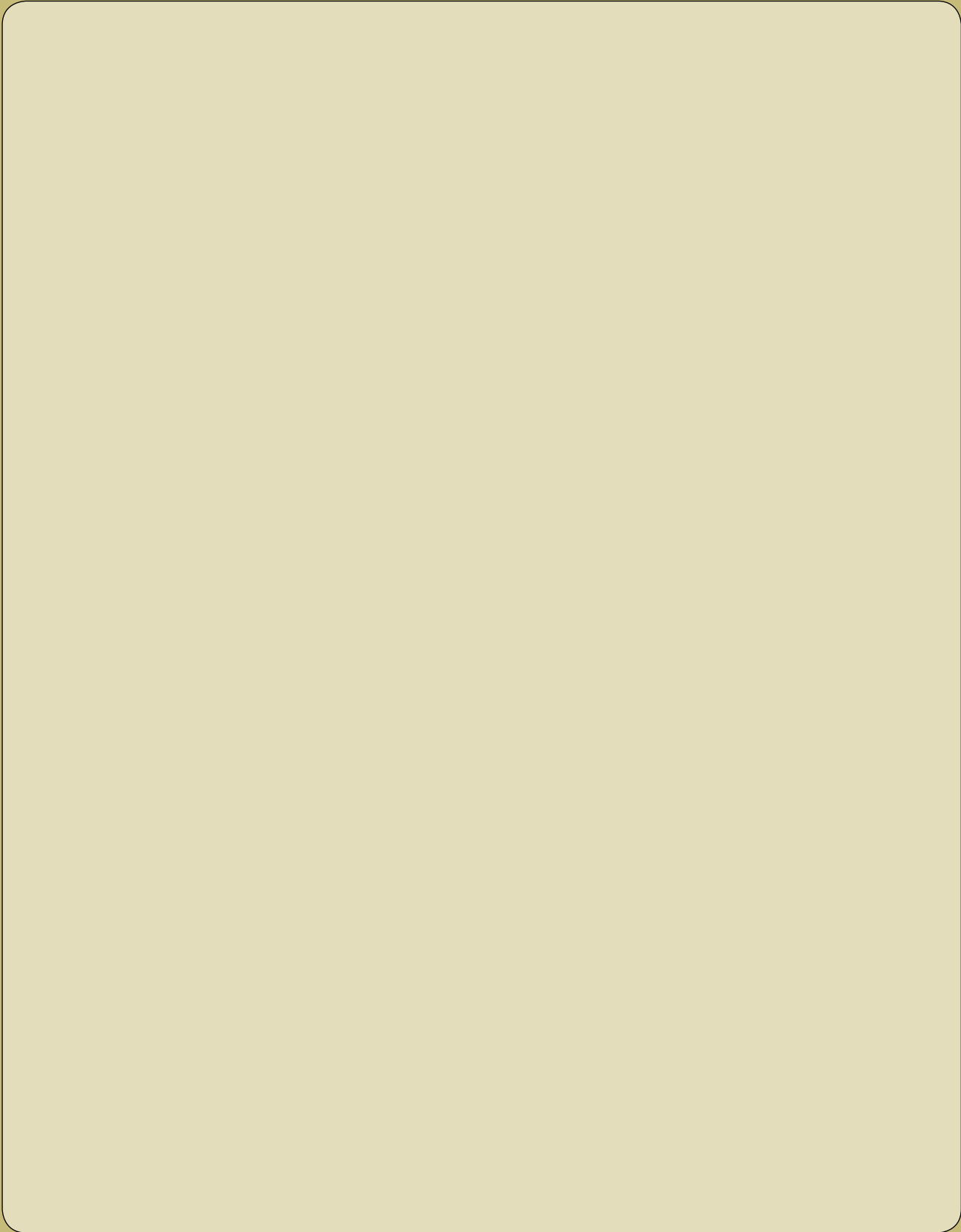
loan process

closing costs



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# How To Become A Buyer

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You are about to embark on one of the most important and exciting decisions in your lifetime, the selection and purchase of your home. It is a decision that will bring you years of comfort and joy. Yet, the idea of spending your free time evaluating homes and neighborhoods, figuring your down payment and monthly costs, applying for a loan, and finalizing the purchase can be an overwhelming process. For some buyers, the process is tedious and confusing. This is why consulting a professional realtor is a smart decision.

A licensed Real Estate Agent can help you find a house, efficiently and quickly. Discuss with your agent the type of home you believe will be right for your needs. Is your family growing? Do you entertain a lot? Garden? Barbecue? Work at home? Are you a chef? A wardrobe buff? Are you a fixer-upper or a total couch potato?

Your realtor's expertise and experience will be crucial in helping you find the right home of your dreams. He/she has access to the Multiple Listing Services (MLS), which provides information on virtually every home for sale in the market. This is a useful tool because it provides the most current comparative information available for more informed shopping.

In addition, your Realtor will show you homes that you can comfortably afford. He/ she will have the resources to help you understand how much a lender will let you borrow and on what basis it is calculated. Once you have calculated a price range, your Realtor will work with you to establish criteria that will lead you to the right home.

When you are ready to make an offer, your Realtor can assist you. He/she cannot suggest a lower price than what is listed, but he/she can tell you what comparable homes are selling for in the same neighborhood. Your realtor will act as the intermediary between you and the seller who is likely to also be represented by an agent. If there are negotiations over price, closing dates, contingencies, and items - such as appliances - to be left or taken, your Realtor will be your representative.

Once your offer is accepted, you will have a lot to do in a short period of time. Your Realtor will direct you to a lender, and inspection and insurance professionals and Fidelity National Title for your escrow and title needs. He/she will keep you on track and organized.

## **Shop Smarter...Not Harder**

Fine tune those dreams of your nest home by working on the answers to two questions:

## **How Much House Can You Afford?**

Though you may be willing to spend until it hurts, the name of the game is how much you can afford based on the lender's calculations/requirements. Your realtor will put you in touch with a lender that he/she trusts to help you through the financial process of pre-qualifying (targeting the amount that a financial institution will lend you.)

In general, lenders allow your total monthly housing costs to go as high as but not more than 30 percent of your gross monthly income. The second requirement is that not more than 36 percent of your gross monthly income can be tied up in total monthly house payment and any payment(s) on outstanding long term debt.

Lenders use slightly different formulas for arriving at "total monthly house payment". These costs generally include your mortgage principal and interest payment, property taxes as a monthly figure, and hazard insurance as a monthly figure. These four items are referred to as PITI (principal, interest, taxes & insurance). If you're required to pay private mortgage insurance (PMI) because your down payment is less than 20%, this PMI payment will also be included. If you decide to buy a condominium or town house, the monthly homeowner's association fees will also be included. Keep in mind, these formulas aren't cut and dry and things change from lender to lender, so your best bet is to do your research and make the comparisons for yourself.

## **What Type of House Do You Want?**

Perhaps you know exactly what you want....2,200 square foot ranch style home on a wooded lot. If so, your realtor can look immediately for only that type of house. On the other hand, if you don't know what you want, but "you'll know when you see it", you need to complete the Home Shopping, "Needs and Wants Checklist" at the back of this section, and obtain a Homebuyers' Workbook from a Fidelity Sales Representative. It will help you define what you really "have to have" and really "want to have" in a house and neighborhood. This will help your realtor considerably when searching for the right homes to show you. When you look at homes, bring this workbook with you so you can keep a record of your notes on each of the homes you will be touring.



## **Get Your Financing In Order**

You can get together with a lender to get your loan application completed and the financing process started. Be prepared to provide the lender with copies of any important and necessary information.

## **Making Decisions About Your Purchases**

Below are some of the items you'll need to consider and how the purchase process works:

### **How Much Should You Offer to Pay?**

Should you offer to pay the seller's asking price or a lower one? Consider such factors as: How long has the house been on the market? Is its price reasonable? Your Realtor can show you comparable sales (comps) for similar properties in the neighborhood to help you. How competitive is the area's home buying market? If the seller is offering an assumable mortgage or financing, how much is it worth to you?

