



Fidelity National Title

# Seller's Guide

A Guide To Selling Your Home

closing costs

inspections

tax information

escrow process

## ▶ **Table of Contents**

▶ Home Selling	4,5
▶ Home Selling Tips	6,7
▶ 10 Deadly Sins of Selling Your House	8,9
▶ Suggestions to the Seller (Termite Report)	10,11
▶ Suggestions to the Seller (Home Warranty)	12
▶ Suggestions to the Seller (Home Inspection)	13
▶ Suggestions to the Seller (Change of Address)	14
▶ The Process of Selling Your House	15
▶ The Escrow Process	16,17
▶ Life of an Escrow	18,19
▶ Title Insurance	20
▶ Title Policy Comparison	21
▶ Concurrent Co-Ownership Interests	22, 23
▶ Guide to Closing Costs	24
▶ What Closing Costs Are All About	25
▶ Moving Countdown	26, 27
▶ Glossary	28-35
▶ Notes	36



# Home Selling

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## **It's time to move on...**

Whether you're making a job change, retiring, need a bigger house, or just need a change of scenery, you want to get the most for your house, with the right terms and in the shortest amount of time possible. You may think selling a home is easy, but ask yourself this...how many houses did you look at before you bought the one you now own? How many other people do you suppose went through those same homes before a buyer was found? You may think that the first person who walks through your door will fall in love with your place, but perhaps you need to take a step back and find yourself a professional Realtor. A good realtor can save you money and help you get more for your home than you can by selling it yourself. After all, that is what they are trained to do.

Your home is one of the most valuable possessions you will ever sell. It requires skill, experience, and understanding of the current market for a licensed real estate professional to represent you. His or her experience and access to marketing tools can maximize your return.

## **Pricing**

One of the first things your Realtor will do is help you price your home effectively. Sometimes sellers mistakenly price their house higher, knowing that they can lower the price if it doesn't sell. This can often backfire on the sellers. Buyers often shop around before they buy and often recognize value in a specific price range because of this comparison shopping.

Using the Multiple Listing Service (MLS), the Realtor will prepare a Comparative Market Analysis (CMA) which involves a survey of homes that are on the market, or have recently sold, that are similar to yours. Your Realtor will then advise you on the additional value (or deficit) of your home's unique features and factor that into the equation. Depending upon how anxious you are to sell (and how quickly you need to close), your Realtor can suggest different strategies to help you get top dollar for your home.

Once you sign a Listing Agreement, your Realtor will develop a comprehensive marketing plan. But first, your Realtor will take a look at your home and may suggest ways to make it show better. Remember what you looked for when you bought the house? Take a look at the checklist on the next few pages to get a better idea of how you should look at your home through the "eyes of a buyer."

Your Realtor will put your home on the MLS so other agents will become aware of your property. Your Realtor will also network with other agents, conduct open houses, and suggest ways to stimulate activity. Advertising is vital.

Your Realtor may also recommend incentives such as assistance with closing costs or paying for the home warranty. This may give the potential buyer the incentive to offer more or close more quickly.

### **Comparative Pricing**

Value is a relative term. One owner's quaint little cottage may be another's airless old money pit. Obviously then, you need some basis of objectivity - and you can find it by having your Realtor rate your house against other similar houses in like neighborhoods. You can count on your Realtor to be frank if your asking price is too high. Your Realtor will work together with you to factor in all the important aspects of your home.



# Home Selling Tips

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People usually decide within minutes whether or not they like your house. Remember to view your home as a buyer would see it.

## Kitchen

- The kitchen is the most important room in the house. Make it bright and attractive. If it needs help, paint it and/or try new curtains.
- Make sure the kitchen is spotless. Check the stove, floor, windows, cabinets, etc.
- Clean the ventilating hood in the kitchen.
- If the kitchen floor is badly worn, replace it with new flooring.
- Replace any loose tiles on the counter and walls.
- Remove any appliances or knick-knacks you keep on the counters. Clean, uncluttered counters will make the room look bigger.

## Bathroom

- Repair any dripping faucets.
- Keep fresh towels in the bathroom.
- Remove any stains from toilets, sinks, bathtub and shower.
- If the sink, bathtub or shower drains too slowly, unclog it.

## Outside

- Make sure the front door and porch are clean. Repaint the front door if necessary.
- Keep the lawn and shrubs trimmed and neat looking. Freshly planted flowers are attractive and inviting.
- Sweep walkways.
- Paint your house if necessary. This can do more for the sales appeal than any other item. If you don't want to paint, consider touching up shutters or window frames.
- Check the roof and gutters...any missing shingles to replace? Gutters and downspouts in place?

