

# **Seller's Guide**



## **Chicago Title**

**So You've Decided  
to Sell Your Home...**



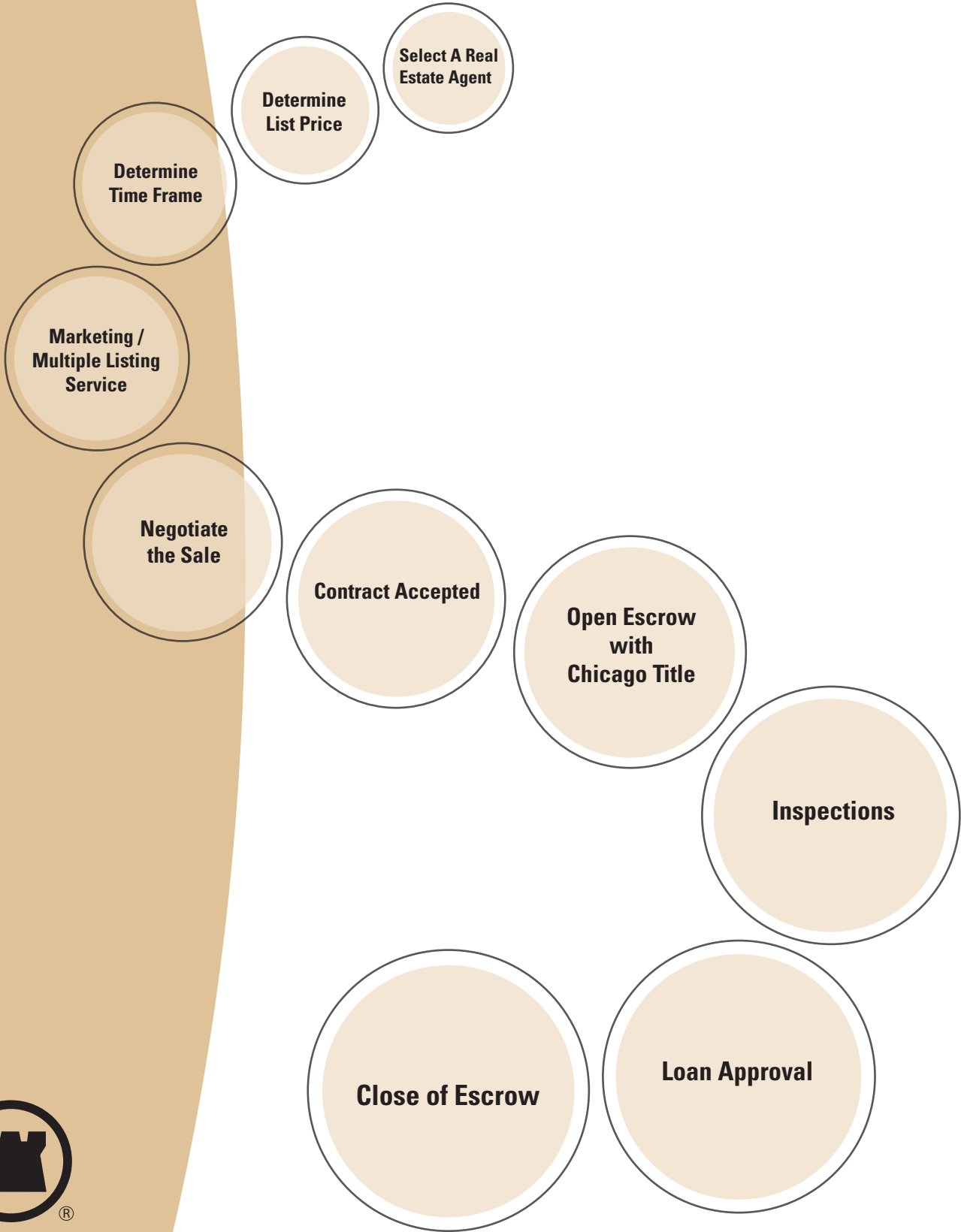
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# The Selling Process



# Getting Your Home Ready To Sell

## A good first impression can help sell your home

You can assist your Real Estate Agent or Broker when you are showing your home to prospective buyers by remembering that first impressions are the most lasting and the most important to its sale.

Your major role as a seller will be to make your home as attractive as possible to potential buyers. The time, effort and limited financial investment involved can give you the competitive edge needed to sell your home when you want and at the price you want.

## Your home's exterior creates the prospective buyer's first impression

Since the exterior of your home is the first thing a prospective buyer sees, a little time and effort can make a big difference in the impression your home creates and pay big dividends when the sale is made.

If you would have planned to paint the house within the coming year, consider painting the house before showing it. A new paint job, will normally enhance the sale value a good deal more than the cost of paint.

If your home's exterior looks clean, orderly and in good repair, that's the first impression your house will convey.