### **Making Decisions About Your Purchase**

Once you have found the perfect house, your Realtor will take you through the purchasing process: Submit your offer to buy the house. The seller may accept your first offer, or you may go through one or several counter-offers before you and the seller agree on the terms of the sale. Once you both agree, you have a contract of sale which spells out the details and responsibilities of all parties involved in the transaction.

### **What Conditions Do you want To Place On Buying The House?**

When you commit to buy the house through your offer, you may make that commitment contingent upon certain things happening, such as you securing financing for the home. In a similar vein, you may purchase contingent upon the sale of your present home by a certain time and under certain terms.

You will also want to make sure the house is in good shape. You may make the contract subject to your being satisfied with a building inspector's report and/or an inspection for termites. The purchase should also be subject to your being satisfied with your own inspection of the house just prior to closing.

### **What Special Provisions Should Be Included?**

Most contracts for sale include some standard provisions, such as one for property taxes, insurance costs, utility bills, and special assessments to be prorated at closing between buyer and seller. Others outline particulars about what happens if the property is damaged before closing or if the seller or buyer fails to go through with the sale. You may want to add your own special provisions. For example, you may want a new home builder to provide you with home warranty insurance at no cost to you.

### **What Are you Buying?**

The contract should spell out everything that is part of the purchase that may not be clearly part of the real estate. Common items that could cause questions include appliances, light fixtures (such as chandelier in the dining room), shades, blinds, curtains and rods, screens and storm windows, shelving or cabinets, potted flowers, shrubs and trees, or perhaps a swing set that is cemented down.

### **What Happens To The Earnest Money?**

A “deposit” is made, in part, to show the seller your seriousness about buying. Your Realtor will inform you of the amount that is usually given in your area. The seller doesn't actually receive the earnest money. A third party, Fidelity National Title - holds the amount in a special trust - or escrow account until the sale is closed or the contract is broken.

If you go through with the sale, the money is applied to your down payment or other closing costs. If you fail to buy the house, the seller has the right to keep the earnest money. However, you can get your money back until the point at which you are notified that the seller has accepted your offer. And if the seller fails to fulfill his/her obligations, the money is yours.



# The Escrow Process

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## **What is an Escrow?**

When opening an escrow, the buyer and seller establish terms and conditions for the transfer of ownership of that property. These terms and conditions are given to a neutral third party known as the escrow holder (Fidelity National Title). The Escrow Officer, in turn has the responsibility of seeing that these terms of the escrow are carried out. The escrow is an independent third party -- the vehicle by which the interest of all parties to the transaction are protected.

## **How Does the Escrow Process Work?**

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

## **What Does the Escrow Holder Do?**

The escrow holder is a neutral third party, such as Fidelity National Title, that maintains the escrow and impartially oversees the escrow process, ensuring that all conditions of the sale are properly met.

### ***The escrow holder's duties include:***

- Serve as the neutral agent and the liaison between all parties involved.
- Prepare the escrow instructions.
- Request a Preliminary Title Search to determine the status of the title to the property.
- Comply with the lender's requirements as specified on its instructions to escrow.
- Receive and handle purchase funds from the buyer.
- Prepare or secure the deed and documents related to the escrow.
- Prorate taxes, interest, insurance and rents.
- Secure releases of all contingencies or other documents imposed on the escrow.
- Request the deed and any other documents.
- Close the escrow pursuant to instructions supplied by the seller, buyer, and lender, if any.
- Disburse funds as authorized by the instructions, including charges for title insurance, recording fees, real estate commissions and loan payoffs.
- Prepare final statements for all parties involved that account for the disposition of all funds held in the escrow account.



### **How Do I Open An Escrow?**

When your offer has been accepted, your Real Estate Agent will open escrow with Fidelity National Title. As soon as you execute the Purchase Agreement, he/she will place your initial deposit (earnest money) into an escrow account at Fidelity National Title.

Written evidence of the deposit is generally included in your copy of the sales contract. The funds will then be deposited in a separate escrow account and processed through your local bank. You will receive a receipt for the funds from Fidelity National Title.

### **What Information Will I Have to Provide?**

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

### **How Long Is An Escrow?**

The length of an escrow is determined by the terms of the Purchase Agreement and can range from a few days to several months. The average length of an escrow is usually 45 days.

### **When Do I Sign Escrow Instructions and Where?**

A few days before closing, your Fidelity National Title Escrow Officer or your realtor will contact you to make the appointment for you to sign your escrow instructions, grant deed and final papers. At this time, your Escrow Officer will also tell you the amount of money you will need to bring in.



## Your Appointment

Now that you have your appointment to sign your papers, the following is a list of items you will need in preparation for your appointment.

### • Identification

All Parties - there are several acceptable forms of identification which may be presented. One of the following forms must be presented at the signing of escrow in order for the signature to be notarized: current California or (your state) driver's license, passport or Department of Motor Vehicles ID card.

### • Cashier's Check

(If applicable) You need a cashier's check or a certified check issued by a California or (your state) financial institution made payable to Fidelity National Title in the amount indicated to you by your Escrow Officer. A personal check may delay the closing since Fidelity National Title is required by law to have "good funds" before disbursing funds from escrow.

### • Lender's Requirements

Check with your lender to make sure you have satisfied all your lender's requirements before coming to Fidelity National Title to sign the papers.

### • Fire and Hazard Insurance

You must have fire and hazard insurance in place before the lender will send money to Fidelity National Title to fund the loan. Whenever you buy a home, you must have insurance. Once you have spoken to your insurance agent, call Fidelity National Title with the insurance agent's name and phone number so they can make sure that the policy complies with your lender's requirements.

### • Title To Your Home

You may refer to the "Common Co-Ownership Interests" in the next few pages of this guide for general information with regard to holding title, but is best to contact your attorney or tax consultant.

### • After Your Appointment

After all parties have signed all the necessary papers, your Escrow Officer will return your loan documents to the lender for final review. This review usually occurs within a few days of execution of the documents. Once the review is completed, the lender will call your Escrow Officer so that the necessary final paperwork can be completed.

### • Escrow Closing

The escrow closing is the legal transfer of title to the property from the seller to the buyer. Once all the conditions of the escrow have been satisfied, your Escrow Officer will inform you of the closing date and will take care of all the final details. Usually after funds are disbursed, the deed of trust is recorded within one business day. This completes the transaction and signifies the close of escrow.

## The Buyer(s)

Submit a written offer to purchase (or accepts the Seller's counter-offer) accompanied by a good faith deposit amount.

Applies for a new loan, completing all required forms and often prepaying certain fees such as credit report and appraisal costs.

Approves the preliminary report and any property disclosure, or inspection reports called for by the purchase and sale agreement (Deposit Receipt).

Approves and signs the escrow instructions, new loan documents and other related instruments, required to complete the transaction.

Fulfills any remaining conditions specified in the contract, lender's instructions and/or the escrow instructions.

Approves any final changes by signing amendments to the escrow instructions or contract.

Deposits sufficient funds in the escrow to pay the remaining down payment and closing costs.

## The Lender

Accepts the new loan application and other related documents from the borrower and begins the qualification process.

Orders and reviews the property appraisal, credit report, verification of employment, verification of deposit, preliminary report and other related information.

Submits the entire package to the loan committee and/or underwriters for approval. When approved, loan conditions and title insurance requirements are established.

Informs borrower's of loan approval, terms and commitment, expiration date, and provides a good faith estimate of the closing costs.

Deposits the new loan documents and instructions with the escrow holder for borrower's approval and signature.

Reviews and approves the executed loan package and coordinates the loan funding with the Escrow Officer.



# The Life of an Escrow

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## The Escrow Officer

Receives an order for the title and escrow services for Fidelity National Title.

Orders the title search and examination on the subject property. Acts as the impartial "stakeholder" or depository, in fiduciary capacity, for all documents and monies required to complete the transaction, per written instructions from the principals.

With authorization from the lender, agent or principal, orders demands on existing deeds of trust and liens or judgements, if any. For an assumption or subject to loan, orders the beneficiary's statement or the formal assumption package.

Reviews documents received in the escrow: Preliminary Title Report, payoff of assumption statements, new loan package, and other related instruments. Reviews the condition in the lender's instructions, including the hazard and title insurance requirements.

Prepares the escrow instruction and required documents, together with a preliminary estimate of settlement charges for the borrower in accordance with the terms of the sale.

