



Strength | Expertise | Service

FOREIGN BUYER INFORMATION PACKAGE

Customary for the State of California



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OTHER RESOURCES:

www.ClickandMove.com - Directory of over 1,000,000 moving and relocation related services

www.Lowes.com/Moving - Special Savings for new home buyers, to-do-checklists and moving tips

www.greatschools.org - The premier online guide to K-12 schools

www.homefacts.com/schools

www.ipx1031.com - Investment Property Exchange Services and Information



Why Do You Need Title Insurance?

A lender goes to great lengths to minimize the risk of lending you the money you need to buy a home. First, your credit is checked as an indication of your ability to pay back your loan.

Then your lender goes a step further. He or she makes sure that the quality of the title to the property you are about to buy and which you will pledge as security for the loan is satisfactory. The lender does this by obtaining a lender's policy of title insurance.

The Lender's Policy Doesn't Protect You.

The lender's policy protects the lender against loss due to unknown title defects. It also protects the lender's interest from certain matters which may exist but not be knowable at the time of sale.

But this policy only protects the lender's interest. It does not protect you. That's why you need an owner's policy, which can be issued at the same time as the lender's policy for a nominal one-time fee.

What Danger Of Loss Can You Face?

If a lender has title insurance protection and you don't, what possible danger of loss can you face?

As an example, let's say you've bought a home for \$100,000. You've made a \$20,000 down payment, and your lender holds a \$80,000 mortgage lien or beneficial interest. Your lender has title insurance coverage protecting the lender's interest up to \$80,000. But your \$20,000 is not covered.

What if some matter arises affecting past ownership of the property? The title insurance company would only defend and protect the interest of the lender. You would have to assume the financial burden if your own legal defense. If your defense is not successful, the result could be a total loss of title.

The title insurance company pays the lender's loss and is entitled to take assignment of your debt. You are out of your down payment, other equity in the property which you have accumulated, and your home. And you still owe the remaining balance on your note.

How Can There Be A Title Defect If The Title Has Been Searched And A Loan Policy Issued?

Title insurance is issued after a careful examination of copies of the public records. But even the most thorough search cannot absolutely assure that no title hazards are present, despite the knowledge and experience of professional title examiners. In addition to matters shown by public records, other title problems may exist that cannot be disclosed in a search.

WHAT TITLE INSURANCE PROTECTS AGAINST

Here are just a few of the most common hidden risks that can cause a loss of title or create an encumbrance on title:

- False impersonation of the true owner of the property
 - Forged deeds, releases or wills
 - Undisclosed or missing heirs
 - Instruments executed under invalid or expired power of attorney
 - Mistakes in recording legal documents
 - Misinterpretations of wills
 - Deeds of persons of unsound mind
 - Deeds by minors
 - Deeds by persons supposedly single, but in fact married
 - Liens for unpaid estate, inheritance, income or gift taxes
 - Fraud
-

What Protection Does Title Insurance Provide Against Defects And Hidden Risks?

Title insurance will pay for defending against lawsuits attacking your title as insured, and will either clear up title problems or pay the insured's losses. For a one-time premium, an owner's title insurance policy remains in effect as long as you, or your heirs, retain an interest in the property, or have any obligation under a warranty in any conveyance of it. Owner's residential title insurance, issued simultaneously with a lender's policy, is the best title insurance value you can get.

By combining the expertise in risk elimination at the time of issuing a policy, and protection against hidden risks as long as the policy remains in effect, your title insurer protects against title loss.

What This Means To You.

The peace of mind in knowing that the investment you've made in your home is a safe one.

If you have any questions concerning title insurance coverage, please call a Chicago Title office. We are here to assist you.



Chicago Title's ALTA Homeowner's policy

Chicago Title is pleased to offer the most comprehensive coverage policy that benefits all three parties in a real estate transaction: Buyer, Seller, and the Real Estate Agent. Our ALTA Homeowner's Policy offer the most comprehensive title insurance coverage available.

HOMEOWNER'S POLICY

Coverage is for Single Family 1-4 Units

- ✓ Someone claims an interest in the title of your property
- ✓ Improperly signed documents
- ✓ Forgery, Fraud in Mortgages, and Duress in execution of wills, deeds and instruments conveying or establishing title
- ✓ Defective public recorded documents
- ✓ Restrictive Covenant Violations
- ✓ Liens on the title of your property because there are:
 - (a) Open deed(s) of trust
 - (b) Judgement, Tax or Special Tax Assessment
 - (c) Charge by HOA
- ✓ Unmarketable Title
- ✓ Lack of Right of Access to and from the Land
- ✓ Protection against any or all Mechanic's Liens
- ✓ Forced removal of structure because it:
 - (a) extends onto other land or other easement(s)
 - (b) violates a restriction in Schedule B
 - (c) violates an existing zoning law
- ✓ Cannot use land for SFD due to zoning or restrictions
- ✓ Unrecorded Lien by the HOA
- ✓ Unrecorded Easement(s)
- ✓ Interests arising by deeds of jctitious parties
- ✓ Pays rent for Substitute Land or Facilities
- ✓ Pre-existing violations of CC&Rs which someone is trying to force you to correct or remove.
- ✓ * Building Permit Violations - Forced Removal
- ✓ * Subdivision Map Act Violations
- ✓ * Zoning Violations - Forced Encroachment
- ✓ * Boundary Wall or Fence Encroachment
- ✓ Post-Policy Defect in Title
- ✓ Post-Policy Contract or Lease Rights
- ✓ Post-Policy Forgery
- ✓ Post-Policy Easement
- ✓ Post-Policy Limitation on use of land
- ✓ Post-Policy Damage from minerals or water extraction
- ✓ Post-Policy Living Trust Coverage
- ✓ Post-Policy Encroachment by Neighbor other than wall or fence
- ✓ Enhanced Access - Vehicular and Pedestrian
- ✓ Damage to Structure from use of easement
- ✓ Post-Policy Automatic increase in value up to 150%
- ✓ Post-Policy Correction of existing violation of covenant
- ✓ Post-Policy Prescriptive easement
- ✓ Street Address shown in policy not being located on the land described
- ✓ Map not consistent with Legal Description
- ✓ Violations of Building Setbacks
- ✓ Discriminatory Covenants
- ✓ Insurance Coverage lasts as long as you, the policyholder – or your heirs – has an interest in the insured property. This may even be after you have sold the property.

Why Chicago Title

Chicago Title is a member of the Fidelity National Financial family of companies and the nation's largest group of title companies and title insurance underwriters - Chicago Title Insurance Company, Commonwealth Land Title Insurance Company, Fidelity National Title Insurance Company and Alamo Title Insurance - that collectively issue more title insurance policies than any other title company in the United States. With assets of more than \$5.76 billion and \$1.64 billion in claims reserves, our financial strength gives you the security and protection you deserve.

For Absolute Assurance of your Title & Escrow Needs, Always insist on Chicago Title. Give us a call today!

* Subject to deductible and policy and maximum liability, which is less than the policy amount.

Understanding the Escrow Process

for the State of California

What is Escrow?