## Living Areas

- Have all walls in top shape. Repair all cracks, nail pops or visible seams in drywall.
- Wash the windows.
- Replace broken glass and torn screens. Make sure windows open and close.
- Check ceiling for leak stains. Fix the source of the leak, repair the ceiling and paint. (Contract will require this to be done.)
- In painting or redecorating, avoid offbeat colors. Stick to white or easy to work with pastels or neutrals.
- Replace or re-dye faded curtains or bedspreads.
- If you have a fireplace, clean it out and put in fresh logs.
- Replace burned out light bulbs. Put in brighter light bulbs. Make sure light switches work.
- Clean floors and vacuum rugs.
- Straighten up the closets and get rid of excess items.
- Use air freshener to eliminate musty or unpleasant pet or cooking odors.
- Fix any doors or sliding glass doors that stick.

## **Garage**

- Clean out the garage and dispose of anything you are not going to move. Box up everything you won't need until you're in your new house.
- Make sure the garage door opener is in good working condition.

## **Additional "Inside" Tip**

- Neatness makes a room look bigger. Put excess furniture in storage. Avoid clutter.
- Avoid having dirty dishes in the sink or on the counter.
- Keep toys in the children's rooms. Bikes, in-line skates and skateboards should be made as inconspicuous as possible.

## **When your Home is Being Shown**

- Open draperies and shades to let in light. This will make rooms appear larger.
- Keep radios, stereos and TVs off or turned way down.
- Take pets outdoors when your house is being shown. Children should be quiet.
- Be courteous but don't force conversation with potential buyers. They want to inspect your house, not pay a social call.
- Don't mention furniture or furnishings you may want to sell unless asked. Trying to dispose of such items via the potential buyer before they have purchased the house often loses the sale.
- Let the Realtor discuss the price, terms, possession and other factors with the buyers. He/she is eminently qualified to bring negotiation to a favorable conclusion.
- Take your family away for the day, if your Realtor is holding an open house.



# The 10 Deadly Sins of Selling Your House

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**Here's some helpful tips from other sellers who have already gone through the process.**

**1**

## **Buying a replacement home before selling the old one.**

The temptation may be great to buy a replacement home first. That way you'll know where you are going and how much you'll be paying. And you won't have to worry about being left out in the cold with nowhere to go if your home sells quickly.

However, the financial risks of buying first are great. It's far better to sell your current home first and endure the inconvenience of moving to an interim rental - which rarely happens - than it is to end up owning and paying for two homes when you only want one.

**2**

## **Basing the list price of your home on the price you would like to get rather than on market value.**

Market value determines the price of your home - not wishful thinking. A buyer won't pay more for your home just because you think you need more money in order to purchase your next home.

Find out the market value of your current home by having your Real Estate Agent prepare a comparative market analysis or by getting an appraisal from a local appraisal firm. This will tell you the value of your home based on comparable sales information. With this information, you can determine an accurate list price for the current market.

After you know what your home is likely to sell for, ask your agent to prepare a seller's net sheet. It will tell you approximately how much cash you will receive from the sale. Then, visit a mortgage broker or loan agent to get pre qualified for a mortgage. They will let you know what price range you can afford to buy a home at.

**3**

## **Failing to get a "termite" report (or other indicated reports) before listing a home for sale.**

Sellers are often required to pay for eliminating wood pest (also known as "termite") infestation when they sell their home. They may also be asked to correct other defects. Sellers who know the condition of their home before they sell are in a better position to negotiate a firm sale because they can disclose existing reports on the property to buyers before they make an offer.

**4**

## **Putting a home on the market before it is spruced up.**

Buyers and real estate agents remember what they see. Their first impressions are lasting ones. If a property looks a mess when it hits the market, that is how agents will remember it.

Most people lack the vision to imagine what the home will look like when it's fixed up. It's usually better to delay marketing a home until it's spruced up for sale. Most buyers utilize realtors' services to purchase homes so, realtors are more excited about showing and selling homes when they are in mint condition.

5

**Refusing to reduce a listing price that is too high for the market.**

It's hard to be objective about the value of your home. This is why it's important to get a professional's opinion before setting a list price. Over-priced listings often take a long time to sell. Thus they can sell for less than they would have if they were priced right to begin with.