## Use this check list to make sure your home's exterior looks its best:

- Lawn is well cut and neatly trimmed around the walks and drive.
- Flower garden is weeded.
- Shrubs are trimmed and dead trees and branches eliminated.
- All debris is disposed of and outdoor toys and lawn equipment are neatly stored.
- Fences and gates are repaired and repainted, if necessary.
- The roof, gutters and downspout are in good condition.
- Driveways and sidewalks are washed down and checked for cracking and crumbling.
- Cracked windows and torn screens, are replaced. Screens, windows and windowsills are washed. Doorknobs are polished.
- Doorbell and front lights are in good working order.

## A spotless interior will reinforce your home's good first impression.

Interior dirt and clutter can obscure your home's good points, so start with a thorough house cleaning from top to bottom. Store unused or unnecessary items in closets and storage areas or hold a garage sale. Eliminate clutter and your home will look more spacious - an important selling point.

Take an inspection tour of your home, observing it as a potential buyer would.



# Getting Your Home Ready To Sell

- Walls are clean and free of smudges, fingerprints and dents.
- Woodwork and wallpaper are inspected for problem areas; wallpaper is cleaned and woodwork is waxed.
- Badly worn furniture is temporarily stored in family's or neighbor's attic or basement.
- Curtains and drapes are freshly laundered or cleaned.
- Rugs and carpets are shampooed. Floors are waxed.
- Loose doorknobs, sticking doors, windows and warped drawers are repaired.
- Leaky faucets are fixed. Water discoloration in sink is eliminated.
- Loose stair banisters are tightened and steps are free of objects.
- Light fixtures are in good working order. Discolored or cracked switch plates are replaced.
- Closets, shelves and drawers are organized to display spaciousness.
- Clothing is hung neatly and shoes and other objects are neatly arranged.
- Bathrooms are neat. Bedspreads and curtains are attractive.
- The kitchen is clean and tidy, including cupboards, stove and oven.
- The basement, attic and garage are clean and well organized.
- Mirrors, picture frames and glasses covering pictures are clean.
- Mirror are strategically placed to create an impression of added space in problem areas.
- Lampshades are in good condition.
- Electrical connections are plugged in.
- Consider painting walls and replacing carpet if cleaning doesn't do the trick.
- It is also important to keep lighting in mind when you show your home. Good lighting will make your home seem more cheery and spacious.



# Getting Your Home Ready To Sell

## Over-improving Doesn't Pay

Don't plan major improvements on your home. Most home buyers want to make their own major changes. You are usually wiser to sell them the potential - at a price they can afford.

You can do a lot to help your Real Estate Agent show your home. Showing your home is all important to its sale, and there are many ways you can help your real estate professional do his or her job successfully.

Here are some last-minute details that will maximize your home's selling potential.

**Remember, your Real Estate Broker or Agent has the experience and training to bring negotiations to a successful conclusion. And, if you've followed the guidelines provided, you'll know you've already done your part by making sure your home creates a good first impression.**

**Chicago Title provides title insurance, escrow services and related real estate services to homeowners, their professional advisors and lenders. Please ask for us by name when you open escrow.**

- The television and radio are turned off or low enough to allow the sales person and buyer(s) to talk, free of disturbances.
- Children and pets are sent outdoors to play or otherwise entertained to eliminate confusion and to keep the prospect's attention focused positively on your house.
- Bad odors are eliminated. Air freshener is used before the potential buyer arrives, especially if you have pets or if the house has been closed up for some time.
- The house has adequate lighting (during daytime drapes are open: at night plenty of lights are on, including the porch light).
- Wood is stored next to the fireplace. In winter a fire is lit.
- The kitchen sink is free of dishes.
- Magazines and children's toys are in order.
- Plants have been watered and look healthy.
- Fresh flowers are arranged tastefully around the house.

### **What you can do while your house is being shown:**

- Be courteous, but don't force conversation with the potential buyer(s). Ask your Real Estate Broker or Agent if your presence is necessary.
- Never apologize for the appearance of your home. Let your Real Estate Broker or Agent answer any objections.
- Leave it to your real estate professional to emphasize the features of your home.
- Make sure your agent or broker knows where you are so you may answer questions, but don't tag along.
- Let your real estate professional discuss price, terms, possession and other factors with the potential buyer(s).



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# 16 Mistakes

## Sellers May Make When Listing Their Home and How to Avoid Them.

### 1. Pricing Your home Too High

A Real Estate Agent can research comparable sales in your area and advise you of the appropriate price range of your property.

### 2. Taking an Inflexible Position on Financing

Have your Agent explain what financing options are available. Being flexible on financing terms may secure a better selling price, with other advantages as well.

### 3. Errors in Market Timing

Ask your Agent to determine whether the market cycle is poised to net you the most money.