Buying or selling a home (or other piece of real property) usually involves the transfer of large sums of money. It is imperative that the transfer of these funds and related documents from one party to another be handled in a neutral, secure and knowledgeable manner. For the protection of buyer, seller and lender, the escrow process was developed.

As a buyer or seller, you want to be certain all conditions of sale have been met before property and money change hands. The technical definition of an escrow is a transaction where one party engaged in the sale, transfer or lease of real or personal property with another person delivers a written instrument, money or other items of value to a neutral third person, called an escrow agent or escrow holder. This third person holds the money or items for disbursement upon the happening of a specified event or the performance of a specified condition.

Neutral Third Party

Using the escrow holder as a common depository, the buyer and seller can proceed simultaneously in providing funds, deeds, inspection reports, insurance information and other documents. Both parties give written instructions, the requirements of which must be met before the transaction is complete, to an experienced escrow officer. Lenders also specify their conditions for completing the loan process. Provided that the instructions are clear and mutually consistent, the escrow officer, as a limited agent for all parties, saves time in the closing process.

Protection

The authority given to an escrow holder is strictly limited by instructions provided by the buyer and seller. The escrow officer is authorized by instructions to allocate funds for the items during the escrow period, such as real estate commissions, title insurance, liens, recording fees and other closing costs. Instructions also specify the method of collecting funds, proration of homeowners association dues and taxes and time limitations on settling transactions. The escrow process protects all parties involved by retaining money and documents until the mutual instructions are met.

Confidentiality is another important aspect of escrow. To effectively handle a transaction, your escrow officer must be instructed as to the required terms necessary to close. The officer will discuss escrow matters only with the parties directly involved, specifically the buyer, seller, lender and real estate agent. No one else has access to the information, except through proper legal procedures. The escrow officer retains impartiality and confidentiality concerning the real estate process.

Closing Escrow

Upon closing, the escrow holder causes the required documents to be recorded and disburses funds according to the instructions given to the escrow officer. Escrow fees are included in these costs and are based on the sale price of the property, the loan amount and services required.

“Let Chicago Title protect your most valuable asset - your home, from future claims or future losses of title due to the defects created by past events. Your owner’s title insurance policy should remain in effect as long as you, or your heirs, retain an interest in the property. Chicago Title brings you the peace of mind knowing that your investment is a safe one. We are here to defend and protect your title for many years to come.”



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Responsibilities of Each Party to an Escrow Transaction

The Buyer

Deposit funds to pay for the property and all closing costs. Provide deed of trust or mortgages needed to secure the loan. Arrange for borrowed funds to be deposited in escrow. Provide, if required, documents such as inspections reports, insurance policies and lien information to verify compliance with the instructions.

The Seller

Deposits the deed to the buyer with the escrow holder. Provides evidence to meet the buyer's condition of sale, such as proof of repair work and inspections. Submits other documents, such as tax receipts, and mortgage information.

The Lender

[When applicable]

Deposits loan funds, lender instructions and other loan documents with the escrow holder.

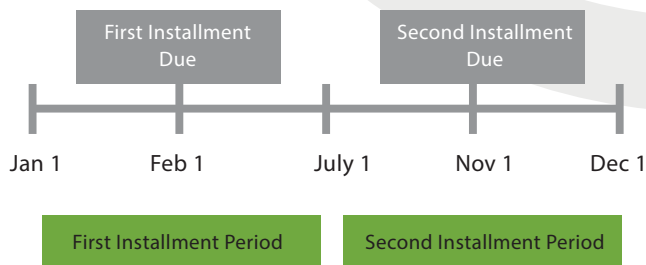
The Escrow Holder

Serves as a central depository for funds and documents. Obtains a title insurance policies. Fulfills the lender's requirements if applicable. Secures approval from buyer on requested documents. Prorates homeowners association dues, taxes, and rents, as instructed. Fulfills buyer and seller instructions. Allocates funds for closing costs and verifies that required funds from each party are deposited into escrow. Once all conditions are met, the escrow holder causes the necessary documents to be recorded. Executed loan documents are forwarded to the lender.

Informational Sheet of Property Tax Payments for the State of California

Tax Year: Jan 1st – Dec 31st

Tax Payments Due: Feb 1 – First Installment due
Nov 1 – Second Installment due



"Escrow is a process by which a complex sale exchange or loan transaction involving real property is brought to completion."

What You May Not Know About Escrow

The Word "Escrow" Defined

Black's Law Dictionary repeats the ancient precedent: "...and deliver the deed unto a stranger, an escrow." The word derives from the Middle French escroue (scroll), the form of most documents in those early times.

Webster's Seventh New Collegiate Dictionary defines "escrow" this way:

1. a deed, a bond, money, or a piece of property delivered to a third person to be delivered by him to the grantee only upon the fulfillment of a condition
2. a fund or deposit designed to serve as an escrow.

A simplified definition is commonly used in the escrow industry: **Escrow is a deposit of money and instruments by two or more persons with a third person, which are held by him until certain conditions are met.**

The third person is the ESCROW AGENT. He or she is the stakeholder. Although the main function of escrow is to provide a safe place for the stake (the collection of documents and funds until the deal can be concluded), it is also the place where many arrangements and accounting details are cleared up. The escrow agent does these things, but first he or she writes down the exact instruction of the principals (who are the buyers and sellers but who may also be others), making a new instrument called the escrow instructions. These instructions tell the escrow officer how to make the arrangements for completing the transaction, and he or she must not deviate from them.

What is an Escrow For?

Escrow is a process by which a complex sale, exchange or loan transaction involving real property is brought to completion.

Once parties reach an agreement, they arrange for a neutral third party to hold their funds and documents of transfer, such as deeds, until after all the required elements of the deal have been fulfilled. While the funds and documents are held pending conclusion of the deal, they are said to be "in escrow," the transaction is said to be "in escrow," and there is "an escrow." It is ephemeral, existing only as long as necessary. It could be said that escrow is the "gestation period" of a real property transaction.

Why is There an Escrow Time Line?

There are several reasons why most real property transactions must have a period of time between the agreement and the final handing over of the money to the seller and the deed to the buyer.

1. Buyers or borrowers usually need time to gather funds or apply for and qualify for loans.
2. Buyers want sellers to provide proof or guarantee that the deed is good, that there are no unknown legal owners or financial obligations against the property. Such a guarantee is usually provided in the form of a policy of title insurance, which gives the buyer protection against a wide variety of problems arising from faulty deeds.
3. Other persons who hold loans for which the property is already pledged as collateral may want to be paid off when the property changes hands.
4. New lenders need enough time to examine the credit ratings and financial backgrounds of potential borrowers and to ascertain the value of the property before agreeing to lend.
5. Some buyers, such as ranchers or developers, must be reassured that the land can be used for their intended purposes. Such things as water percolation testing and geological examination or preparation of environmental impact studies can take a long time.

Understanding the Escrow Process

for the State of California

“Transfer tax must be paid at the time of transfer of title and is based on the monetary consideration of the transfer.”

How Title Matters Are Cleared?