It's natural to want to get the most money possible when you sell. Competitive pricing is the way to achieve that result. If you find that your list price is too high for the market, reduce your price sooner rather than later. The longer it sits on the market unsold, the lower the ultimate selling price is likely to be.

6

**Refusing to counter a low offer.**

Sellers want to sell high; buyers like to buy low. A low offer from well-qualified buyers is better than no offer at all. A high offer from unqualified buyers only leads to disappointment. The price, buyers offer is not the most important part of their offer - if they are willing to negotiate.

7

**Insisting on being present when the home is shown to prospective buyers.**

One way to discourage buyers from buying your home is to be home during showings. For buyers to decide to buy a home, they first must discover, and discuss, all of its flaws. Buyers are reluctant to say anything negative about a home in the sellers' presence. It's best to leave your home when it's being shown to prospective buyers.

8

**Listing with a contingency to find a replacement home.**

This is like saying that your home might be for sale. Serious buyers make offers on homes that are definitely for sale. Otherwise, buyers could wait in vain for unrealistic sellers to find an acceptable replacement home.

9

**Setting up a complicated showing procedure that discourages showings.**

A home that can't be shown, can't be sold. The easier it is to show a home, the more often it will be shown, and the quicker it will be sold. There is usually a direct correlation; the more showings a home receives, the less time it takes to sell.

10

**Refusing to do anything to get your house ready to sell.**

The way most people live in their homes is usually very different from the way a home should look when it goes on the market. In order for someone to want to buy a home, they must be able to envision themselves living there. Most sellers have to de-clutter and clean their homes - at the very least.

Often there's quite a bit more work that needs to be done before a home is ready to sell. For example, in order to get the highest price possible when you sell a car, it's wise to have it detailed to look its shiny best. The same concept applies to selling houses. Buyers pay premium for homes that are in move-in condition.





# Suggestions to the Seller

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## Wood Destroying Organism Report (Termite Inspection)

This report is prepared by a State Certified Inspector as evidence of the existence or absence of wood destroying organisms or pests which were visible and accessible on the date the inspection was made. In almost every instance when they receive a request for an inspection the caller refers to it as a “termite inspection.” It seems almost everyone believes that the inspections are limited to inspecting for signs of termite activity. This conception is only partially correct. In addition to looking for subterranean termites, the inspector is looking for signs of activity from other wood organisms such as:

- Dry wood termites
- Carpenter ants
- Carpenter bees
- Wood destroying fungus

In preparing your house for this inspection you, as the homeowner, can do certain things that will save money and ensure a clean report at the time of the initial inspection. You can check your house for conditions conducive to infestation. These conditions are easy to spot and in most cases are simple to correct.

Walk around the exterior of your house and check for these conditions.

### 1. Wood to Earth Contact

- a. If you have a wood fence around your yard - does any portion of the wood fence or wood gate come in contact with the house and the soil abutting the house?

If this condition exists you can correct it by either:

- Digging the soil away from the wood that is in contact with the house
- Cutting the wood so that you have relieved the contact with the soil
- Placing a piece of sheet metal between the structure and the wood in contact with the soil
- Trenching around the base of the board to relieve all contact with the soil and filling the trench with concrete

- b. Concrete form boards of trellises in the soil and in contact with the house?

- Correct this condition by removing the trellises and the form boards.

- c. Patio posts in the soil?

- Correct this condition by trenching the soil around the base of each post to relieve all soil contact and fill the trench with concrete.

- d. Wood patio built directly onto the soil?

- Correct this condition by making certain that no part of the patio construction is in direct contact with the house.

- e. Railroad ties or other used wood to form a planter is touching the house?
  - Correct this condition by cutting the wood to relieve contact with the house or place a piece of sheet metal between the wood and the house.

## **2. Excessive Cellulose Debris**

- a. Overgrown dried grass or dried landscape cuttings along the stem wall can attract termites.
  - You can correct this condition by cutting all of the dried grass away from the stem wall of the house and raking the landscape cutting away the stem wall.

## **3. Faulty Grades**

- a. While inspecting the exterior of your house, make certain that all drainage off the roof is able to flow away from the structure. Check all soil elevation around the structure making sure that water can flow away from the stem wall. If you find conditions that allow water to accumulate and stand along the stem wall you must correct it.
  - You can correct this condition by grading the soil to allow the water to flow away from the house or filling in soil to a grade that allows for the flow of water away from the stem wall, if you must fill in soil, be sure that you do not raise the soil level above the stem wall.