Presents the instructions, documents, statements, loan package and other related documents to the principal for approval.

Reviews the signed instructions and documents, returns the loan package, and requests the lender's funds.

Receives the balance of funds required from the borrower and/or the proceeds of the loan from the lender.

Determines when the transaction will be in the position to close and advises the parties involved.

Assisted by title personnel, records the deed of trust and other documents required to complete the transaction with the County Recorder and orders the title insurance policies.

Closes the escrow by preparing the final settlement statements, disbursing the proceeds to the seller, paying off the existing encumbrances and other obligations. Delivers the appropriate statements, funds and remaining documents to the principals and/or the lenders.

## The Seller(s)

Accepts Buyer's offer to purchase and initial good faith deposit to open escrow.

Submits documents and information to the escrow holder, such as: addresses of lien holders, tax receipts, equipment warranties, home warranty contracts, any leases and/or rental agreements, etc.

Orders inspections, receives clearances and approves final reports and/or repairs to the property as required by the terms of the purchase and sale agreement (Deposit Receipt)

Approves and signs the escrow instructions, payoff demands, grant deed and other related documents required to complete the transactions.

Approves any final changes by signing amendments to the escrow instructions or contracts.

## Fidelity National Title

Examines the title to the real property and issues a preliminary title report. Determines the requirements and documents needed to complete the transaction and advises the Escrow Officer and/or agents.

Reviews and approves the signed documents, releases and the order for title insurance, prior to the closing date.

When authorized by the Escrow Officer, records the signed documents with the County Recorder's office and prepares to issue the title insurance policies.

## **What is Title Insurance?**

Title insurance is a contract of indemnity which guarantees that the title to the property is as reported. If its not as reported, we will reimburse the buyers for actual loss or damage under the condition specified in the policy. The title policy covers the insured for their loss up the amount of the policy.

Title insurance assures owners that they are acquiring marketable title. Title insurance is designed to eliminate risk or loss caused by defects in title from the past. Title insurance provides coverage only for title problems which were already in existence at the time the policy was issued.

## **Title Search**

Fidelity National Title works to eliminate risks by performing a search of the public records or through our own title plant. The search consists of public records, laws and court decisions pertaining to the property to determine the current recorded ownership, any recorded liens or encumbrances or any other matters of record which could affect the title to the property. When a title search is complete, Fidelity National Title issues a preliminary title report detailing the current status of title.

A preliminary report contains vital information which can affect the close of escrow: ownership of the subject property, how the current owners hold title, matters of record that specifically affect the subject property or the owners of the property, a legal description of the property and an informational plat map.

## **What Does a Title Policy Cover?**

Not all risks can be determined by a title search, since certain things such as forgeries, identity of persons, incompetency, failure to comply with the law, or incapacity cannot be disclosed by an examination of the public records.

The preliminary title report is an offer to insure under certain situations, the title policy is a contract that gives coverage against such problems.

The California land Title Association (CLTA) is the standard policy of title insurance in California.

### ***What Does CLTA Cover?***

- A forged signature on the deed.
- Mistakes in the interpretation of wills or other legal documents.
- Deeds delivered without the consent of the grantor.
- Deeds and mortgages signed by persons not of sound mind, by minors or by someone listed as single but in fact, married.
- Impersonation of the real owner.
- Errors in copying or indexing.
- Falsification of records.
- Undisclosed or missing heirs.
- Recording mistakes.
- With regard to lenders coverage, it covers: the priority of the insured mortgage; the invalidity or unenforceability of the insured assignment; the invalidity or unenforceability of the lien of the insured mortgage on the title.



# Statement of Identity

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What's in a name? When a title company seeks to uncover matters affecting title to real property, the answer is, "Quite a bit". Statements of Information provide title companies with the information they need to distinguish the buyers and sellers of real property from others with similar names. After identifying the true buyers and sellers, title companies may disregard the judgments, liens or other matters on the public records under similar names. To help you better understand this sensitive subject, the California Land Title Association has answered some of the questions most commonly asked about Statements of Information.

## What is a Statement of Information?

A Statement of Information is a form routinely requested from the buyer, seller and borrower in a transaction where title insurance is sought. The completed form provides the title company with information needed to adequately examine documents so as to disregard matters which do not affect the property to be insured, matters which actually apply to some other person.

## What does a Statement of Information do?

Everyday documents affecting real property- liens, court decrees, bankruptcies, etc.--are recorded.

Whenever a title company uncovers a recorded document in which the name is the same or similar to that of the buyer, seller or borrower in a title transaction, the title company must ask, "Does this document affect the parties we are insuring?" Because, if it does, it affects title to the property and would, therefore be listed as an exception from coverage under the title policy.

A properly completed Statement of Information will allow the title company to differentiate between parties with the same or similar names when searching documents recorded by name. This protects all parties involved and allows the title company to competently carry out its duties without unnecessary delay.

## What types of information are requested in a Statement of Information?

The information requested is personal in nature, but not unnecessarily so. The information requested is essential to avoid delays in closing the transaction.

You will be asked to provide full name, social security number, year of birth, birthplace, and information on citizenship. If you are married, you will be asked the date and place of your marriage.

Residence and employment information will be requested, as will information regarding previous marriages if you are divorced.

## Will the information I supply be kept confidential?

The information you supply is completely confidential and only for the title company to use in completing the search of records necessary before a policy of title insurance can be issued.

## What happens if a buyer, seller, or borrower fails to provide the requested Statement of Information?

At best, failure to provide the requested Statement of Information will hinder the search and examination capabilities of the title company, causing the delay in the production of your title policy.

At worst, failure to provide the information requested could prohibit the close of your escrow. Without a Statement of Information, it would be necessary for the title company to list as exceptions from coverage judgments, liens or other matters which may affect the property to be insured. Such exceptions would be unacceptable to most lenders, whose interest must also be insured.

## In Conclusion

Title companies make every attempt in issuing a policy of title insurance to identify known risks affecting your property and to efficiently and correctly transfer title so as to protect your interests as a homebuyer. By properly completing a Statement of Information, you allow the title company to provide the service you need with the assurance of confidentiality.

Originally published by the California Land Title Association.

# Title Policy Comparison

- Someone else owns a recorded interest in your title
- A document is not properly signed, sealed, acknowledged or delivered
- Forgery, fraud, duress, incompetency, incapacity or impersonation
- Defective recording of any document
- Unmarketability of title
- Lack of a right of access to and from the land

CLTA

- Mechanic's lien protection for work or materials done prior to the policy date except where the insured has agreed to same
- Order removal of the residential structure because it extends onto other land, an easement shown as an exception to the policy, any unrecorded subsurface easement, or it violates an enforceable CC&R or zoning ordinance
- Unrecorded liens by the homeowner's association
- Others have rights arising out of leases, contracts, or options
- Someone else has an easement on your land
- Plain language

ALTA-R

- Building permit violations (from prior owners)
- Subdivision map coverage
- Restrictive covenant violations (from prior owners)
- Enhanced access feature
- Map inconsistencies protection
- Mineral extraction structure damage
- Post policy encroachment
- Post policy forgery
- Living trust coverage
- Automatic policy increase
- Post policy adverse possessions
- Post policy easement by prescription
- Encroachment of boundary walls or fences

Homeowner's Plus

*Please refer to a full copy of the title policies for exceptions, deductibles and other terms that may apply to these coverages.*



# The Loan Process

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## Step 1. The Application

The key to the loan process going smoothly is the initial application interview. At this time, the lender obtains all pertinent documentation so unnecessary problems and delays may be avoided. The Realtor opens escrow with Fidelity National Title at this time as well.

## Step 2. Requesting Documentation

Within 24 hours of application, the lender requests a credit report, an appraisal on the property, verifications of employment, mortgage or landlord ratings, a preliminary title report, picture ID, W2s (2 yrs) Certificate of Eligibility and DD214 (VA only), and any other necessary supporting documentation.

## Step 3. Loan Submission

Once all the necessary documentation is in, your loan processor will put the loan package together and submit it to the underwriter for approval.

## Step 4. Loan Approval

Loan approval generally takes anywhere from 24 to 72 hours. All parties are notified of the approval and any loan conditions must be received before the loan can close.