### 4. Not Providing Easy Access for Showings

There are many ways to show a home. "Appointment Only" is the most restrictive. Lock boxes (key safes) are the most accessible. If your home is easy for agents to show, more prospective buyers will see it, improving your odds of getting the deal you want; however, your specific lifestyle may not be compatible with frequent showings. Your Agent will help you determine a solution that will best fit your situation.

### 5. Not Utilizing Current Marketing Technology

Make sure your Agent is up with the latest technology, such as internet sites that cater to home buyers. Check around to see what technology is being utilized in your specific area. In some areas, cable-access advertising is popular. Others use 800 number interactive voice response systems. A good agent will know where you can get the best exposure.

### 6. Not "Staging" Your Property Correctly

Put some items in storage, create more light, play music or otherwise improve the ambiance. Your Agent can offer helpful advice to create the right first impression.

### 7. Believing that Selling Property is Seasonal

Don't base selling decisions on the seasons. Property sells year around.

### 8. Pricing Your Property Too Low

One reason to hire an Agent is to make sure that no money is left on the table.

### 9. Not Re-evaluating the Market Plan

Re-evaluate your Agent's marketing plan every 10 days. You and your Agent may need to make intuitive changes based on the current market.

### 10. Believing your Agent is Not Doing the Job When There Aren't Any Offers

Most sellers are unaware that 80% of all buyer activity comes from the sign and MLS. Any Agent can provide that. So, if you don't have a problem showing the home, but it hasn't generated any interested buyers, it may be time to re-evaluate the price.

### 11. Ignoring the Importance of First Impressions

Sales have been blown by unkept lawns, cluttered closets, unpainted front doors, hard-to-work locks, blown light bulbs, bad colors, stains, unlit areas and bad smells. Spend time on the little things. Double up on your gardening, keep things cleaner than usual. Take serious control of your pets during this period.

### 12. Not making the Right Kind of Repairs

Don't be tempted to make improvements prior to listing without consulting your Agent. Some upgrades will not yield any real increase in value, while others may increase property value substantially.

### 13. Not Giving the Sales Effort Enough Time

You should never give too little time to what is inherently a long process. Home may take 3-6 months to sell, in any market. Estimate how much time you have before you need to sell and then plan ahead to allow extra time. You don't want to be forced to accept a disappointing offer.

### 14. Not Screening Prospects Adequately

One of the best reasons for hiring an Agent is his ability to pre-qualify a prospect financially before valuable negotiation time is lost.

### 15. Believing that You Can't Make the Difference

The top agents in the industry report that sellers themselves are responsible for at least one out of 10 sales! You can network your business and personal friends, you can hand out fliers at your place of business and elsewhere and you can keep the house in "move-in-condition." Your Agent should be ready to hand you all sorts of assignments to make the "team effort" successful.

### 16. Testing the Market

Never put your property on the market, unless you really want a sale! Get ready for a professional sales push when you list with a great agent. If your plan harbors some indecision, resolve it before you list, because success is every great Real Estate Agent's objective.



# What You Need To Know About Escrow?

## Congratulations!

Your home has been sold. After signing the contracts, the buyers have submitted their deposit and has opened escrow with Chicago Title.

## What is Escrow?

Escrow is the process by which the interests of all parties in a real estate transaction are protected, ensuring that all conditions of the sale have been met before property and money change hands.

Escrow is an independent depository wherein all funds, instructions, and documents for the purchase of your home are held, including your down payment, your lender's funds, documents for the new loan, hazard and title insurance, inspection reports, and the grant deed from the seller. At the close of escrow, the "escrow holder" delivers these items to the appropriate parties, disburses the funds, and handles the associated paperwork.

## What Does an Escrow Holder Do?

The Escrow Holder is a neutral third party, such as Chicago Title, that maintains the escrow account and impartially oversees the escrow process, making sure all conditions of the sale are properly met.

## The Escrow Holder's Duties Include:

- Serving as the neutral agent and the liaison between all parties involved.
- Requesting a preliminary title search to determine the status of title to the property.
- Requesting a beneficiary statement of debt or obligations are to be taken over by the buyer.
- Requesting a payoff demand from beneficiaries when the seller is paying off debts.
- Complying with the lender's requirements as specified in its instructions to escrow.
- Securing releases of all contingencies or other conditions imposed on the escrow.
- Preparing or securing the deed and other documents related to escrow.
- Prorating taxes, interest, insurance, and rents.
- Preparing escrow instructions.
- Receiving purchase funds from the buyer.
- Receiving loan funds from buyer's lender.
- Closing the escrow pursuant to instructions supplied by the seller, buyer and lender.
- Recording the deed and any other documents.
- Disbursing funds as authorized by the instructions, including charges for title insurance, recording fees, real estate commissions and loan payoffs.
- Preparing final statements for all parties involved that account for the disposition of all funds held in the escrow account.
- Requesting the title insurance policy.