## **4. Excessive Moisture**

- a. While inspecting your house (interior and exterior) check for water leaks from:
  - Showers
  - Through your roof
  - Outside faucets
  - Correct these conditions by stopping the leaks that provide the termites with a moisture source.
  
- b. Leaking drainage outlets from your cooling systems often leak on to the soil abutting the house keeping the soil constantly wet.
  - You can correct this condition by extending the draining outlet by adding piping allowing it to drain away from the house.

Most of these conditions are easy to spot and inexpensive to correct. Be a smart seller and address these conditions before your house is in escrow. If you aren't certain about the condition of your property, seek the assistance of a State Certified Termite Inspector to assist you.



# Suggestions to the Seller

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## **Why A Home Warranty Should Be a Part of Your Sale**

A Home Warranty is basically an insurance policy. It insures the mechanical, electrical and plumbing parts and systems of a house. A Home Warranty provides the same comfort as any insurance against unforeseeable events. Many homeowners claim that their warranties have more than paid for themselves.

### **How Does it Work?**

While each Home Warranty company operates a little differently, there are some basics that apply. Each has a “basic plan that covers routine heating, plumbing and electrical systems. In addition, they offer optimal coverage for air conditioning, pools and spas, appliances, etc. charged on a per item basis. Some companies offer more comprehensive “basic” plans than others, including such features as irrigation systems and garage door openers.

A Home Warranty plan can be ordered at the time of listing to protect the seller during the listing period, usually not exceeding six (6) months, then assumed by the buyer at the time of the sale. A Warranty may be purchased during the escrow process, and some Home Warranty companies allow the buyer to make the decision to have a plan after purchasing the home.

### **The Process Step-by-Step**

First application is completed and submitted to the Home Warranty Company, either by phone or by fax. The application should delineate which plan and options are being ordered, and include the agent’s and the property’s information. Some companies offer different plans depending on whether it is for a sale. For example, some companies allow more options to the buyer at the time of the sale than to the seller at the time of the listing. There are companies that require a mechanical inspection prior to approval of the application. It is considered an advantage during your “walk through” to check for any “red flags.” In this case, a report of the inspection is faxed to the ordering agent with the results. Upon approval, the policy is in effect.

Depending on the company, when service is needed, the policy holder may either call the warranty company and provide their policy number and state the problems, then wait for a call from an outside service company to arrange for service. Or call their in-house service department directly to arrange service.

### **At the Close of Escrow**

Most Home Warranty plan payments are not due until the close of escrow. At the time, a copy of the invoice, listing the coverage ordered, is sent to the escrow company for payment, along with an inspection report, if requested. A copy of the policy is mailed to the new policy holder. During the transition period, the policy is in effect.

## **Home Inspection**

As you put your house on the market, here are some things you can do to improve the presentation of your house. These are items you can do prior to your home being professionally inspected.

Approximately 45% of the houses sold will have an inspection. The typical house inspection does not cover cosmetics such as clean carpets and fresh paint. It will cover the functionality safety, and livability of the house. It is not intrusive (no screwdrivers in the walls).

The typical home inspection covers the exterior, walls, roof, outside equipment, and the interior windows, kitchen appliances, bathroom fixtures, etc. It will take an estimated hour for every 1,000 square feet with a two hour minimum.

### **Assuming your house will be inspected, here is a list of recurring items you can address up front:**

- Faucets and pipes. You may be quite willing to live with that dripping or leaking faucet, but don't assume the buyer will.
- Windows. Cracked glass or leaking seals on dual pane windows are not acceptable to most buyers.
- Ground Fault Circuit Interrupters (GFCIs) should be in working order. To test them, push the test button. This turns the power off to the outlet. Plug in an appliance and make sure. Press the reset button and the appliance should now work. Older houses may not have GFCIs. If you have them, they should work.
- Toilets. Check for leaks and cracks in toilet bowls. Make sure they are not loose.
- Extension cord or handyman wiring. If you've been inventing your own wiring out on the patio or in the garage, it can be a negative issue. If any wiring is exposed it should be in a conduit, a junction or seal tight to protect it.
- A/C Filters. Change them. Dirty air filters affect the performance of the heating/cooling system. Consider having the unit serviced and cleaned so that it will operate properly when tested.
- Pool, pool filters and pool lights. Check for cracks and rust in the pool plaster. Make sure the pipes and filters are not leaking and that the gauges work. Ensure the pool lights work.
- Hot water. The hot water should always be on the left side in sinks, tubs, and showers.
- Roofs. Any missing shingles or tiles should be replaced. Any flashing that needs resealing should be resealed.
- Doors. They should latch and lock, if a lock is installed.