## Step 5. Documents are Drawn

Within 1 to 3 days after the loan approval, the loan documents (including the note and deed of trust) are completed and sent to Fidelity National Title. Your Escrow Officer will either call you directly or have your realtor make the appointment with you to come in and sign all the documents. At this time, you will be informed as to how much money, if any, you will need to bring in to close the escrow.

## Step 6. Funding

Once you, the buyers have signed the loan documents, they will be returned to the lender, who then reviews the package. If all the forms have been properly executed, the funds will be transferred by wire.

## Step 7. Recordation

When Fidelity National Title receives the funds from your lender, your Escrow Officer will authorize recordation of your signed documents with the County Recorder. He/She will then prepare a final settlement statement, disburse the proceeds to the seller, pay off the existing encumbrances and other obligations.

## Step 8. You are on record! Congratulations, you have your dream home!



In order to expedite the mortgage loan process, please be sure you bring everything applicable on this list to make your appointment and the loan process as smooth as possible.

- Copy of Sales Contract (on the purchase of your new home).
- Copy of Sales Contract and certified copy of Closing Statement (on the sale of your present home).
- Residence History
  - Past 24 months of residence with complete addresses.
  - Length of time you lived at each residence.
  - Name of landlord and his/her address (if currently renting).
- Employment History
  - Employers for the past two years with complete addresses.
  - Dates of employment for each place.
  - W-2s of most recent two years.
  - Most recent two year's tax returns (with all schedules).
  - Year-to-date profit and loss statement and current balance sheet (if self-employed).
  - If there have been any gaps in your employment, be prepared to explain.
- Copies of most recent monthly statement for all loans or credit card balances.
- Accounts
  - Copies of most recent three month's bank statements for all accounts, stock brokerages, mutual fund, IRAs, pensions, etc.
- Current Real Estate
  - Property addresses.
  - Estimated market values.
  - Outstanding loan balances (bring copy of most recent loan statement).
  - Amount of monthly payment for each property
  - Amount of monthly rental income, if any (copy of any rental agreements).
- Personal Property
  - Net cash value of your life insurance.
  - Year, make and value of all vehicles.
  - Value of your furniture and personal property.
- If applicable, for the following:
  - Copy of divorce papers.
  - Certificate of eligibility & DD214 (for VA only).
  - Copy of driver's license and Social Security Card (for FHA only).



# Concurrent Co-Ownership Interests

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	Parties	Division of Interest	Title	Possession	Conveyance
<b>Community Property</b>	Only Husband and Wife	Ownership & management of property is equal	Title is in the community & each interest is separate but management is unified	Both co-owners have equal management and control	Require written consent of other spouse or actual conveyance by deed. Separate interest is devisable by will.
<b>Community Property w/ right of survivorship</b>	Only Husband & Wife should sign the acquisition deed to accept this special form of vesting title	Ownership & management of property is equal	Title is in the community subject to special survivorship right	Both co-owners have equal management and control	Require both spouses to join for valid conveyance except for security for attorney fees
<b>Joint Tenancy</b>	Any number of persons. Can be Husband & Wife alone or with others- no corporations- no partnerships	Interests are equal and undivided. Yet each person controls his/her own interest.	Ownership is joint. Sale by one severs tenancy as to others	Equal right of possession	Conveyance by one owner severs the joint tenancy- but only as to that owner's interest
<b>Tenancy in common</b>	Any number of persons and/or corporations and partnerships	Ownership can be divided into any number of interests- equal or unequal	Each co-owner has a separate legal title to his/her undivided interest	Equal right of possession	Each co-owner's interest may be conveyed separately by its owner
<b>Partnerships</b>	Any number of persons and/or corporations & partnerships MUST be at least two	Each partner's share is personal property in partnership entity	Ownership is by partnership entity only	Possession by partnership by managing partner(s)	Conveyance MUST be by designated general partners. All limited partners need to consent if sale is 100% of assets
<b>Trust Arrangements</b>	Any individual, group, partnership of corporations. Other special requirements	Ownership is a personal property interest & can be divided into any number of interests	Title is held by trustee or trustees pursuant to the trust agreement	Depends on provision in trust agreement	Designated parties in the trust instrument authorize the trustee to convey property. Also a beneficiary's interest may be sold separately (as personal property) unless restricted
<b>Community Property Trusts</b>	Only Husband & Wife	Property retains its character of community property	Title is held by trustee or trustees pursuant to the trust agreement	Depends on provision in trust agreement	By the trustee pursuant to the powers contained in the trust instrument

**Disclaimer:** The comparisons shown above are provided for informational purposes only. This chart should NOT be used to determine how you acquire your ownership in the property. It is strongly recommended that you seek professional advice from an attorney and/or your tax advisor to determine the legal and tax consequences of how your title should be vested.

	<b>Purchaser's Status</b>	<b>Effect of Death</b>	<b>Successors' Status</b>	<b>Creditor's Rights</b>	<b>Presumptions</b>
<b>Community Property</b>	Purchaser can only acquire 100% of title of community. Both spouses must consent or convey. Cannot be a co-owner with his/her spouse	On the death of the first spouse, half interest belongs to the surviving spouse. Other half interest is devisable by will, or passes by succession under probate statutes	If the first spouse's interest is devised by will or passes by succession, remaining spouse and devisees or heirs hold title as tenants in common	Property of the community is liable for debts of either spouse made before or during marriage. Entire property may be sold at execution sale to satisfy debt of either spouse	Strong presumption that any property acquired by either husband or wife during marriage is community property
<b>Community Property w/ right of survivorship</b>	Purchaser can only acquire 100% of the title. Both spouses must convey. Cannot be a co-owner with his/her spouse.	On the death of the first spouse, the individual half interest passes to the surviving spouse, just the same as joint tenancy. No separate interest is devisable by will.	Due to surviving right, the surviving spouse owns 100% of the title	Property of the community is liable for debts of either spouse made before or during marriage. Entire property may be sold at execution sale to satisfy debt of either spouse	Property is specifically stated in the deed to be community property with right of survivorship
<b>Joint Tenancy</b>	Purchaser will become a tenant in common with the other co-owners in the property as to the purchaser's interest. Other owners may remain joint tenants.	Upon each owner's death, his/her interest passes to the remaining survivors by operation of law. Such interests are not devisable by will	Unless joint tenancy is broken, last surviving joint tenant owns entire property interest, which is now devisable by will	Each owner is subjected to execution sale to satisfy debt. Joint tenancy is broken. Buyer at sale (usually Creditor) becomes tenant in common with other owners.	Must be expressly stated that property acquired as joint tenancy
<b>Tenancy in common</b>	Purchaser will become a tenant in common with the other co-owners in the property	Each owner's interest is devisable by will or passes by succession under probate statutes. No right of survivorship	Heirs or devisee become tenants in common with other owners	Each owner's interest is subject to execution sale. Buyer at sale (usually Creditor) becomes tenant in common with other owners	When conveyance is unclear, tenancy in common is presumed, unless community property presumptions apply
<b>Partnerships</b>	Purchaser acquires interest that partnership owned	Partner's share in partnership is devisable by will or succession under probate statutes. May cause a dissolution of partnership dependent on terms of partnership agreement	Heirs or devisee have rights in partnership interest but not in specific property	Partnership real property only subject to execution sale by partnership creditor. If debt of individual partner, only that Partner's share (personal property) is subject to execution sale	Should be clear from conveyance that grantees have status. If not, could be found to be tenants in common
<b>Trust Arrangements</b>	Purchaser acquires interest held by the trustee. Beneficiary's interest may be conveyed separately (as personal property) unless restricted	Depends on terms of trust instrument. Death of trustee may terminate or convert trust to other arrangements. Successor beneficiaries may be named in the trust instrument	Depends on terms of trust instrument. Trust may terminate or other trust arrangements may be created	Creditor needs to obtain a final court order for any execution sale of the beneficial interest of an order to have specific trust property to be sold to satisfy the debt	Trust arrangement is ONLY created by written instrument. Conveyance MUST be to trustee of the trust. The trust itself is NOT a legal entity capable of holding title
<b>Community Property Trusts</b>	Purchaser acquires the interest held by the trustee	Trust instrument may provide for distribution on death of first spouse's half interest. May be devisable by will. Surviving spouse may elect to have his/her interest put under testamentary trust. Seek advice of counsel	Distribution depends on the terms of the trust instrument	Creditor needs to obtain final court order for execution sale to satisfy debts of either or both spouses	Property is still presumed to be community property. Status may change upon death, dissolution of marriage, revocation of the trust

**Disclaimer:** The comparisons shown above are provided for informational purposes only. This chart should NOT be used to determine how you acquire your ownership in the property. It is strongly recommended that you seek professional advice from an attorney and/or your tax advisor to determine the legal and tax consequences of how your title should be vested.