Chicago Title

# What You Need To Know About Escrow?

## The Escrow Process

Your escrow is created shortly after you execute the purchase agreement to sell your home. It cannot be successfully completed until all escrow instructions have been carried out and all parties have signed escrow documents. The length of escrow can range from a few days to several months, depending on the terms of the purchase agreement. On average, an escrow closes within 45 days.

## Opening the Escrow

Either your Real Estate Agent or the buyer's agent may open the escrow for you. As soon as you execute the sales agreement, the buyer's Agent will place the initial deposit into an escrow account. At the opening of escrow, you may be asked to provide identification information such as your birth date and social security number. This information remains confidential.

## The Loan Process

- Unless the buyer is paying all cash, the next step will be for the buyer to select a lender and apply for a mortgage loan. Your Real Estate Agent will keep you informed of the buyer's loan process.
- The loan(s) on your property will be paid off at the close of escrow, unless the buyer takes over your existing loan(s). It is important that you still make your mortgage payments so that you do not damage your credit by incurring late fees.
- Also, it is very important for you to provide complete information on each loan against your property as soon as possible so your Escrow Officer can order loan payoff demands. The information should include the name of the lender, the lender's address and phone number and your loan number.
- If your property has a Homeowner's Association, you may be asked to provide the name, address and phone number. All this information helps to ensure your payoffs are made correctly and makes for a timely closing.
- When the buyers loan is approved, the loan documents are sent to your Escrow Officer. Your Escrow Officer will then prepare your escrow instructions and your grant deed.

## The Closing Process

### ***Signing Escrow Instructions***

Your Escrow Officer or Real Estate Agent will contact you to make an appointment to sign your instructions and your grant deed. At this time, your Escrow Officer will inform you of the amount of proceeds you will receive from the sale of your home. At your appointment, it is important that you bring either your valid drivers license or passport so that signatures can be notarized.

### ***After the Sign-Off***

After you have signed your escrow instructions, your Escrow Officer will give them to the lender for a final review. The review usually occurs within a few days, after which the lender advises the Escrow Officer that they are ready to fund the loan. If all the conditions of the escrow have been satisfied, the Escrow Officer will inform you of the date the escrow will close and will take care of the technical and financial details.

## Close of Escrow

Close of escrow signifies legal transfer of title and occurs when your grant deed and the deed of trust are recorded with the County Recorder. Recording usually occurs within one working day after loan funds are received in escrow.

## Proceeds

Your Escrow Officer will prepare a final settlement statement and issue you a check for the proceeds of the sale. This will be available to you once the sale is completed, documents are recorded and the escrow is closed.

## After The Close

After your existing loan is paid off, your lender is required by law to issue a full reconveyance (release of its loan). The deed of reconveyance will be recorded and the original returned to you.



# The Life of an Escrow

It all begins with the offer and acceptance skillfully negotiated by the real estate agents representing Buyer and Seller.

## The Buyer(s)

Tenders 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 reports.

Approves the preliminary report, and any property disclosure, or inspection reports called for by the purchases and sale agreement.

Approves and signs the escrow instructions, new loan document 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 financial 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 (when applicable)

Accepts the new loan application and other related documents from the buyers 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 buyers 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 buyer's approval and signature.

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

## The Escrow Officer

Receives an order for the title and escrow services for Chicago 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 real estate 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 or 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 Life of an Escrow (cont'd)

## 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.

## Chicago 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, prepares deeds for recordation with County Recorder and orders title policy.

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 and Why do You Need It?

*The deed to your new home is not enough to ensure clear title: it is merely an instrument whereby the seller transfers right of ownership to you. It doesn't prove that the person described as the seller is actually the clear owner, and it does not eliminate claims or rights that others may have in the property. You cannot determine from the deed what rights, liens, or claims may be outstanding against your title.*

*You should be protected against any undiscovered claims that may arise in the future to threaten your title. A title insurance policy from Chicago Title Insurance Company provides this twofold protection in accordance with your instructions and within the parameters of the policy.*

*Although your mortgage lender will most likely have a title insurance policy, it only protects the lender's interest in the property, not your investment, and it decreases as the mortgage is paid off. You need owner's title insurance to protect your ownership for the full amount you paid for the property.*

## How Does it Work?

Chicago Title conducts a thorough search and evaluation of the Public Records, looking for situations that may cloud the title to your new home, such as:

- Are all Taxes and special assessments paid?
- Does anyone have special rights to the property that would limit your ownership?
- Has the death of a former owner or the filing of a will, affected title to the property?
- Are there any lawsuits or claims recorded against the property itself, or suits or judgments filed against the seller?

## What about Hidden Risks?

Claims that cannot be discovered by examination of the Public Records, called "hidden risks", could arise long after you've purchased the property. 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.
- Misinterpretations of wills.
- Deeds by persons of unsound mind.
- Deeds by minors.
- Deeds by persons supposedly, but in fact married.
- Liens for unpaid estate, inheritance, income or gift taxes.
- Fraud.