Title will generally be cleared during the escrow process by the escrow agent with the assistance of the sellers, buyers, real estate agents, loan processors and lien holders. In most instances, all special exceptions dealing with physical encumbrances (easements, restrictions, etc.) will remain. Most monetary encumbrances will be removed by being paid and released of record during the closing process. If you have a transaction that calls for handling other than as stated above, you should discuss this with your Escrow Agent. Physical encumbrances can sometimes be removed from title. Monetary liens may remain on title in certain instances. There will be special steps you need to perform to make sure title is cleared in accordance with your requirements.

It is always a good idea to contact your escrow agent early on in the closing process. This way, you may discuss what needs to be done to ensure a smooth closing, particularly when there are unique aspects to your sale. Escrow Agents will likely appreciate your efforts to do a thorough job for your customer or client and be happy to assist you in your efforts.

Clearing Physical Encumbrances

This category includes easements, use restrictions and agreements. These will remain on title unless very specific steps are taken. In order to obtain a release of these items, you must obtain a written release in recordable form from the parties who currently benefit from the encumbrance. An easement may be released by all parties to the agreement. Plat restrictions (CC&Rs) may contain specific requirements within the document regarding release but may prove impossible to release if they were a requirement of the initial platting process you need to remove any of these types of items from title, be sure to contact your Escrow Agent and Title Officer early on in the transaction. It would be wise to contact your Title Officer even before your Purchase and Sale Agreement is signed if you anticipate removal of physical encumbrances as a condition and may require the involvement of attorneys for both the buyer and seller.

Paying Transfer Tax

Transfer tax must be paid at the time of transfer of title and is based on the monetary consideration of the transfer. County Recorder will not record a deed until the tax is paid and the deed is stamped with a receipt number. Transfer tax payment may not be required in a few circumstances, as provided by statute: transfer for love and affection only, assumption with no proceeds to the seller and court ordered transfers being some possible tax-free transfers. These exemptions are currently under review by the legislature and may be waived in the future.

Clearing a Deed of Trust

When a Deed of Trust is paid off, the original note (marked paid), original Deed of Trust (with signed request for reconveyance) and trustee's fee must be forwarded to the trustee named in the Deed of Trust. The trustee checks for partial reconveyances and assignments of interest before executing and recording the Full Reconveyance. Sometimes the

original Note or Deed of Trust may be lost prior to reconveyance. Contact your Trustee for the requirements in this situation. They may accept a Lost Note and Deed of Trust Affidavit. They may also require additional fees be paid. Many trustees will resign in such situations, in which case the beneficiary appoints another trustee.

In regards to clearing a mortgage, the beneficiary of a mortgage will execute and record a Satisfaction of Mortgage upon final payment.

Understanding “Good Funds” Law

California Good Funds Law, Section 12413.1

California's good funds laws, Section 12413.1 of the California Insurance Code, require that an escrow company and title company have in possession sufficient good funds in order to close the transaction.

Good funds are defined as funds collectible as a matter of right pursuant to the banking laws contained in the Code of Federal Regulations. 12 C.F.R. §229. The law requires documents to be recorded prior to disbursement of funds.

The State of California Insurance Code also regulates the types of funds that a title company can accept and how long the funds must be on deposit in its escrow account before disbursement. This regulation is commonly referred to as the “Good Funds” law.

At Chicago Title, the escrow officer can only authorize recording of the closing documents when all funds on deposit have been “collected” or cleared. The only acceptable funds to close escrows are the following types of deposits:

1. **Wire Transfer** - this form of deposit is by far the most efficient for all parties involved in the transaction
2. **Cashier's Check** - Payment may be made in the form of a Cashier's Check and is made payable to: [Chicago Title Company](#)

These funds must be on deposit 24 hours before the escrow officer can authorize recording of the documents to close your escrow.

If funds are not received in this form, your closing could be delayed at least one day and as many as ten days while Chicago Title confirms that the funds are “good” or cleared.

Please note that the following funds are **NOT ACCEPTABLE**:-

1. Official Check - this is NOT a Cashier's Check, and is subject to a waiting period of 5 - 7 days
2. Automatic Clearing House (ACH) transactions or Online Transfers - since these type of deposits can be recalled by the Sender and therefore are not acceptable as they do not meet government “Good Funds” guidelines. Your bank may offer this at a lower cost, **DO NOT ACCEPT!**

Please talk to your Chicago Title's Escrow Officer if you have questions about your final deposit or any other matter concerning your escrow. We will be happy to provide your Buyer(s) with Good Funds Instruction.

Understanding the Escrow Process

for the State of California

Life of an Escrow



"The Escrow Agent oversees the signing of the documents generally serving as a Notary Public."



CHICAGO TITLE

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Closing Terms

Overview

When you sell or purchase a home, closing (also known as “settlement”) on a home sale means legally transferring ownership from one party to another. This process can take 30 to 60 days, and culminates in the signing of contracts and passing over the keys from the seller to the buyer.

The Players

A number of different parties are involved in the process of refinancing or transferring ownership of real estate.

Your Real Estate Agent — Acts as an intermediary between you and the seller. Generally assists in helping you purchase property for the lowest possible price and best terms.

Seller — Signs the deed over to the buyer and presents the keys to the home.

Seller’s Real Estate Agent — This real estate agent represents the seller (who may not be present at the closing itself). Generally assists in helping the seller get the highest possible price and best terms for the property.

Escrow Officer — An objective third party who processes and disburses funds in accordance to the instructions provided by the seller and buyer. The escrow officer is often a representative from Chicago Title.

Settlement Agent — A representative from Chicago Title, this person is responsible for facilitating the closing by preparing and recording documents.

Lender/Bank — The institution (usually a bank or mortgage company) that lends the money to the buyer. The lender is often called the “mortgagee”, while the borrower is referred to as the “mortgagor”.

Loan Servicer — The institution that will receive and process your mortgage payments and manage your escrow account. This is often the lending institution, but not always.

The Documents

You will be asked to initial or sign a number of documents during the closing. Among the most important are:

Good Faith Estimate — A written estimate provided by the lender of all charges — including closing costs and pre-paid and escrowed items—which you are likely to pay at closing.

You should receive this within three days of submitting your loan application. You’ll want to compare your estimate with the HUD-1 (see below) before your closing date.

Mortgage Note — A promissory note that states your intention to pay a specific sum of money at a specified rate of interest within a fixed period of time.

Mortgage — A legal document that gives the lender the right to take possession of the property if the borrower fails to pay on the loan. In some states, this is known as a “deed of trust”.

Certificate of Occupancy — A document issued by a local municipality stating that the home meets all building codes and is suitable for habitation. You’ll see this document if you’re purchasing a newly built or renovated home.

HUD-1 — Also called the “settlement statement”. This document provides an itemized breakdown of all costs and disbursements associated with the sale of the home. You are entitled to review this document a day before closing, so you should compare it with your Good Faith Estimate and resolve any issues before settlement.

Final TILA statement — Your “Truth In Lending Act” statement. This will disclose the full cost of your mortgage and annual percentage rate (APR). It will show any modifications such as rates and points that may have been made since applying for the loan.