# Important Real Property Tax Dates

Fidelity National Title

- **January 1**

Assessment 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 10th falls on a weekend or holiday, taxes are not delinquent until 5 p.m. the next business day.

- **January 1**

Calendar year begins.

- **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 \$10 administrative charge attaches. If April 10th 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 30th 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.

## Annual Property Tax Bills are Collected in Two Installments:

- 1st Installment: July through December (due Nov. 1st and late Dec. 10th)
- 2nd Installment: January through June (due Feb. 1st and late April 10th)

If You Close...	Buyer Will Owe	If Taxes Are Current...
Jan 1	6 months	of 2nd installment
Feb 1	5 months	of 2nd installment
Mar 1	4 months	of 2nd installment
Apr 1	3 months	of 2nd installment
May 1	2 months	of 2nd installment
Jun 1	1 month	of 2nd installment
Jul 1	6 months	of 1st installment
Aug 1	5 months	of 1st installment
Sept 1	4 months	of 1st installment
Oct 1	3 months	of 1st installment
Nov 1	2 months	of 1st installment
Dec 1	1 month	of 1st installment

**Buyer**

If You Close...	Seller Will Owe	If Taxes Are Current...
Jan 1	6 months	of 1st installment
Feb 1	1 month	of 2nd installment
Mar 1	2 months	of 2nd installment
Apr 1	3 months	of 2nd installment
May 1	4 months	of 2nd installment
Jun 1	5 months	of 2nd installment
Jul 1	6 months	of 2nd installment
Aug 1	1 month	of 1st installment
Sept 1	2 months	of 1st installment
Oct 1	3 months	of 1st installment
Nov 1	4 months	of 1st installment
Dec 1	5 months	of 1st installment

**Seller**

Month Recorded	1st Payment Due	Est. Tax Reserve	Status of Taxes
January	March 1	5 months	1st Inst. Paid
February	April 1	1 month	Both Inst. Paid
March	May 1	1 month	Both Inst. Paid
April	June 1	2 months	Both Inst. Paid
May	July 1	3 months	Both Inst. Paid
June	August 1	4 months	Both Inst. Paid
July	September 1	5 months	Paid thru June 30
August	October 1	6 months	Paid thru June 30
September	November 1	7 months	Paid thru June 30
October	December 1	6 months	2 mo if 1st Paid
November	January 1	3 months	1st Inst. Paid
December	February 1	4 months	1st Inst. Paid

**Lender Required  
Prepaid Impounds**



# Advantages to Having a Fidelity National Title Home Warranty

Fidelity National Title

## **What is a Home Warranty?**

A home warranty ensures and covers unknown pre-existing conditions on mechanical, electrical and plumbing parts and systems of a house for one year. The policy is renewable at the end of the year. A Spanish version of the policy is available upon request.

## **If I'm buying a home, why should I insist on a Fidelity National Home Warranty?**

A home with a Fidelity National Home Warranty policy provides you with additional protection and peace of mind. Fidelity National Home Warranty provides you with more options to choose from at a competitive price. Fidelity National Home Warranty is part of the nationwide Fidelity National Financial traded on the New York Stock Exchange (symbol FNF)

## **What type of coverage is available?**

There are several policies and options to choose from with Fidelity National Home Warranty. Review the application to select the best coverage for you. The Standard Plan offers a basic coverage. Whereas, the Comprehensive Plus Plan covers 29 additional items plus Air Conditioning/Evaporative Cooler. Fidelity National Home Warranty also offers a Condominium/Townhouse Plan and a Mobile Home Plan. Review the application to choose options that you may consider important.

## **When is the Home Warranty put into effect?**

At the close of escrow payment is due to the home warranty company. Your Escrow Officer will have the information and the invoice showing which type of coverage you have requested.

## **If I'm selling a home, Why should I provide a Home Warranty?**

Providing Fidelity National Home Warranty as an incentive to the buyer may be the edge you may need to sell your home versus another home without a home warranty. You are also eligible to receive Home Warranty coverage during the listing period. Ask your agent or lender for a copy of the seller's coverage option. In addition you'll be able to provide this to your buyer at a competitive price.

For an application or additional questions, please contact  
Fidelity National Home Warranty at 1.800.308.1422

## Sellers Generally Pay...

- Real Estate Commission
- Document Preparation Fee for Deed
- Document Transfer Tax (\$1.10 per \$1,000 sales price)
- Any City Transfer/Conveyance Tax (according to contract)
- Any Loan Fees required by buyer's lender
- Payoff of all loans in sellers' name (or existing loan balance if being assumed by buyer)
- Interest accrued to lender being paid off
- Statement fees, Reconveyance Fees and any loan Prepayment Penalties
- Termite Inspection and work (according to contract)
- Home Warranty (according to contract)
- Any judgements, tax liens, etc., against the seller and Recording Charges to clear all documents of record against seller
- Tax Proration (for any unpaid taxes up to time of transfer of title)
- Any unpaid Homeowner's Dues
- Homeowner's Association Document Fee
- Any bonds or assessments (according to contract)
- Any and all delinquent taxes
- Notary Fees
- Courier Fees

## Buyers Generally Pay...

- Title Insurance Premiums\*
- Escrow Fee\*
- Notary Fees
- Recording charges for all documents in buyer's name
- Termite inspection (according to contract)
- Tax Proration (from date of acquisition)
- Homeowner's Transfer Fee
- All new loan charges (except those required by lender for seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment
- Assumption/Change of Records fees for take over of existing loan
- Beneficiary Statement Fee for assumption of existing loan
- Inspection Fees (roof, property inspection, geological, etc.)
- City Transfer/Conveyance Tax (according to contract)
- Fire Insurance Premium for the first year
- Notary Fees
- Courier Fees

*\*These items might not apply to your County. Some counties split their title and escrow fees between the Seller and Buyers. While some counties, the Sellers are responsible for paying the title insurance (CLTA policy) and escrow fees and the Buyers pay the title insurance (ALTA policy). Please check with your Fidelity National Title Sales Representative for this information.*



# What Closing Costs Are All About

Fidelity National Title

Closing costs or settlement costs are an accumulation of separate charges paid to different entities for the professional services associated with the buying and selling of real estate.

Some of the items associated with the closing costs are:

## **Title Insurance Premium**

Fee paid by an individual to ensure he has a marketable title or (in case of a lender) to ensure its lien position.

## **Real Estate Commission**

Fee paid to a real estate company for services rendered in listing, showing, selling and consummating the transfer of property.

## **Transfer and Assumption Charges**

Fees charged by a lender to allow a new purchaser to assume an existing loan.

## **Recording Fees**

Fees assessed by a county recorder's office for recording the documents of a real estate transaction.

## **Loan Fees**

Fees charged by a lender in connection with the processing of a new loan. These may include points, origination fee and credit report.

## **Escrow Fees**

Fees charged by a title and/or escrow company for services rendered in preparing documents necessary in the consummation of a real estate transaction.

## **Additional Settlement**

Taxes, insurance, impounds, interest prorations and termite inspection fees.

*Your Fidelity National Title Escrow Officer will be happy to review the above and other closing costs with you and explain them before you finalize your transaction and take ownership of your property.*

### **Title Insurance**

Just how much is the title insurance going to cost you? Not as much as you probably think. Only a small percentage of closing fees are actually for title insurance protection. Title insurance is usually less than 1 percent of the purchase price of your property and less than 10 percent of your total closing costs.

Although title insurance is a highly labor-intensive business, requiring skilled personnel and the storage of data, in some cases dating back over a hundred years, we at Fidelity National Title have continued to find new more efficient ways of delivering our services to you.