Two additional points: listen to your Realtor. They see many properties and other houses competing with yours for the buyers' attention. As you fill out the sellers' property disclosure statement (SPDS), ask them about any issues that come up.

Also, consider having a house inspection at the time you list your house. Pre-inspected houses typically move faster from offer to escrow - an average of ten days quicker. With a house inspection report in hand, you and your Realtor can determine in advance which items you'd be willing to address. Plus, you'll have a better sense that your "price" is in line with the overall condition of the property.



# Suggestions to the Seller

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## Change of Address

Here is a handy list of all the people you might need to contact regarding your move. Don't forget to tell close friends and relatives your new address and telephone numbers.

### Utilities

- Electric
- Gas
- Water
- Telephone
- Fuel

### Publications

- Newspapers
- Magazines
- Professional
- Fraternal

### Government & Public Office

- Veterans Administration
- Library
- City Hall - Garbage & Refuse
- State Motor Vehicle Bureau
- Post Office
- Draft Board

### Insurance Agencies

- Life
- Fire
- Auto
- Home
- Health
- Accident
- Hospital

### Professional Services

- Doctor
- Dentist
- Optometrist
- Certified Public Accountant
- Attorney
- Real Estate Broker

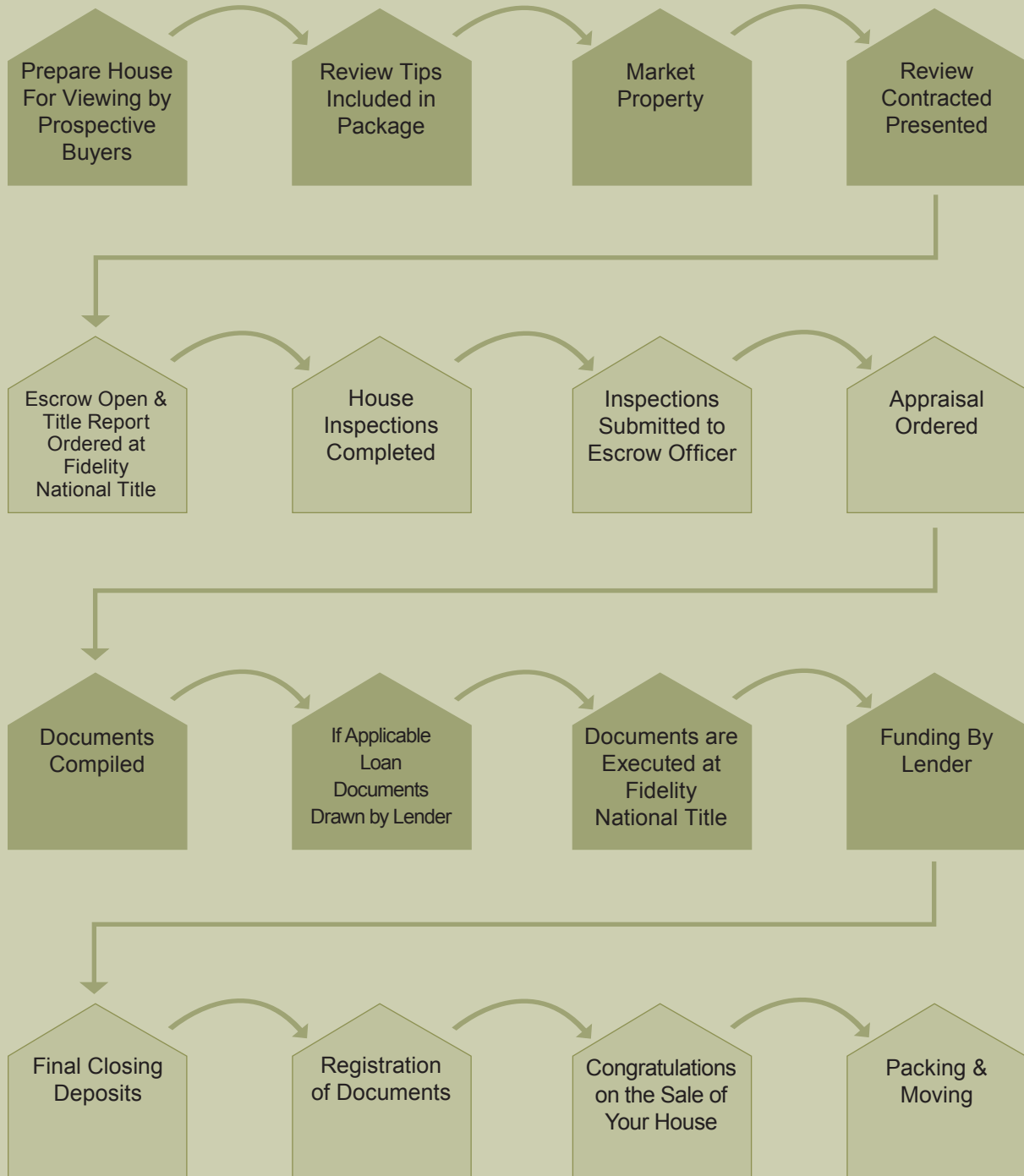
### Established Business Accounts

- Dry Cleaner
- Bakery
- Drug Store
- Diaper Service
- Department Store
- Water Softener Service
- Diary
- Service Stations
- Laundry
- Banks
- Finance Companies
- Automobile

### Miscellaneous

- Relatives and Friends
- Business Associates
- Book & Record Clubs
- Organizations & Clubs; Schools
- Your Landlord (if you are a Tenant)
- Your Tenants (if you are a Landlord)

# The Process of Selling Your House



For further explanation review with your Real Estate Professional.



# The Escrow Process

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## What is an Escrow?

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

## How Does the Escrow Process Work?

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

## What Does the Escrow Holder Do?

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

## The escrow holder's duties include:

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

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

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

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

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

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

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

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

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

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





# The Life of an Escrow

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## The Buyer(s)

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



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



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

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



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



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

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

## The Lender

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



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



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

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



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



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

## The Escrow Officer

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

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

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

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

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

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

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

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

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

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

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

## The Seller(s)

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

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

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

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

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

## Fidelity National Title

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

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