## What about premiums?

Unlike most forms of insurance, you pay for a Chicago Title Insurance policy only once, and this relatively modest charge insures your title for as long as you or your heirs own the property.

## Title Insurance:

By obtaining a Chicago Title Insurance Company title policy, you are backed by the strength and security of the nation's largest title insurer.



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# What is the Preliminary Title Report?

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

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

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

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

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

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



# What is a Payoff?

*A loan payoff is an extremely important service provided by title companies to facilitate the handling of money in the closing of a real estate transaction.*

## COMMONLY USED TERMS

### **Payoff:**

The receipt of funds from the buyer and the payment of the obligations of the seller in conjunction with a real estate transaction. The payoff function is performed by Chicago Title.

### **Prefigures:**

Estimated payoff figures calculated and given prior to closing upon request. These figures are only valid through the date given and are based on the information provided at the time.

### **Good Funds:**

Chicago Title must be in receipt of "good funds" prior to disbursing on a payoff. Types of good funds include: **a)** funds wired into Chicago Title; **b)** a cashier's, teller's or certified check (provide next-day availability after deposit to comply with AB512); **c)** other local checks (provide availability of funds two days after deposit), and **d)** out-of-area checks (provide availability of funds five days after deposit).

### **Demands:**

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

### **Taxes:**

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

### **Refunds:**

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

### **Shortages:**

Your Escrow Officer will contact you if there is a shortage of the necessary funds to cover the outstanding obligations. The shortages must be received prior to payoff.

### **Disbursement Checks:**

Checks are delivered locally to lending institutions by a contracted messenger service. Checks to individuals and to out-of-area lenders are typically sent via an overnight delivery company.

### **Wire Transfers:**

Funds can be wired into and out of the Chicago Title offices with our bank.

### **Out-of-County Transactions:**

Chicago Title offices can receive and disburse payoff funds through any of our offices.



# Inspections

*Real Estate contracts often contain contingency clauses that allow buyers to inspect the property physically (usually at their expense). This inspection provides a comprehensive review of the infrastructure of the property.*

*Which inspections to order is usually a matter of observation and knowledge of what is critical to a particular region or area. Below is a list of the three most common types of inspections.*

## **Structural Pest Control**

- To discover any active infestation by wood destroying organisms.
- Section I on the report deals with active infestation and includes items that need immediate attention, lenders usually want the work performed prior to funding the loan.
- Section II on the report will be items that could cause infestation and, if not corrected, could cause damage.

## **Physical Inspection**

- This inspection encompasses roof, plumbing, electrical, heating and any other accessible area of the structure.
- A detailed report will be written with recommendations for repair or for further inspection by a specialist.

## **Geological Inspection**

- An inspection of the soil conditions and the stability of the ground beneath the structure can be performed by a Geological Engineer.
- You can select to go to the city records and research the property and its proximity to known fault lines.

## **Some Other Common Inspections**

- Water Conservation
- Well and Septic
- Hazardous Materials
- Zoning and Building Permit
- Compliance
- Contractors Home Inspection
- Chimney Inspection
- Heating and Air Conditioning
- Structural Engineering
- Energy Audit



# What is Disclosure Resource?

## Your Guide to Natural Hazard Disclosure Requirements

### Why choose Disclosure Source?

#### *Quality*

- Meets statutory requirements
- Natural Hazard Disclosure Statement (prepared)
- Local disclosure information
- Environmental Information Report available
- Provider stability

#### *Service*

- 24 hour processing
- Electronic order / payment / delivery

#### *Value*

Available at no additional charge:

- Mello-Roos Special Tax Determination
- Megan's law Information
- Airport Proximity
- Military Ordinance
- California Homeowner's Guide to Earthquake Safety  
(Commercial Property Owner's Guide is also available for commercial transactions)
- Protect your family from lead in your home
- Environmental Hazards ( A guide for homeowners and buyers)

### A Valuable Resource

Disclosure Source provides a valuable and necessary service of your Real Estate transaction. Their report includes the following important sections:

#### **Earthquake**

The California Public Resource Code states that the seller shall disclose to any prospective transferee the fact that the sale property is or is not located within an Earthquake Fault Zone (section 2622).

The Code also states that the seller must disclose to any prospective transferee the fact that the sale property is or is not located within a Seismic Hazard Zone (section 2696).

#### **Fire**

According to the California Public Resources Code, a seller of real property must disclose whether the property is or is not located with in a Very High Fire Severity Zone (section 51178). The Property may also be subject to additional fire mitigation requirements set forth in Section 51182 of the California Public Resources Code.

The Seller must disclose the fact that the property is or is not located within a Wildland Area That May Contain Substantial Forest Fire risks and hazards, aka, State Fire Responsibility Area (section 51178 of the California Public Resources Code). The sale property in question may also be subject to the requirements of Section 4125 of the Public Resources Code, and Section 4291 of the Public Resources Code.