We encourage you to compare title insurance rates. We think you will find that Fidelity National Title's rates are among the most favorable in the title insurance industry.

For more information, contact your Fidelity National Title Sales Representative.



Listed below are some typical closing costs you, as the buyer, may incur as part of your loan transaction. When you apply for a loan, you will receive a Good Faith Estimate of closing costs and settlement charges, along with a booklet that will explain these costs.

### **Appraisal:**

This is a one time fee that pays for an appraisal - a statement of property value for the lender. The appraisal is made by an independent fee appraiser.

### **Credit Report Fee:**

A one time fee that covers the cost of the credit report.

### **Loan Discount:**

A one time fee used to adjust the yield on the loan to what market conditions demand. It is often called "points".

### **Loan Origination Fee:**

The lender's administrative costs in processing the loan are covered by this fee.

### **PMI Premium:**

You might be required to pay an up front fee for mortgage insurance, depending on the amount of your down payment. Lenders may also require monies be placed into a reserve account held by them.

### **Prepaid Interest:**

Depending on the time of month your loan closes, this per diem charge may vary from a full month's interest to just a few days. If your loan closes at the beginning of the month, you will probably have to pay the maximum amount if your loan closes at the end of the month, you will only have to pay a few days interest.

### **Taxes and Hazard Insurance:**

You may be required to reimburse the seller for property taxes, prorated depending on the month in which you close. You will also need to pay a year's hazard insurance premium up front. Also, you might be required to put a certain amount for taxes and impounds into a special reserve account held by the lender.

### **Title Insurance Fees:**

There are two title policies, a lender's policy (which protects the lender against loss due to defects in the title) and a buyers' title policy (which protects you). These are both one time fees.

### **Escrow Fee:**

Fee charged by the title company to handle funds and documents of buyers and sellers.

- Notary Fees: State established fee of \$10.00 per signature.
- Recording Fees: Fee paid to county to record documents.
- Inspections Fees: Fees charged for various inspections of said property.
- Home Warranty Plan: Optional Warranty Package that pays for repair/replacement of home's major systems and appliances.
- Disclosure Source: Optional. Consult your Realtor.



# Moving Checklist

Fidelity National Title

Planning and preparing down to the last few details will make your move easier. The following schedule will help keep you on track.

## 8 Weeks Before the Move

If you are using a professional mover, get estimates from different moving companies and choose the one that best suits your needs. If you are moving yourself, get estimates from the truck rental companies. Be sure to reserve in advance. Draw a floor plan of your new house. This will help you decide what furniture stays and what furniture will go. Use up things that can't be moved - such as food in your freezer and flammable household aerosol cleaning products. Ask your agent for a relocation package for your new location or contact the Chamber of Commerce in your new location and start gathering information about your new hometown.

## 6 Weeks Before the Move

Discuss costs, insurance, packing, loading, delivery, and the claims procedure with your mover. Inventory all of your possessions now. Determine what can be sold and what can be donated for a tax deduction to charity. Get copies of your records from doctors, dentists, lawyers, accountants, and veterinarians, etc. Make arrangements to transfer your children's schools records. Find out from your accountant or the IRS about tax-deductible moving expenses. Make sure you keep accurate records.

## 4 Weeks Before the Move

If you have contracted to have the mover do all the packing for you, arrange to have this task completed a day or two before loading the truck. If you need it, arrange for storage. Clean or repair furniture, curtains or carpets that need it. Hold a garage sale. Use the extra cash to splurge a little on your new place. If you are moving yourself, figure out how many boxes you'll need. Many truck rental companies will provide this service.

## 3 Weeks Before the Move

- Assemble packing materials
- Furniture pads
- Hand truck
- Dolly
- Packing tape
- Bubble wrap
- Crumpled newspapers
- Scissors
- Utility knife
- Large self-stick labels
- Felt tip markers
- Boxes and more boxes
- Arrange to cancel utilities and services at your old home and have them installed at your new home.
- Make travel and hotel reservations.
- Begin packing items you don't need.
- Don't pack too much weight in an unreinforced box.
- Make sure your cell phone works in your new neighborhood.
- Get car license, registration, and insurance in order, as necessary.

## **2 Weeks Before the Move**

Arrange to transfer all your bank accounts to new branch locations.  
Make any special arrangements to move pets, such as purchasing airlines reservations and traveling containers.  
Consult your veterinarian about how to make moving easier on your pet.  
Have your car checked and serviced for the trip. Make sure tires are in good shape and all fluids are at adequate levels.  
Cancel any direct deposit or automatic payments arrangements on bank accounts that you are closing.  
Cancel delivery services.

## **1 Week Before the Move**

Transfer all medical prescriptions to pharmacy in your new location.  
If you will need a baby-sitter, arrange for moving day service.  
Return library books and videotapes.

## **2 of 3 Days Before the Move**

Defrost your refrigerator and freezer.  
Have the movers pack your shipment.  
Arrange to have cash, a certified check, or money order ready to pay the driver on delivery day.  
Set aside valuables and legal documents to go with you, not on the moving van.  
Pack clothes and toiletries to go with you; take a day or two of extra clothes in case of delay.  
Pack your first day handy items box (see delivery day) to go with you.

## **Moving Day**

Do it yourself movers should pick up truck early.  
Make a list of every item and box loaded onto the truck.  
Let the mover know where you can be reached.  
Before your sign it, read the bill of lading. Keep it in a safe place until your goods are delivered, charges are paid, and any claims settled.  
Check your old house to make sure you've turned off appliances and the water.  
Leave the keys and garage door openers in the house.  
Lock all doors and windows.  
Be on hand to answer questions and give directions to mover.

## **Delivery Day**

- Assemble First Day Handy Items
- Scissors
- Utility Knife
- Coffee Cups
- Tea kettle/Coffee Maker
- Paper plates
- Toilet Paper
- Instant coffee/tea/soft drinks
- Shelf liner
- Check off all boxes and items as they come off the truck.
- Install new locks
- Make sure the utilities are hooked up.
- Unpack the kids' toys and pets' toys.
- Soap
- Pencils & Paper
- Local phone book
- Masking tape
- Bath Towels
- Trash Bags
- Toiletries kit



# Glossary

Fidelity National Title

*These definitions are to acquaint you with terms commonly used in Real Estate transactions. These are intended to be general and brief and are not complete and wholly accurate when applied to all possible uses of the term. Please consult your Real Estate Agent for more information or questions regarding these terms.*

**Acceleration Clause** - A clause in a Deed of Trust or Note that accelerates or hastens the time when the debt becomes due. For example, most Deeds of Trust of loans contain a provision that the Note shall become due immediately upon the sale or transfer of title of the loan, or upon failure to pay an installment of principal or interest. This is also called a due on sale clause.

**Adjustable Rate Mortgage** - A mortgage instrument with an interest rate that is periodically adjusted to follow a preselected published index. The interest rate is adjusted at certain intervals during the loan period.

**Agency** - Any relationship in which one party (agent) acts for or represents another (principal) under the authority of the principal. Agency involving real property should be in writing, such as listing, trust, powers of attorney, etc.

**Amortization** - Payment of debt in regular, periodic installments of principal and interest, as opposed to interest only payments.

**Appraisal** - An opinion of value based on factual analysis. Legally, an estimation of value by two discriminated persons of suitable qualifications.

**APR (Annual Percentage Rate)** - The yearly interest percentage of a loan, as expressed by the actual rate of interest paid. The APR is disclosed as a requirement of Federal Truth in Lending Statutes.

**Assessed Value** - Value placed upon property for property tax purposes by the Tax Collector.

**Assessment** - A levy against property in addition to general taxes. Usually for improvements such as streets, sewers, etc.

**Assumption of Mortgage** - Agreement by a buyer to assume the liability under an existing note secured by a mortgage or Deed of Trust. The lender usually must approve the new debtor in order to release the existing debtor (usually the seller) for liability.

**Balloon Note** - A note calling for periodic payments which are insufficient to fully amortize the face amount of the note prior to maturity, so that a principal sum known as a "balloon" is due at maturity.

**Beneficiary** - (1) One for whose benefit a trust is created. (2) In states in which deeds of trust are commonly used instead of mortgages, the lender (mortgagee) is called the beneficiary.