Closing Costs

Sale or Refinancing of property. These charges will vary widely from state to state and lender to lender, but will likely include:

Points — Money paid by a borrower to the lender in exchange for a lower interest rate. Each point equals 1% of the loan amount.

Mortgage Application Fees — Charged by the lender to cover the costs of processing a loan application. It’s sometimes paid up front at time of application; otherwise, it’s included in the closing costs.

Cont’d...



Closing Terms

Appraisal Fees — The cost of paying a professional to assess the fair market value of the property. Usually required as a condition of the loan.

Inspection Fees — The fees charged for home, pest and other inspections. Lenders sometimes require inspections to verify that the property is in good condition and will retain its collateral value.

Survey Fee — The charge for confirming the lot size and shape and to check for any encroachments.

Title Search Fee — Paid to Chicago Title to verify that the home's title is "in the clear"; (i.e. that there are no liens or outstanding claims on the property).

Title Insurance Premium — The lender's policy covers only the lender and is required in most cases. An Owner's Policy is optional but highly recommended, and is usually very affordable if purchased at the same time as the lender's policy.

Recording Fees — Charged by the local register of deeds to make the transfer of property a matter of public record.

Pre-paid Property Insurance — The first full year's property insurance premium, paid in advance, directly to the homeowners insurance company.

Pro-rata Property Taxes — An adjustment to ensure that both the seller and the buyer pay their share of the annual property tax, proportionate to the percentage of the year that each has ownership of the property.

Pro-rata Interest — An adjustment to cover the interest on the loan for the number of days until the first payment is due.

The Process

Even though "closing" or "settlement" often refers to the actual day that the transaction is finalized, it's actually a process that begins as soon as a purchase contract is signed.

PRE-CLOSING

Inspection — You'll want to be sure the home you're purchasing doesn't have any major flaws. Hire a professional inspector to walk you through the property and point out any issues. You should also receive a written summary of his/her findings.

Appraisal — Your lender will require an appraisal of the property's fair market value to ensure that they're not lending you more than the house is actually worth. Your real estate agent can help you find a licensed appraiser, but most lenders have their own and will take care of scheduling this directly with the realtor, or homeowner.

Title Insurance — It's a good idea for you to take out title insurance before you purchase the home, to protect you against any unforeseen claims that may arise.

Homeowner's Insurance — Because your new home will be used as collateral against your loan, your lender will require

that you secure homeowner's insurance. Be sure to take care of this well in advance of the closing date. You will likely be required to show proof of purchase, so ask your insurance company for a binder.

Walk-Through — Within 24 hours before your closing meeting, be sure to conduct a walk-through of the property to ensure that it's in good condition and that any issues and/or contingencies have been resolved.

While you're handling all of the above, Chicago Title will be conducting a search on the property's title. We pore through property records looking for potential problems that might prevent a smooth transfer of ownership, such as old liens, tax liability, and housing code violations.

We may also physically inspect the property to verify the lot size and check for unrecorded easements. Once our work is complete, we offer title insurance to the lender, to protect the bank from any undiscovered issues surrounding the title. (Because the lender's policy protects only the lender, you'll want to be sure you're covered by a title insurance policy of your own.)

Meanwhile, one of our settlement agents is hard at work coordinating a lot of details. First, he/she looks over the purchase contract to make sure it's complete and accurate. If you've paid a deposit or "earnest money," the agent places the funds into an escrow account. He/she also coordinates the payoff of an existing mortgage, making sure the payoff figure is available for the final closing.

If there are any problems with the property, we bring them to the attention of all parties involved. In short, we coordinate many behind-the-scenes activities and gain the cooperation needed to ensure a smooth transaction.

CLOSING

When "closing day" finally arrives, you'll meet with several parties to finalize the transfer of property. Generally, the steps are:

Sign Documents — You'll be asked to initial or sign a number of documents.

Pay Closing Costs and Escrow — You should arrive at closing with a cashier's check to pay for closing costs.

Handing Over the Keys — Once all the papers are signed, money has changed hands and documents are recorded, you'll receive the house keys from the seller.

POST-CLOSING

After the settlement meeting, we officially record the mortgage and deed at your local Recording Office or Register of Deeds. Funds held in escrow, such as broker commissions and money owed to the seller, are disbursed after the transaction is recorded at the county office.

Pro-rata Interest — An adjustment to cover the interest on the loan for the number of days until the first payment is due.

Information contained herein is for general purpose only. Please contact your local Chicago Title Escrow Officer for consultation and details.



Closing Cost Check List

The cost of buying a property goes beyond simply by paying the price negotiated between the buyer and seller. Below are some of the common fees included in a typical settlement, which will comprise your closing costs:-

Title & Escrow Related Closing Costs:

- Closing fee for the settlement agent
- Document preparation
- Notary fees
- Escrow Fee (based on Purchase Price)
- Courier Fees
- Loan-Tie-In Fee if financing is involved
- Electronic Document Delivery Fee
- Owner's Title Insurance Policy Coverage (based on Purchase Price)
- Lender's Title Insurance Policy Coverage (based on Loan Amount)

Loan Related Closing Costs:

- Loan Origination Fee
- Loan Discount Points (optional)
- Appraisal Fee
- Credit Report Fee
- Interest Payment
- Underwriting Fee

Government Related Closing Costs:

- Fee to record the deed, deed of trust and any releases
- County and possible city transfer taxes

Escrow Impound Account:

- Homeowner's Insurance premium for the year
- Mortgage Insurance (if any) - the number of months varies
- Property Taxes - usually 2 months in advance

Additional Settlement Fees may include:

- HOA Documents, Termite Inspection, Home Inspection, Land surveys, Flood certification, Lead-paint Inspection, Roof Inspection, etc. please check with your real estate agent in regards to these fees.

Always ask your Escrow Officer if you have any questions on any of the fees disclosed.



Who Pays What - A Guide to Closing Costs - *for Buyers' Paid County*

The SELLER can generally be expected to pay for:

- Real Estate commission
- Documentation preparation fee for deed
- Documentary transfer tax, if any
- Any city transfer/conveyance tax (according to contract)
- 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 (according to contract)
- Termite work (according to contract)
- Home warranty (according to contract)
- Any judgments, tax liens, etc., against the Seller
- Tax proration (for any taxes unpaid at time of transfer of title)
- Any unpaid homeowner's dues
- Recording charges to clear all documents of record against Seller
- Any bonds or assessments (according to contract)
- Any and all delinquent taxes
- Notary fees
- Homeowner's transfer fee
- City transfer/conveyance tax (according to contract)

The BUYER can generally be expected to pay for:

- Title insurance premium for Lender's policy
- Escrow fee
- Document preparation (if applicable)
- Notary fees
- Recording charges for all documents in Buyer's name
- Termite inspection (according to contract)
- Tax proration (from date of acquisition)
- 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.)
- Home Warranty (according to contract)
- Fire insurance premium for first year
- Title insurance premium for Owner's policy

YOURS or THEIRS - The Personal vs. Real Property Dilemma

The distinction between personal property and real property can be the source of difficulties in 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.