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



# Title Insurance

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## What is Title Insurance?

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

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

## Title Search

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

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

## What Does a Title Policy Cover?

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

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

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

# Title Policy Comparison

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

CLTA

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

ALTA-R

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

Homeowner's Plus

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



# Concurrent Co-Ownership Interests

Fidelity National Title

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

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

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

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# Guide to Closing Costs

Fidelity National Title

## Sellers Generally Pay...

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

## Buyers Generally Pay...

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

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

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

## Some of the items associated with the closing costs are:

### **Title Insurance Premium**

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

### **Real Estate Commission**

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

### **Transfer and Assumption Charges**

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

### **Recording Fees**

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

### **Processing/Loan Fees**

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

### **Escrow Fees**

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

### **Additional Settlement**

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

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

### **Title Insurance**

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

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

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

For more information, contact Fidelity National Title or your Fidelity National Agent.





# Moving Countdown

Fidelity National Title

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

## 8 Weeks Before the Move

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

## 6 Weeks Before the Move

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

## 4 Weeks Before the Move

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

## 3 Weeks Before the Move

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

### **2 Weeks Before the Move**

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

### **1 Week Before the Move**

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

### **2 of 3 days before the Move**

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

### **Moving Day**

- Do it yourself movers should pick up truck early.
- Make a list of every item and box loaded onto the truck.
- Let the mover know where you can be reached.
- Before you 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"/> Install new locks                      |
| <input type="checkbox"/> Scissors  | <input type="checkbox"/> Make sure the utilities are hooked up. |
| <input type="checkbox"/> Utility Knife   | <input type="checkbox"/> Unpack the kid's toys and pets' toys.  |
| <input type="checkbox"/> Coffee Cups   | <input type="checkbox"/> Toiletries kit                         |
| <input type="checkbox"/> Tea kettle/Coffee Maker                                   | <input type="checkbox"/> Trash Bags                             |
| <input type="checkbox"/> Paper plates  | <input type="checkbox"/> Bath Towels                            |
| <input type="checkbox"/> Toilet Paper  | <input type="checkbox"/> Masking tape                           |
| <input type="checkbox"/> Instant coffee/tea/soft drinks                            | <input type="checkbox"/> Local phone book                       |
| <input type="checkbox"/> Shelf liner   | <input type="checkbox"/> Pencils & Paper                        |
| <input type="checkbox"/> Check off all boxes and items as they come off the truck. | <input type="checkbox"/> Soap                                   |



## Glossary

Fidelity National Title

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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





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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