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# What is Disclosure Resource? (cont'd)

## Your Guide to Natural Hazard Disclosure Requirements

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### Flood

A seller must disclose to any prospective transferee the fact that the property is or is not located within a Special Flood Hazard Area (zone "A" or "V") designated by the Federal Emergency Management Agency (Title 42 United State Code Section 4101 and 4106).

The California Public Resources Code states that sellers must inform prospective purchasers that the property is or is not located within an Area of Potential Flooding, Designated on a Dam Failure Inundation Map (Section 8589.5).

### Convenience

As real estate transactions become more complex, Disclosure Source is pleased to offer solutions for sellers and real estate agents to help simplify the process and promote successful closings. Whether it's working through your Realtor, Escrow Officer, or connecting through the Internet, we take the hassle out of Hazard Disclosure compliance.

### Safe and Secure

- Today's business climate is volatile.
- Top real estate professionals and smart sellers know the importance of doing their homework.
- They know who they're doing business with, including the overall history and stability of their service providers.
- Disclosure Source is a proud member of the Fidelity National Information Solutions (FNIS) family of companies.
- Through its subsidiaries, Fidelity National Financial (FNF), the parent company of FNIS, is the nation's largest provider of title insurance, real estate related products and closing services.

### The Right Information

- Hazard disclosure compliance couldn't be easier!
- Disclosure Source meets all Statutory Requirements\*

As an added value, Disclosure Source includes a prepared Natural Hazard Disclosure Statement, Mello-Roos determination and additional disclosures. Our popular consumer information publications (Homeowner's Guide to Earthquake Safety, Environmental Hazards in the Home, and Protect your Family From Lead) are available with each order at no additional charge.

### Remember

Natural Hazard Disclosure must be delivered in all transactions where:

- a) The transferor, or the transferor's agent has actual knowledge that the property is within any of the aforementioned hazard zones or areas; or
- b) Maps, notices, or parcel lists identifying natural hazard zones or areas (requiring disclosure in accordance with the laws referenced herein) have been compiled, posted and made available for review at various government offices.

### Discover the difference yourself!

For more information contact your Disclosure Source Representative at 800.880.9123.



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# Closing Costs

*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. The appraisal is made by an independent fee appraiser.

**Credit Report Fee:**

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

**Document Preparation Fee:**

There may be a separate fee that covers the preparation of the final legal papers.

**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 that of a few days. If your loan closes at the end of the month, you may pay interest for only for a day or so.

**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 insurance into a special reserve account held by the lender.

**Title and Escrow Fees:**

Generally each party is responsible for cost or fees incurred on their behalf unless otherwise negotiated. Some common exceptions include title policy and escrow fees, city and county transfer fees and real estate commissions. Please refer to your agent for prevailing customs in the area.



# Your Appointment With Your Escrow Officer

## You are Closer Now to Completing the Sale of Your Home

Your Escrow Officer or Real Estate Agent will contact you to make an appointment to sign your escrow instructions and final loan papers. Your Escrow Officer will tell you the amount of money you'll need (in addition to your loan funds) to complete the purchase. This amount will include "closing costs" such as appraisal fees, loan fees, escrow charges, advance payments on property taxes and homeowner insurance, the title insurance premium, inspection charges, and the like.

### Your Appointment

Before coming to sign escrow papers, make sure you have done the following:

**Identify all your lender's requirements** and make sure you have satisfied them. Your Loan Officer or Real Estate Agent can assist you.

**Obtain Hazard/Fire insurance.** Once your loan is approved, call your Escrow Officer with the insurance agent's name and telephone number so that your Escrow Officer can verify that the policy meets your lender's requirements. You must have your policy in place before the lender will send your loan funds to escrow.

**Obtain and bring with you a cashier's check or certified check** issued by a California institution, made payable to Chicago Title in the amount indicated to you by your Escrow Officer when you made the appointment to sign your escrow instructions. A personal check or out-of-state check could delay closing.

**Bring either your valid driver's license or passport** to your appointment so that the notary public can verify your identity.

Before your appointment, you must **decide how you wish to hold title** to your new home. We suggest you consult a lawyer, tax consultant or other qualified professional.

### After the Sign-Off

After you have signed your escrow instructions, your Escrow Officer will give them to the lender for a final review. The review usually occurs within a few days, after which the lender advises your Escrow Officer that they are ready to fund the loan. If all the conditions of the escrow have been satisfied, your Escrow Officer will inform you of the date the escrow will close and will take care of the technical and financial details.



# Important Real Property Tax Dates

## **March 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 as a lien for the coming Fiscal Tax Year.

**April 15** - Last Day to file for 100% veterans or homeowners 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** - First Installment Due.  
(First installment - July 1 to December 31)

**December 1** - Last day to file for 80% Veterans or homeowners exemption.

**December 10** - First installment becomes delinquent at 5 p.m. 10% penalty added to taxes due. If December 10 falls on a weekend or holiday, taxes are not delinquent until 5 p.m. the next business day.