This information is proudly brought to you by:





Who Pays What - A Guide to Closing Costs - *for Sellers' Paid County*

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

- Real Estate commission
- Escrow Fee
- Owner's Title Insurance Premium
- 50% of any city transfer/conveyance tax according to contract
- Documentary transfer tax (\$1.10 per \$1000 of sale price)
- Document preparation fee
- Statement fees, reconveyance fees and any prepayment penalties
- Termite inspection (according to contract)
- Work/repairs required (according to contract)
- Home warranty (according to contract)
- Any judgments, tax liens, etc., against the Seller
- Tax proration (for any taxes unpaid at time of transfer of title)
- Any unpaid homeowner's dues
- Recording charges to clear all documents of record against Seller
- Any bonds or assessments (according to contract)
- Any and all delinquent taxes
- Notary fees
- Homeowner's association statement fee and prorata dues (to date of acquisition)
- Special delivery/courier fees, if required
- Any buyer's new loan charges specified by lender for seller to pay
- Matters of record against the property of seller (loans, tax liens, judgments, etc.) and interest and fees required to clear them (statement fees, reconveyance/trustee fees, and prepayment penalties)

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

- Title insurance premium for Lender's policy
- Document preparation fee (if required)
- Notary fees
- 50% of any city transfer/conveyance tax according to contract
- Recording charges for all documents in Buyer's name
- County preliminary change of ownership fee (P.C.O.R.)
- 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.)
- Home Warranty (according to contract)
- Fire Insurance premium for first year
- Termite inspection (according to contract)
- Special delivery/courier fees, if required
- Other prorations (rents, insurance, etc.), if required

YOURS or THEIRS - The Personal vs. Real Property Dilemma

The distinction between personal property and real property can be the source of difficulties in 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.

All fees charged are governed by the terms of the sales contract and written escrow instructions from Buyer and Seller.

This information is proudly brought to you by:





Common Ways of Holding Title - *for the State of California*

HOW SHOULD I TAKE OWNERSHIP OF THE PROPERTY I AM BUYING?

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

Because real property is among the most valuable of assets, the question of how parties take ownership of their property is of great importance. The form of ownership taken—the vesting of title—will determine who may sign various documents involving the property and future rights of the parties to the transaction. These rights involve such matters as: real property taxes, income taxes, inheritance and gift taxes, transferability of title and exposure to creditor's claims. Also, how title is vested can have significant probate implications in the event of death.

The California Land Title Association (CLTA) advises those purchasing real property to give careful consideration to the manner in which title will be held. Buyers may wish to consult legal counsel to determine the most advantageous form of ownership for their particular situation, especially in cases of multiple owners of a single property.

The CLTA has provided the following definitions of common vestings as an informational overview only. Consumers should not rely on these as legal definitions. The Association urges real property purchasers to carefully consider their titling decision prior to closing, and to seek counsel should they be unfamiliar with the most suitable ownership choice for their particular situation.

Note: Under current law, California recognizes same sex relationships that are legally performed or entered into in California and in other states and other countries. This recognition includes same sex marriages and other types of legal unions that are similar to registered domestic partnership status. Although this Series will use the title "registered domestic partner" in examples, the term "domestic partnership" will be used to include both California registered domestic partnerships and all non-marital legal unions that are recognized in California (i.e. Civil Unions, etc.).

COMMON METHODS OF HOLDING TITLE

SOLE OWNERSHIP

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

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

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

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

A married man or woman who wishes to acquire title in his or her name alone.

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

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

A domestic partner who wishes to acquire title in his or her name alone.

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

CONT'D ON NEXT PAGE

CO-OWNERSHIP

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

1. Community Property:

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

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

2. Community Property with Right of Survivorship:

A form of vesting title to property owned together by spouses or by domestic partners. This form of holding title shares many of the characteristics of community property but adds the benefit of the right of survivorship similar to title held in joint tenancy. There may be tax benefits for holding title in this manner. On the death of an owner, the decedent's interest ends and the survivor owns all interests in the property. For example: Bruce Buyer, a single man, as to an undivided 3/4 interest and Penny Purchaser, a single woman, as to an undivided 1/4 interest.

3. Joint Tenancy:

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

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

4. Tenancy in Common:

A form of vesting title to property owned by any two or more individuals in undivided fractional interests. These fractional interests may be unequal in quantity or duration and may arise at different times. Each

tenant in common owns a share of the property, is entitled to a comparable portion of the income from the property and must bear an equivalent share of expenses. Each co-tenant may sell, lease or will to his/her heir that share of the property belonging to him/her. For example: Bruce Buyer, a single man, as to an undivided 3/4 interest and Penny Purchaser, a single woman, as to an undivided 1/4 interest.

OTHER WAYS OF VESTING TITLE INCLUDE AS:

1. A Corporation*:

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

2. A Partnership*:

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

3. Trustees of a Trust*:

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

4. Limited Liability Companies (LLC)*:

This form of ownership is a legal entity and is similar to both the corporation and the partnership. The operating agreement will determine how the LLC functions and is taxed. Like the corporation its existence is separate from its owners.

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

IMPORTANT NOTE:

How title is vested has important legal consequences and tax consequences. The tax consequences may be different for same sex legally related couples. You may wish to consult an attorney or tax advisor to determine the most advantageous form of ownership for your particular situation.

FOOTNOTE (1): Note: Registered domestic partnership status is not limited to same sex couples.



CHICAGO TITLE



Tips for a Smooth Escrow Closing

- Make sure the Purchase and Sale Agreement is fully executed with names, marital status of all parties, addresses and contact phone numbers. Also, make sure the Purchase and Sale Agreement is legible since this is Escrow's main source of information.
- Is there a Power of Attorney needed? If so, make sure the client has the original or it has been recorded. Have Escrow or Title review it as soon as possible to confirm form, dates and notary are correct.
- Are the buyers or sellers out of state? Let the Closer know early to allow adequate time for delivery of documents.
- Are the buyers or sellers out of the country? If so, the client must have the documents notarized at an American Consulate or Embassy.
- If any divorces, deaths or trusts appear on title, we will need copies of divorce decrees, death certificates or trust agreements (not necessarily available through public record).
- Are utilities addressed on the Purchase and Sale Agreement? Is the addendum attached? Make certain your Closer has a list of the utilities that need to be paid.
- If the property is a condominium or PUD, please furnish Escrow with the name and address of the Homeowner's Association.
- Are there any specific or special needs of your buyer or seller? The Escrow Officer can help you with schedules, physical limitations or other needs.
- Is the buyer receiving a home-buyer's warranty? If so, let the Closer know who is ordering it and who is paying for it.
- Did you specify Chicago Title for your Title and Escrow?

Request a copy of the Preliminary Title Report and review it!

This information is proudly brought to you by...