**Borrower** - One who borrows funds, with the express or implied intention of repaying the loan in full, or giving the equivalent.

**Breach of Contract** - Failure to perform a contract, in whole or in part, without legal excuse.

**Broker, Real Estate** - One who is licensed by the state to carry on the business of dealing in real estate. A broker may receive a commission for his/her part in bringing together a buyer and seller, landlord and tenant, or parties to an exchange.

**Buy Down** - A fixed rate loan where the interest rate and payment are reduced for a specific period of time by paying the interest up front to subsidize the lower payment.

**Cal-Vet Loans** - Real estate loans available to Armed Forces Veterans from California, at low interest rates.

**Chain of Title** - The chronological order of conveyances of a parcel of land, from the original owner to the present owner.

**Clear Title** - Real property against which there are no liens, especially involuntary liens (mortgages).

**Closing** - In real estate sales, the final procedure in which documents are executed and/or recorded, and the sale (or loan) is completed.

**Closing Costs** - Expenses incidental to a sale of real estate, such as loan fees, appraisal fees, etc.

**Closing Statement** - The statement which lists the financial settlement between buyer and seller, and the costs each must pay.

**Cloud on Title** - An invalid encumbrance on real property, which, if valid, would affect the rights of the owner. For example: **(A)** sells lot 1, tract 1, to **(B)**. The deed is mistakenly drawn to read Lot 2, tract 1. A cloud is created on lot 2 by the recording of the erroneous deed. The cloud may be removed by quitclaim deed, or if necessary, by court action.

**Community Home Buyers' Program** - A fixed rate loan with a low 3 to 5% down payment, no cash reserve requirement, and easier qualifying ratios. Subject to borrower meeting income limits and attendance of a 4 hour training course on home ownership.

**Consideration** - Anything which is, legally, of value, and induces one to enter into a contract.

**Conventional Mortgage** - A mortgage or Deed of Trust not obtained under a government insured program such as FHA or VA.

**Conveyance** - Transfer of title to land. Includes most instruments by which an interest in real estate is created, mortgaged or assigned.

**Covenants, Conditions, and Restrictions (CC&Rs)** - A term used in some areas to describe the restrictive limitations which may be placed on property.

**Deed** - Generally, an instrument given to pass fee title or easement to property that has to be recorded with the County Recorder.

**Deed of Trust** - An Instrument used in many states in place of a mortgage. Property is transferred to a trustee by the borrower (trustor), in favor of the lender (beneficiary), and reconveyed upon payment in full.

**Deposit** - Money given by the buyer with an offer to purchase. Shows good faith. Also called earnest money.

**Discount Points** - A negotiable fee paid to the lender to secure financing for the buyer. Discount points are up front charges to reduce the interest rate on the loan over the life or a portion of the loan's term. One discount point equals one percent of the loan amount.



**Disposable Income** - Monthly income left over after fixed obligations and living expenses are paid for that period.

**Documentary Transfer Tax** - A state tax on the sale of real property, based on the sale price.

**Down Payment** - Cash portion of the purchase price paid by a buyer from his/her own funds.

**Encumbrance** - A claim, lien, charge, or liability attached to and binding real property. Any right to, or interest in, land which may exist in one other than the owner, but which will not prevent the transfer of fee title.

**Equity** - The market value of real property, less the amount of existing liens.

**Execute** - To put into effect: carry out. To make valid, as by signing a deed.

**Fair Credit Reporting Act** - A Federal law giving one the right to see his/her credit report so that errors may be corrected. A lender refusing credit based on a credit report must inform the buyer which company issued the report. The buyer may see the report without charge if refused credit.

**Federal Home Loan Banks** - A system of 11 regional banks established by the Home Loan Bank Act of 1932 in order to keep a permanent supply of money available for home financing.

**Fee Simple** - An estate under which the owner is entitled to unrestricted powers to dispose of the property, and which can be left by will or inherited. Commonly, a synonym for ownership.

**F.H.A. (Federal Housing Administration)** - A Federal Agency which insures first mortgages, enabling lenders to loan a very high percentage of the sale price.

**FHLMC (Freddie Mac)** - Federal Home Loan Mortgage Corporation. A Federal Agency purchasing first mortgages, both conventional and federal insured, from members of the Federal Reserve System and the Federal Home Loan Bank System.

**First Mortgage** - A mortgage having priority over all other voluntary liens against the property it is liening on.

**Fixed Rate Mortgage** - A mortgage having a rate of interest which remains the same for the life of the mortgage.

**Flood Insurance** - Insurance indemnifying banks against loss by flood damage. Required by lenders (usually banks) in areas designated (federally) as potential flood areas. The insurance is private but federally subsidized.

**FNMA (Fannie Mae)** - Federal National Mortgage Association. A private corporation dealing in the purchase of first mortgages, at discounts.

**GNMA (Ginnie Mae)** - Government National Mortgage Association. A Federal Association, working with F.H.A., which offers special assistance in obtaining mortgages, and purchases mortgages in a secondary capacity.

**Good Faith** - Having good intentions, such as a buyer putting a deposit for a house or when a lender discloses all information/costs to the loan.

**Grant Deed** - One of the many types of deeds used to transfer real property. Grantee - one to whom a grant is made, generally the buyer. Grantor - one who grants property or property rights.

**Hazard Insurance** - Real Estate insurance protecting against loss caused by fire, natural causes, vandalism, etc., depending upon the terms of the policy.

**Homeowner's Association** - (1) An association of people who own homes in a given area, formed for the purpose of improving or maintaining the quality of the area. (2) An Association formed by the builder of condominiums of planned developments, and required by statute in some states. The builder's participation as well as the duties of the association are controlled by statute.

**Homeowner's Insurance** - Includes the coverage of Hazard Insurance plus added coverage such as personal liability, theft outside of the home (items stolen from the insured's car), and other such coverage.

**Housing Starts** - Number of houses on which construction has begun. The figures are used to determine the availability, housing, need for real estate loans, need for labor and materials, etc.

**Impound Account** - Account held by lender for payment of taxes, insurance, or other periodic debts against real property. The borrower pays a portion of, for example, the yearly taxes, with each monthly payment. The lender pays the tax bill from the accumulated funds.

**Index** - An index used to adjust the interest rate of an adjustable rate mortgage loan. For example: the change in U.S. Treasury securities (T-bills) with a 1 year maturity. The weekly average yield on securities, adjusted to a constant maturity of one year, which is the result of weekly sales, may be obtained weekly. This change in interest rates is the "index" for the change in the specific adjustable rate mortgage.

**Instrument** - A legal document, such as a deed, mortgage, will, lease, etc.

**Interest Rate** - The percentage of an amount of money which is paid in order to borrow money for a specified amount of time.

**Interest Rate Cap** - The maximum interest rate increase of an adjustable rate loan. For example: 6% loan with a 5% interest rate cap would have a maximum interest for the life of the loan which would not exceed 11%.

**Joint Tenancy** - An undivided interest in property, taken by two or more joint tenants. The interests must be equal, occurring under the same conveyance, and beginning at the same time. Upon the death of a joint tenant, the interest passes to the surviving joint tenants, rather than to the heirs of the deceased.

**Late Charge** - A charge to the borrower for failure to pay an installment payment on time.

**Lease** - An agreement by which an owner of real property gives the right of possession to another for a specified period of time and for a specified consideration (rent). Title does not pass.

**Legal Description** - A method of geographically identifying a parcel of land, which is acceptable in a court of law. A description of a parcel of land sufficient to identify the property such as a lot and tract number.



**Lien** - An encumbrance against property for money, either voluntary or involuntary. All liens are encumbrances but all encumbrances are not liens.

**Lis Pendens** - A legal notice recorded to show pending litigation relating to real property, and giving notice that anyone acquiring an interest in said property subsequent to the date of the notice may be bound by the outcome of the litigation.

**Loan Origination Fee** - A one time set up fee charged by a lender.

**Loan Package** - The file of all items necessary for the lender to decide to give or not to give a loan. These items would include the information on the prospective borrower (loan application, credit report, financial statement, employment letters, etc.) and information on the property (appraisal, survey, etc.).