**January 1** - Calendar Year begins.

**February 1** - Second 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 10 falls on a weekend or holiday, taxes are not delinquent until 5 p.m. the next day.

**June 30** - Property Tax may become defaulted.  
If you fail to pay either or both installments by 5 p.m. property tax becomes defaulted and additional costs and penalties accrue. If June 30 falls on a weekend or holiday, taxes must be paid by 5 p.m. of the preceding business day.

**Reminder** - Property may be sold at Public Auction after 5 years of delinquency.

## **How Property Taxes are Determined**

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

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

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

## **Can You Disagree with the Amount?**

You may apply to the Assessor to see if that office will change the valuation. Additionally, Appeals Boards have been established for the purpose of resolving valuation problems. Appeals on regular assessments may be filed between July 2 and September 15. Appeals on corrected assessments, escaped assessments (assessments that did not take place when they should have), or supplemental assessments must be filed no later than 60 days from the mailing date of the corrected, escaped or supplemental tax bill.

## **File an appeal but remember to pay the tax**

If you choose to appeal, still pay your tax installments in full by the appropriate deadlines or you may incur penalties. If your appeal is granted, a refund will be issued to you.

## **Did you recently purchase property?**

Although escrow prorates taxes and gives appropriate credit between buyer and seller, the actual taxes may not have been paid and you are responsible for any unpaid taxes at the close of escrow. Read your escrow papers and/or title report to determine if any portion of the annual taxes were paid by the previous owner before the close of escrow. The Tax Collector will not send a bill for the remainder of the year in which you acquired the property unless requested. If any taxes remain unpaid, call the Tax Collector and request a bill. When you call, give the Assessor's Identification Number.



Chicago Title

# Understanding Supplemental Property Taxes

## **When was the supplemental real property tax law enacted?**

Governor George Deukmejian signed the Supplemental Real Property Tax into law in July of 1983. It is expected to produce over \$300 million per year in revenue to aid California's schools.

## **How do supplemental taxes affect the homeowner?**

Supplemental property taxes only affect individuals who are buying property or initiating new construction. After the purchases or new construction is complete, the new owner will receive a bill for supplemental property taxes, which will become a lien against the property as of the date of ownership changes or upon the date of completion.

## **When and how are the bills generated?**

It's not easy to predict when the new property owner will be billed. It may be as soon as three weeks after escrow closes or the new construction is complete. It also might take six months or more, depending on what county the property is located in and the workloads of the County Assessor, County Controller/Auditor and the County Tax Collector.

The Assessor will appraise the property and advise the owner of the supplemental assessment amount. The property owner will then have the opportunity to discuss the valuation, apply for a Homeowner's Exemption and be informed of their right to file an Assessment Appeal. The Assessor then calculates the amount of the supplemental tax bill to the property owner. The bill will identify the amount of the supplemental tax and the date the taxes will become due and delinquent.

## **How will the amount of the bill be determined?**

A formula is used to determine the tax bill. The total supplemental assessment will be prorated based on the number of months remaining until June 30, the end of the tax year.

*The proration factor works like this:* The supplemental tax becomes effective on the first day of the month following the month in which the change of ownership or completion on new construction actually occurred. If the effective date is July 1, then there will be no supplemental assessment of the current tax roll and the entire supplemental assessment will be made to the tax roll being prepared. If the effective date is not on July 1, the factors represent assessment on the current tax roll.

## **Example:**

The County Auditor finds that the supplemental property taxes would be \$1,000 for a full year. The change of ownership took place on September 15 with the effective date being October 1. The supplemental property taxes would be subject to a proration factor of .75 and the supplemental tax would be \$750.

## **Can the supplemental tax bill be paid in installments?**

*All supplemental taxes are payable in two equal installments. The taxes are due on the date the bill is mailed and are delinquent on specified dates depending on the month the bill is mailed as follows:*

1. If the bill is mailed within the months of July through October, the first installment will become delinquent on December 10 of the same year. The second installment will become delinquent on April 10 of the next year;
2. If the bill is mailed within the months of November through June, the first installment will become delinquent on the last day of the month following the month in which the bill is mailed. The second installment shall become delinquent on the last day of the fourth quarter calendar month following the date the first installment is delinquent.

## **Will supplemental property taxes be prorated in escrow?**

Not usually. Unlike ordinary annual taxes, the supplemental tax is a one-time tax due for the period from the date of new ownership or completion of the new construction, until the end of the tax year on June 30. The obligation for this is entirely that of the property owner.