CHICAGO TITLE



Understanding Property Taxes in Escrow - *for the State of CA*

Paying Property Taxes in an escrow account are among one of the most confusing issues for both Buyers and Borrowers. Whether you are buying a home or refinance your existing mortgage, taxes are applied in several ways in your escrow. Below are a few that you will find often on your escrow instruction:

Taxes to be paid:

Property taxes are generally divided so that the buyer and the seller each pay taxes for the part of the property tax year they owned the home. The fiscal tax year commences on July 1 of each year, and ends on June 30 of the following year.

Tax Impounds:

An Impound Account, also known as an Escrow Impound Account, is an account set up and managed by mortgage lenders to pay property taxes and insurance on behalf of the home buyer. The lender may collect 2-6 months of tax payment with each month's amount equal to about 1/12 of the total sum of the annual property taxes along with their mortgage payment. When the time comes to pay the annual property taxes, the lender makes the payment from the funds accumulated in the account on behalf of the buyer.

Tax Prorations:

At time of closing, the escrow agent will sometimes be required to determine what portion of the next tax installment is the seller's responsibility, they will then charge the seller and credit the buyer with said amount. When the next installment is due, the buyer will pay the total amount since the buyer was already reimbursed with the seller's portion at closing. Likewise, if the seller had already prepaid his taxes, the prepaid portion will then be charged to the buyer and serves as credit to the seller.

Supplemental Taxes:

If the market value of property is different from the previous owner's taxable value, the new owner will receive a NOTICE OF SUPPLEMENTAL ASSESSMENT and a supplemental tax bill or refund. Usually supplemental taxes are not collected in

escrow. Notices of supplemental assessment and supplemental tax bills are mailed several months after escrow closes. Supplemental assessments are pro-rated from the date of transfer to the end of the tax year (June 30th). Changes in ownership that occur between January 1 and May 31 are subject to two supplemental assessments because of the State's property tax calendar. Supplemental assessments are typically paid by the new owner directly and are not included in impound accounts. Supplemental property tax bills are mailed within 2 weeks of the Notice of Supplemental Assessment. Due dates for supplemental taxes can vary. Please read the tax bill carefully, or contact the TAX COLLECTOR for more information.

PROPERTY TAX DUE DATES

| | |
|---------------------------|------------|
| November 10 th | DUE |
| December 10 th | DELINQUENT |
| February 10 th | DUE |
| April 10 th | DELINQUENT |

Secured property taxes can be paid in two installments. The first installment is due November 1 and delinquent December 10. The second installment is due February 1 and delinquent April 10. **See Reverse for Other Dates to Remember.**

This information is proudly brought to you by:





Understanding Escrow Impound Account

An Impound Account, also known as an Escrow Impound Account, is an account set up and managed by mortgage lenders to pay property taxes and insurance on behalf of the home buyer. These accounts are set up with the lender during escrow to ensure that the home buyer's property taxes and insurance are paid on time and in full. The biggest misconception with the Impound Account is that it is managed by the escrow company. However, after escrow collects the initial deposit for the Impound Account and after the transaction is closed, the escrow company is no longer involved.

How It Works:

Each month, an amount equal to about 1/12 of the total sum of the annual property taxes and insurance due is collected from the buyer, along with their mortgage payment, and placed inside the account. When the time comes to pay the annual property taxes and insurance, the lender makes the payment from the funds accumulated in the account on the behalf of the buyer.

Setting up an Account

The account is set up by the mortgage lender during escrow. Escrow collects an Escrow Impound Deposit, which is typically a deposit of 2-6 months worth of taxes and insurance. Due to the fact that property taxes can be adjusted and insurance rates can change, this deposit ensures there are sufficient funds to make the payments in full when they are due.

Common Questions Regarding an Escrow Impound Account:

Is it mandatory to have an Escrow Impound Account?
No. The buyer may elect to pay property taxes on their own, and there is usually a small fee when waiving the account. However, based on the type of loan, the lender may require the buyer to have one.

Is it a good idea to have an Escrow Impound Account?

Since the property taxes and home insurance bills only come about twice a year, many average Americans have a hard time saving for them, and gladly give their money to the loan company interest free. This is one less thing to worry about, as the lender makes the payments for the buyer.

Do I have to decide now whether or now I wish to set up an account?

If it is not a condition of the loan, the buyer does not have to make an immediate decision. However, depending on the lender, there may be a cost to set it up at a later date. The purpose of impound accounts is to help home owners pay their annual property taxes and insurance on time. For more information on your account, payments and more information on how they are managed, contact your mortgage lender.





FIRPTA Withholding Rate Increased to 15%

Effective Feb. 16th, 2016, Withholding Agents (Buyers) will need to start holding back more proceeds from the sale of property by a foreign person due to recent changes to the Foreign Investment in Real Property Tax Act (FIRPTA).

The changes were part of the year-end tax extension legislation signed into law by President Obama on Dec. 18, 2015. (Reference: The legislation is H.R. R. 2029, now known as Public Law 114-113. See Section 324 for text of changes.)

FIRPTA is a tax law passed in 1981 requiring purchasers of property to withhold and remit a portion of the sales price to the IRS unless an exception applies. requiring foreign persons to pay U.S. income tax on the gains they make from selling U.S. real estate. The duty is on the buyer (and not the settlement agent) to deduct and withhold a portion of the sales price and report the sale to the IRS withhold a portion of the sales price and remit to the IRS. In some situations a buyer or seller can apply for a withholding certificate to reduce the withholding amount. Buyers can withhold less than the statutory amount if they obtain a determination of the specific amount of tax owed by the foreign national using IRS Form 8288-B. In most cases, the settlement agent is the party that actually remits the funds to the IRS, but the buyer is held legally responsible. Additionally, until the tax is paid in full, the government may obtain a security interest in the real property. Per the IRS regulations, the buyer or transferee is legally responsible for any withholding due.

Under the changes, the base withholding rate for sales by foreign nationals will increase to 15% of the total sales price (up from the current 10%). The changes do not impact the 10 current FIRPTA exceptions listed in Publication 515, including the exception for sales under \$300,000 where the buyer intends on using the property as a residence. For a detailed explanation of this exception and whether this may apply please see Publication 515 or talk with your tax professional. Additionally the current 10% withholding amount still applies to sales of primary residences where the sales price is less than \$1 million.

The formula, if none of the 10 exceptions apply:

- If the amount realized (generally the sales price) is \$300,000 or less, and the property will be used by the buyer as a primary residence, the withholding rate is 0%.
- If the sale price is \$300,000 or less, and the property will not be used as a principal residence, the withholding rate is 15% of the sale price
- If the sale price is greater than \$300,000 and not over \$1 million, and the buyer intends to use the property as their primary residence the withholding rate is 10% of the sale price
- If the sale price is greater than \$300,000 and not over \$1 million, and the buyer does not intend to use the property as their primary residence the withholding rate is 15% of the sale price
- If the amount realized exceeds \$1 million, then the withholding rate is 15% on the entire amount, regardless of use by the buyer.