**Maintenance Reserve** - Money reserved to cover anticipated maintenance costs.

**Maker** - One who executes (signs) as the maker (borrower) of a note.

**Marketability** - Saleability. The probability of selling property at a specific time, price and terms.

**Marketable Title** - Title which can be readily marketed (sold) to a reasonably prudent purchaser aware of the facts and their legal meaning concerning liens and encumbrances.

**Market Price** - The price a property brings in a given market. Commonly used interchangeably with market value, although not truly the same.

**Material Fact** - A fact upon which an agreement is based, and without which, said agreement would not be made.

**Maturity** - (1) Termination period of a note. For example: A 30 year mortgage has a maturity of 30 years.

**Mechanic's Lien** - A lien created by statute for the purpose of securing priority of payment for the price or value of work performed and materials furnished in construction or repair of improvements to land, and which attaches to the land as well as the improvements.

**Moisture Barrier** - Insulating materials used to prevent the build up of moisture (condensation) in walls and other parts of a building.

**Mortgage** - The party lending the money and receiving the mortgage. Some state treat the mortgagee as the "legal" owner, entitled to rents from the property. Other state treat the mortgage as a secured creditor, the mortgagor being the owner. The latter is the more modern and accepted view.

**Mortgage Credit Certificate (MCC) Program** - A first time home buyer program subject to purchase price and income limits and limited to certain counties. The MCC program is actually a special tax credit and assists buyers in qualifying on almost any loan program.

**Mortgage Insurance** - Insurance written by an independent mortgage insurance company protecting the mortgage lender against loss incurred by a mortgage default, thus enabling the lender to lend a higher percentage of the sale price. The Federal government writes this form of insurance through the FHA and VA.



**Mortgagor** - The party who borrows the money and gives the mortgage.

**Multiple Listing** - An exclusive listing, submitted to all members of an association, so that each may have an opportunity to sell the property.

**Note** - A unilateral agreement containing an express and absolute promise of the signer to pay to a named person, or order, or bearer, a definite sum of money at a specified date or on demand. It usually provides for interest and is generally secured by mortgage or trust deed.

**Notice of Action** - A recorded notice that real property may be subject to a lien, or even that the title is defective, due to pending litigation. Notice of a pending suit, also called "Lis Pendens".

**Notice of Cessation** - A notice stating that work has stopped on a construction project. Done to accelerate the period of filing a mechanic's lien.

**Notice of Completion** - A notice, recorded to show that a construction job is finished. The length of time in which mechanic's liens may be filed depends upon when and if a notice of completion is recorded.

**Notice of Default** - A notice filed to show that the borrower under a mortgage or deed of trust is in default (behind on the payments).

**Offer** - A presentation or proposal for acceptance, in order to form a contract. To be legally binding, an offer must be definite as to price and terms.

**Origination Fee** - A fee made by a lender for making a real estate loan. Usually a percentage of the amount loaned, such as one percent.

**Owner Occupied** - Property physically occupied by the owner.

**Ownership** - Rights to the use, enjoyment, and alienation of property, to the exclusion of others. Concerning real property, absolute rights are rare, being restricted by zoning laws, restrictions, liens, etc.

**Payment Cap** - A maximum amount for a payment under an Adjustable Mortgage Loan, regardless of the increase in the interest rate. If the payment is less than the interest alone, negative amortization is created.

**Payoff** - The payment in full of an existing loan or other lien.

**Personal Property** - Any property which is not designated by law as real property.

**Piggyback Loan** - A loan made jointly by two or more lenders on the same property under one mortgage or trust deed. One 90% loan, for example, may have one lender loaning 80% and another (subordinate) lender loaning the top 10% (high risk portion).

**PITI (Principal, Interest, Taxes and Insurance)** - Used to indicate what is included in a monthly payment on real property. Principal, interest, taxes (property) and insurance (hazard) are the four major portions of a usual monthly payment.



**Power of Attorney** - An authority by which one person (principal) enables another (attorney-in-fact) to act for him. (1) General power authorizes sale, mortgaging, etc., of all property of the principal. Invalid in some jurisdictions. (2) Special power specifies property, buyers, price and terms. How specific it must be varies in each state.

**Preliminary Title Report** - A report showing the condition of title before a sale or loan transaction. After completion of the transaction, a title insurance policy is issued.

**Prepaid Items** - Those expenses of property which are paid in advance and will usually be prorated upon sale, such as taxes, insurance, rent, etc.

**Prepayment Penalty** - A penalty under a note, mortgage, or deed of trust, imposed when the loan is paid before it is due.

**Principal** - (1) The person who gives authority to an agent or attorney. (2) Amount of debt, not including interest. The face value of a note, mortgage, etc.

**Private Mortgage Insurance** - Insurance against a loss by a lender in the event of default by a borrower (mortgagor). The insurance is similar to insurance by a government agency such as FHA, except that it is issued by a private insurance company. The premium is paid by the borrower and is included in the mortgage payment.

**Promisee** - One to whom a promise has been made, such as the lender under a promissory note.

**Promisor** - One who makes a promise. The borrower under a promissory note.

**Promissory Note** - A Promise in writing, and executed by the maker, to pay a specified amount during a limited time, or on demand, or at sight, to a named person, or on order, or to bearer.

**Proration** - To divide (prorate) property taxes, insurance premiums, rental income, etc., between buyer and seller proportionately to time of use, or the date of closing.

**Public Records** - Usually at a county level, the records of all documents which are necessary to give notice. The records are available to the public. All transactions for real estate should be recorded.

**Purchase Agreement** - An agreement between a buyer and seller of real property, setting forth the price and terms of the sale.

**Quitclaim Deed** - A deed operating as a release: intended to pass any title, interest, or claim which the grantor may have in the property, but not containing any warranty of a valid interest or title in the grantor.

**Real Estate** - (1) Land and anything permanently affixed to the land, such as buildings, fences, and those things attached to the buildings, such as light fixtures, plumbing and heating fixtures, or other such items which would be personal property if not attached. The term is generally synonymous with real property, although in some states a fine distinction may be made. (2) May refer to rights in real property as well as the property itself.

**Reconveyance** - An instrument used to transfer title from a trustee to the equitable owner of real estate, when title is held as collateral security for a debt. Most commonly used upon payment in full of a trust deed. Also called a deed of reconveyance or release.

**Recording** - Filing documents affecting real property as a matter of public record, giving notice to future purchasers, creditors, or their interested parties. Recording is controlled by statute and usually requires the witnessing and notarizing of an instrument to be recorded.

**Recording Fee** - The amount paid to the recorder's office in order to make a document a matter of public record.

**RESPA** - Real Estate Settlement Procedures Act. A Federal statute effective June 20, 1975, requiring disclosure of certain costs in the sale of residential (one to four family) improved property which is to be financed by a Federally insured lender.

**Right of Survivorship** - The right of a survivor of deceased person to the property of said deceased. A distinguishing characteristic of a joint tenancy relationship.

**Sales Contract** - Another name for a sales agreement; purchase agreement, etc.

**Second Mortgage** - A mortgage which ranks after a first mortgage in priority. Properties may have two, three, or more mortgages, deeds of trust, or land contracts, as liens at the same time. Legal priority would determine whether they are called a first, second, third, etc. lien.

**Septic System** - A sewage system, whereby waste is drained through pipes and a tile field (a system of clay tiles and gravel) into a septic tank. Found in areas where city or county sewers have not yet been installed.

**Septic Tank** - An underground tank into which a sanitary sewer drains from a building. The sewage is held until bacterial action changes the solids into liquids or gasses, which are then released in the ground.

**Simple Interest** - Interest computed on principal alone, as opposed to compound interest.

**Special Assignment** - Lien assessed against real property by a public authority to pay costs of public improvements (sidewalks, sewers, street lights, etc.) which directly benefits the assessed property.

**Specific Performance** - An action to compel the performance of a contract, when money damages for breach would not be satisfactory.

**Statement of Identity** - Also called Statement of Information, a confidential form filled out by buyer and seller to help a title company determine if any liens are recorded against either. Very helpful when people with common names are involved.

**Statute** - A law which comes from a legislative body. A written law, rather than law established by court cases.

**Subordinate** - To make subject to or junior to.

**Succession** - The passing of real property by will or inheritance, rather than by grant or deed or any other form of purchase.



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