# How Long Should You Save Records

Type of Record	Holding Period	Place To Save
<b>Property Records:</b> Mortgages, Chicago Title escrow instructions and Chicago title insurance policy records, deeds, loan agreements, photos and ID numbers of valuables.	As long as you own the property plus several more years as proof of paid off loans.	Originals in safe-deposit box; copies at home.
<b>Family Papers:</b> Birth, marriage and death certificates, divorce and settlement papers, military discharge papers, adoption papers, school transcripts and diplomas.	Indefinitely.	Safe-deposit box.
<b>Health Records:</b> Copies of forms showing immunizations, hospital stays, operations.	Indefinitely.	Home files.
<b>Government Documents:</b> Social Security card, passport.	Indefinitely.	Card in a safe place, stub in safe-deposit box. Passport in safe-deposit box until needed.
<b>Estate Materials:</b> Wills, trusts, burial instructions.	Indefinitely.	Originals with lawyer; copies and inventory in safe-deposit box.
<b>Tax Records:</b> Returns and supporting documents.	Seven years (required by the government).	Home files.
<b>Home Improvement Records:</b> Receipts, contracts and records of costs.	Until home is sold and tax liability is settled.	Home files; copies in safe-deposit box.
<b>Warranties, Guarantees:</b> Contracts and proofs of purchase.	As long as you own the items.	Home files.
<b>Insurance Records:</b> Policies and household inventory, including photos and appraisals of valuables.	Until four years after expiration of policy. Update inventory annually.	Original policies at home; copies and inventory in safe-deposit box.
<b>Investment Records:</b> Securities, buy and sell orders, cancelled checks, statements and contracts for retirement plans.	At least three years beyond sale for tax purposes. Retirement materials indefinitely.	Certificates in safe-deposit box, copies at home.
<b>Bank Account Records:</b> Cancelled checks, registers, statements, receipts.	Certificates of Deposit (CD's) until maturity. Others as long as needed for related tax matters.	CD's and list of accounts in safe-deposit box. Ledger books and checks at home.
<b>Credit Account Records:</b> List of cards, records of payment.	Until obligation is discharged; longer to support tax matters.	Home files.
<b>Master lists of assets and liabilities:</b> Record of financial accounts, property owned, insurance coverage taxes.	Update Annually.	Home files. Copies in safe-deposit box.
<b>Safe-Deposit box inventory:</b>	Indefinitely. Update as contents change.	Home files.



# Moving Countdown

*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 babysitter, 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

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



# Glossary

**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.



# Glossary

**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.



# Glossary

**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.



# Glossary

**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.



# Glossary

**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.



# Glossary

**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 Penens".

**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.



# Glossary

**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.



# Glossary

**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.



# Glossary

**Survey** - The measurement of the boundaries of a parcel of land, its area and sometimes its topography.

**Take out Loan** - The “permanent” (long term) financing of real estate after completion of construction.

**Tax Base** - The assessed valuation of real property, which is multiplied by the tax rate to determine the amount of tax due.

**Tax Lien** - (1) A Lien for nonpayment of property taxes. Attaches only to the property upon which the taxes are unpaid. (2) A Federal income tax lien. May attach to all property of the one owing taxes.

**Tenancy by the Entirety** - A form of ownership by husband and wife whereby each owns the entire property. In the event of the death of one, the survivor owns the property without probate.

**Tenancy in Common** - An undivided ownership in real estate by two or more persons. The interests need not be equal and in the event of the death of one of the owners, no right of survivorship in the other owner exists.

**Tenant** - (1) A holder of property under a lease or other rental agreement. (2) Originally, one who had the right to possession, irrespective of the title interest.

**Terms** - The consideration other than price, in a sale, lease, mortgage, etc. For example: the way the money will be paid, time to take possession, conditions, etc.

**“Time Is Of The Essence”** - Clause used in contracts to bind one party to performance at or by a specified time.

**Title** - The evidence one has of right to possession of land.

**Topography** - The contour of land surface, such as flat, rolling mountainous, etc.

**Transfer** - The act by which the title to property is conveyed from one person to another.

**Transfer Tax** - State tax on the transfer of real property. Based on purchase price or money changing hands. Also called documentary transfer tax.

**Trust** - A fiduciary relationship under which one holds property (real or personal) for the benefit of another. The party creating the trust is called the settlor, the party holding the property is the trustee, and the party for whose benefit the property is held is called the beneficiary.

**Trustee** - (1) One who is appointed, or required by law, to execute a trust. (2) One who holds title to real property under the terms of a deed of trust.

**Trustor** - The borrower under a deed of trust. One who deeds his property to a trustee as security for the repayment of a loan.

**Veterans Administration (VA)** - An Agency of the Federal government which, among other things, insures and guarantees loans for veterans.

**Warrant** - To legally assure that title conveyed is good and possession will be undisturbed.

**Wrap-Around-Mortgage** - A second or junior mortgage with a face value of both the amount it secures and the balance due under the first mortgage. The mortgage under the wrap-around collects a payment based on its face value then pays the first mortgagee. It most effective when the first has a lower interest rate than the second, since the mortgagee under the wrap-around gains the difference between the interest rates, or the mortgagor under the wrap-around may obtain a lower rate than if refinancing.