It is a good assumption that the risks associated with using the \$300,000 exemption will continue and expand to the new rate for transactions under \$1 million. Buyers looking to take advantage of the exemption should document (under the penalty of perjury) the buyer's intent to use the property as a residence. It is also a good idea to be on the lookout for red flags related foreign sellers forcing the buyer to agree to claim residence status merely to lower the withholding rate. A buyer that fails to comply appropriately with FIRPTA could be liable for any additional withholding tax, penalty and interest. We recommend any buyer or seller should contact a tax professional or see Publication 515 found at www.irs.gov for more information.

Source: American Land Title Association. Information contained herein is for reference purpose only. Please always consult with your attorney.



EB-5 Visa

The **EB-5 Visa** for Immigrant Investors is a United States visa created by the Immigration Act of 1990. This visa provides a method of obtaining a green card for foreign nationals who invest money in the United States. To obtain the visa, individuals must invest \$1,000,000 (or at least \$500,000 in a "Targeted Employment Area" - high unemployment or rural area), creating or preserving at least 10 jobs for U.S. workers excluding the investor and their immediate family.

Initially, under the first EB-5 Visa program, the foreign investor was required to create an entirely new commercial enterprise; however, under the Pilot Program investments can be made directly in a job-generating commercial enterprise (new, or existing - "Troubled Business"), or into a "Regional Center" - a 3rd party-managed investment vehicle (private or public), which assumes the responsibility of creating the requisite jobs. Regional Centers may charge an administration fee for managing the investor's investment.

If the foreign national investor's petition is approved, the investor and their dependents will be granted conditional permanent residence valid for two years. Within the 90 day period before the conditional permanent residence expires, the investor must submit evidence documenting that the full required investment has been made and that 10 jobs have been maintained, or 10 jobs have been created or will be created within a reasonable time period.

In 1992, Congress created a temporary pilot program designed to stimulate economic activity and job growth, while allowing eligible aliens the opportunity to become lawful permanent residents. Under this pilot program, foreign nationals may invest in a pre-approved regional center, or "economic unit, public or private, which is involved with the promotion of economic growth, including increased export sales, improved regional productivity, job creation, or increased domestic capital investment". Investments within a regional center provide foreign nationals the added benefit of allowing them to count jobs created both directly and indirectly for purposes of meeting 10 job creation requirement.

Disclaimer: Information contained herein is for informational purposes only, we do not assume any liability whatsoever for the accuracy and completeness of the above information. For more information on the process and status of the EB-5 Visa please contact the U.S Department of Commerce or the U.S Citizenship and Immigration Services Department.



Understanding the Language of Title and Escrow

To the unfamiliar, it can often confuse and bewilder. Fannie Mae and Freddie Mac. ARMs and APR. Clear title and Clouded title. Though these terms have special meaning to real estate professionals, they may often be meaningless to the consumer. To help you better understand the language of real estate, the Washington Land Title Association has defined some of today's most common title, escrow, real estate and lending terms.

Abstract of Judgement: A summary of the essential provisions of a court judgement. When recorded, an abstract of judgement creates a general lien on all of the real property of the judgement debtor in the county in which it is recorded.

Acknowledgment: A formal declaration made before a duly authorized officer (usually a notary public) by a person who has executed an instrument that such execution is his or her act and deed.

Adjustable Rate Mortgage (ARM): A mortgage in which the interest rate is adjusted periodically according to a preselected index. The terms, adjustment schedule and index to be used can vary based on the particular lender.

Agency: A relationship created when one person (the principal) delegates to another (the agent) the right to act on his or her behalf in business transactions.

All-inclusive Trust Deed (wrap-around mortgage): A financing technique which involves the creation of a new trust deed which includes the balance due on the existing note plus any new funds advanced.

American Land Title Association (ALTA): A national association of title insurance companies, abstractors, and agents. The association adopts standard title policy forms.

Amortization: The process of paying off a debt in installments over a given period of time without a final balloon payment.

Annual Percentage Rate (APR): An expression of the percentage relationship of the total finance charges to the total amount to be financed, as required under the federal Truth-in-Lending Act.

Appraisal: An opinion of the value of property resulting from an analysis of facts affecting market value.

Assessed Valuation: The value that a taxing authority places upon real or personal property for the purpose of taxation.

Assumable: A mortgage loan which can be transferred to another person without a change in the terms of the loan.

Balloon Payment: The unpaid principal amount of a loan due on a specific date in the future. Usually the amount that must be paid in a lump sum at the end of the term.

Beneficiary: The person who is entitled to receive funds or property under the terms and provisions of a will, trust, insurance policy or security instrument. In connection with a mortgage loan the beneficiary is the lender.

Beneficiary's Statement: The statement of a lender which gives the remaining principal balance due on a note and other information concerning the loan. It is usually obtained in escrow when the owner wishes to sell or refinance.

Bill of Sale: An instrument by which title to personal property is transferred or conveyed.

Bona Fide Purchaser (BFP): One who buys property in good faith, for fair value, and without notice of any adverse claim or right of third parties.

Broker: A person licensed to act as an agent for another in negotiating the sale, purchase, of real property in return for a fee or commission.

Buydown: A financing technique used to reduce the monthly payment for the home buying borrower during the initial years of ownership. Under some buydown plans, a residential developer, builder, or the seller will make subsidy payments (in form of points) to the lender that "buydown," or lower, the effective interest rate paid by the home buyer, thus reducing monthly payments for a set period of time.

Washington Land Title Association (CLTA): A statewide association of title insurers and underwritten title companies. The association adopts standard title policy forms.

CC and Rs (Covenants, Conditions and Restrictions): Limitations placed on the use and enjoyment of real property. These are found most often in condominiums and planned unit developments.

Chain of Title: A chronological list of recorded instruments tracing title to land, from the original owner to the present owner.

Cap: The maximum which an adjustable rate mortgage may increase, regardless of index changes.

Clear Title: Title to property which is free from liens, defects of other encumbrances.

Closing: The process of completing a real estate transaction during which the seller delivers title to the buyer in exchange for payment of the purchase price. Called a "settlement" in some areas.

Closing Costs: Expenses, beyond the selling price, such as loan fees, title fees, etc. Paid when documents are executed and/or recorded and the sale is complete.

Closing Statement: A summary, in the form of a balance sheet, showing the amounts of debits and credits to which each party to a real estate transaction is entitled upon closing.

Cloud on Title: Any document, claim, unreleased lien or encumbrance, which, if valid, would affect or impair title to a property.

Commission: Compensation due a real estate broker for acting on behalf of the principal.

Community Property: Property acquired during a marriage by either a husband or wife, or both, which is not separate property.

Comparables (comps): An abbreviation for comparable properties used for comparative purposes in the appraisal process.

Consideration: A required element in all contracts by which something of value, including a promise, is exchanged for the act or promise of another.

Contingency: Action conditioned upon a certain event. Acceptance of the terms of a contract based on something else happening or certain conditions being met.

Conveyance: The transfer of title or an interest in real property by means of a written instrument such as a deed of trust.

Deed of Trust: A security agreement creating a lien by which title to real property is transferred to a third-party trustee as security for an obligation owed by the trustor (borrower) to the beneficiary (lender).

Demand: The lender's statement of the amount due to pay off a loan.

Documentary Transfer Tax: The tax, based on sales price, less loans which are being assumed, which is charged by the city and/or county on the transfer of real property.

Due-on-Sale-Clause: A clause in a mortgage loan which gives the lender the right to demand payment in full when the property changes ownership. Not applicable to FHA or VA loans.

Earnest Money: The cash deposit paid by a prospective buyer as evidence of good faith to bind a sale of real estate.

Easement: A limited right or interest in land of another that entitles the holder of the right to some use, privilege or benefit over the land.

Encumbrance: A claim, right or lien upon real property, held by someone other than the owner.

Endorsement: A rider attached to an insurance policy to expand or limit coverage. Also spelled indorsement.

Equity: The value of a person's interest in real property after all liens and charges have been deducted.

Escrow: The process in which a disinterested third party holds money and documents for delivery to the respective parties in a transaction on performance of established conditions.

Understanding the Language of Title and Escrow

Exception: A provision in a title insurance binder or policy which excludes liability for a specified title defect or an outstanding lien or encumbrance.

Fair Market Value: An appraisal term for the price which a property would bring in a competitive market given a willing seller and willing buyer, each of whom has a reasonable knowledge of all pertinent facts, with neither being under any compulsion to buy or sell.

Fee Simple: An estate under which the owner owns a complete interest in the property and is entitled to the unrestricted use and enjoyment of the property, including the right to dispose of the property.

Federal Home Loan Mortgage Corporation (FHLMC, Freddie Mac): A quasi-governmental agency that purchases conventional mortgages in the secondary mortgage market from depository institutions and Department of Housing and Urban Development (HUD) approved mortgage bankers.

Federal Housing Administration (FHA): A division of the Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans by private lenders.

Federal National Mortgage Association (FNMA, Fannie Mae): A tax paying corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by VA as well as conventional home mortgages.

Finance Charge: A total of all costs imposed directly or indirectly by the creditor and payable either directly or indirectly by the customer, as defined by the federal Truth-in-Lending laws.

First Mortgage: A mortgage on property that is superior in right to any other mortgage.

Fixed Rate Loan: A loan on which the same rate of interest is charged for the life of the loan.

Fixture: Personal property which is permanently attached to real property, and, as such, becomes part of the real property.

Grantee: One to whom a grant is made. The purchaser of real property.

Grantor: One who has made a grant. The seller of real property.

Hidden Defect: An encumbrance on a title that is not apparent in the public records; for example, unknown heirs, secret marriages and forged instruments.

Impound Account: An account held by a lender for the payment of taxes, insurance or other periodic debts against real property.

Joint Tenancy: A means of ownership in which two or more persons own equal shares in real property. Upon the death of one tenant, his/her share passes to the remaining tenant(s) until title is vested in the last survivor.

Legal Description: A description by which property can be definitely located by reference to surveys or recorded maps. Sometimes referred to simply as the legal.

Lien: A recorded document which claims an interest in real property as security for a debt owed. Such liability may be created by contract, such as a deed of trust, or by a court judgement.

Lis Pendens: Legal notice that a lawsuit is pending. Also called a notice of action.

Loan-to-Value Ratio: The ratio of the mortgage loan's principal to the property's appraised value or its sales price, whichever is lower.

Marketable Title: Title which is free from defects which would allow a purchaser to be released from his obligation to purchase.

Market Value: An appraisal term denoting the highest price that a buyer, willing but not compelled to buy, would pay, and the lowest a seller, willing but not compelled to sell, would accept.

Mechanic's Lien: A lien on real estate which secures the payment of debts due to persons who perform labor or services or furnish materials incident to the construction of buildings and improvement on real estate.

Metes and Bounds: A form of land description in which boundaries are described by courses, directions, distances and monuments.

Mortgage: A legal document used to secure the performance of an obligation.

Notarization: The certification by a Notary Public that a person signing a document has been properly identified. Notarization does not certify the content of a document, only validity of signature.

Perfecting Title: Process involving the elimination of any adverse claims against a title.

PITI: Refers to principal, interest, taxes and insurance, the four major components of a usual monthly mortgage payment.

PITI Ratio: The principal, interest, tax and insurance payment to income ratio. Used in mortgage lending decisions.

Points: A fee charged by the lender to fund a loan, in addition to and separate from other fees charged. One point equals one percent of the amount of the loan.

Principal: The sum of money outstanding upon which interest is payable. Also refers to one who is served by an agent.

Private Mortgage Insurance (PMI): Insurance written by a private mortgage insurance company protecting the mortgage lender against loss occasioned by a mortgage default and foreclosure.

Proration: The method used in dividing charges into that portion which applies only to a party's ownership up to a particular date.

Qualification: The process of reviewing a prospective borrower's credit and payment capacity prior to approving a loan.

Quitclaim Deed: A deed relinquishing all interest, title or claim in a property by a grantor. Accomplished without representing that such title is valid, nor containing any warranty or covenants of title.

Real Estate Settlement Procedures Act (RESPA): A federal statute requiring disclosure of certain costs in the sale of residential, improved property which is to be financed by a federally insured lender.

Reconveyance: The conveyance to the landowner of the title, held by a trustee under a deed of trust, when the performance of the debt is satisfied.

Recordation: Involves filing for record in the office of the county recorder for the purpose of giving constructive notice of title, claim or interest in real property.

Record Owner: The owner of property as shown by an examination of the public record.

Statement of Information (SI): A confidential information statement completed by the buyer, seller and borrower in every transaction where a policy or policies of title insurance are requested. Allows the title company to competently search documents affecting the property to be insured, documents which may not refer to said property. Allows title companies to differentiate between parties with similar names when searching matters such as liens and court decrees.

"Subject To" Clause: A clause in a contract of sale setting forth any contingencies or special conditions of purchase and sale, such as an offer made and accepted subject to financing, securing certain zoning or similar requirements.

Subordination Agreement: An agreement under which a prior or superior lien is made inferior or subject to an otherwise junior lien.

Tax Lien: A statutory lien imposed against real property for nonpayment of taxes.

Tenancy in Common: Co-ownership in a property by two or more persons, each of whom has an undivided interest in the whole property.

Title Plant: The information warehouse of a title company in which it has accumulated and is constantly updating title records of properties in its area which it can use to search title to real property.

Trustee: A person who holds title in trust for the benefit of another. In a deed of trust, the trustee is the person named to hold title in trust for the benefit of the lender until the loan is paid off.

Trustor: The borrower under a deed of trust. One who deeds their property to a trustee as security for repayment of a loan.

Uniform Settlement Statement: The standard HUD Form 1 required to be given to the borrower, lender and seller at, or prior to, settlement.

Unmarketable Title: Title which contains defects that would allow a purchaser to be released from his obligation to purchase.

Vesting: Denotes the manner in which title is held. Examples of common vestings are: Community Property, Joint Tenancy and Tenancy in Common.

Veterans Administration (VA): VA has power and authority to guarantee or insure payment of loans made to veterans by private lending institutions. This function is similar to that of FHA. VA also makes direct loans to veterans in non-urban areas where private loan funds are not available.



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