



WFG National Title Company®
a Williston Financial Group company



Homebuyer's Guide

We at WFG National Title want to thank you! We understand you have options when it comes to title and escrow, and it's the greatest compliment that you choose us! It's our goal that every client has a superior customer experience with our company because we understand that good customer service isn't enough. We welcome any feedback you have as it is our goal to collaborate with our clients to constantly improve our processes. In the future when you need title and escrow solutions we hope you use WFG National Title.

At WFG we take time and cost out of real estate transactions.

Williston Financial Group and its affiliates are dedicated to taking time and cost out of real estate transactions. By focusing on the client and their processes, WFG will help compress the time required to close a loan and/or transfer real property ownership. By empowering industry professionals with integrated technologies, WFG will provide efficient high quality products and services. By enabling client processes, WFG will Increase closing rates. By minimizing corporate infrastructure, WFG will avoid operating a costly hierarchical organization.



Our products and services have been developed to address four important aspects of the real estate transfer process: information, ownership, asset management and commitment. In each area, we have created the tools and resources needed to ensure the most risk-free and expedient closing possible.

INFORMATION SERVICES

We own and subscribe to leading industry information services for the most current market information, including property profiles, farm reports and mortgage records. We have access to secure Internet-based databases with millions of public real estate records and document. We can prepare and deliver preliminary reports and commitments electronically to multiple locations.

We provide real estate professional with the most current ownership information available through a variety of sources to assist them in selling property and locating the next opportunity. In addition, we provide a variety of real estate insurance products to national lenders ranging from full ALTA policies to limited coverage policies.

TITLE SERVICES

We work to remove any recorded encumbrances which are inconsistent with the term of the transaction. We offer traditional, fully-insured products like ALTA policies, as well as innovative products and insurance policies in the refinance, second mortgage and equity markets. We respond quickly to unique circumstances with flexible and creative approaches to title insurance.

ESCROW SERVICES

We coordinate and process the entire real estate and mortgage closing procedure. Our services include: document gathering, HUD-1 preparation, loan funds disbursement, escrow withholding and document recording with the appropriate government authority; all done in accordance with our clients' instructions. We serve as a neutral third party working to benefit the entire transaction and the parties involved. Our escrow personnel are proficient with complicated escrow instructions.

CUSTOMER SERVICES

We offer the best customer service team in the industry who are available to you Monday to Friday 8:00 AM – 5:00 PM.

We also have web-based tools for our employees and their clients who need to place orders for bundled services. These tools allow the client team to create orders, track status, update information and monitor status around the clock.

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In the buying process there are several things to consider before and after your offer has been accepted by the Seller. Here is an overview of the entire process.

BEFORE THE OFFER IS ACCEPTED

A Realtor Will Interview You To:

- Determine your criteria in a home
- Discuss parameters
- Discuss financial qualifications

Get Pre-Qualified by Lender

- A loan pre-qualification approval letter is obtained from your lender

Arrange Property Tours

- Tour available homes that suit your needs
- Ask your Realtor about the current market

Target a Home That is “Ideal” and Write the Offer

- The Realtor will write the offer on your “Ideal” home
- Writing an offer takes approximately 1-3 hours
- Deliver your earnest money deposit made payable to WFG Title Insurance Company (this check will be held until we have a ratified contract)

Counter Offer

- The counter offer is discussed and prepared by the Realtor

ONCE THE OFFER IS ACCEPTED

Escrow

- Once the offer is accepted and conveyed, escrow is opened with WFG Title Insurance Company
- Earnest money is deposited at this time
- Escrow orders a Preliminary Title report and sends copies to the agents and your lender
- Escrow instructions are issued to all parties

Loan Application

- Submit a completed loan application to the lender of your choice with all necessary documentation

Contingency Period

- Buyer receives and approves Seller's Real Estate Transfer Disclosure Statements
- Buyer approves Preliminary Title report
- Physical inspections/post inspections are completed
- Property appraisal and loan approval are in progress

Homeowner Insurance Coverage

- Buyer's obtain a Homeowner Insurance Policy for their new home and insurance information is given to escrow
- Escrow orders a copy of the Homeowners insurance policy for the new lender prior to escrow closing

Signing Documents at WFG Title Insurance Company

- Buyers need to bring current photo ID to sign notarized loan documents at WFG
- Copies of title and lender documents are given to buyers

Down Payment and Closing Costs

- The escrow officer provides you with a Buyer's Estimated Closing Statement which itemizes your costs and advises you of total monies due
- The buyer brings a cashier's check to WFG several days prior to closing

Funding

- The lender sends funds to WFG

Close of Escrow

- The deed is recorded at the County Recorder's office by WFG. You will receive the original back from the county record in about 6 weeks.
- The keys are transferred from the seller to the buyer

BUYING ESTIMATED COST SHEET



PROPERTY ADDRESS _____

SALES PRICE \$ _____

DOWN PAYMENT \$ _____

AMOUNT FINANCED \$ _____

BUYER'S COST

Loan Items _____ Recording Fees _____

Loan Origination Fees _____ Recording Fees _____

Appraisal Fees _____ Tax Stamp _____

Credit Report _____

Additional Loan Fees _____

Prepaid Items _____ Additional Settlement Charges _____

Hazard Insurance _____ Pest Inspection _____

Mortgage Insurance _____ Home Warranty _____

Taxes _____ Home Inspection _____

Assessments _____ Other Fees _____

Other Fees _____ Total Settlement Charges _____

_____ Down Payments _____

TOTAL BUYER'S COST _____

Title and Closing Charges _____ Loan Type _____

Escrow Fee _____ Amount Financed _____

Title Insurance _____ Interest Rate _____

Notary Fee _____ Terms _____ years

Other Fees _____

Estimated Monthly Payment _____

Principal and Interest _____

Mortgage Ins. Premiums _____

Tax and Insurance _____

H.O.A. Fees (if any) _____

TOTAL MONTHLY PAYMENT _____

Once you have an idea of the type and size home you want, as well as area you'd like to look in, you need to get pre-approved by a lender. By doing this before looking for a home, you'll save yourself time, energy and frustration. A pre-qualifying loan will:

Determine how much home you can afford

Pre-approval helps you avoid buying less home than you can afford or being disappointed if you don't qualify for as much as you had hoped.

Show your total investment

You'll know approximately how much money you'll need for a down payment and closing costs

Let you know your monthly payment

You'll have a close estimate of what your monthly principal, interest taxes and insurance (PITT) will be.

Identify the loan programs you qualify for

With the wide variety of loan programs available, it is important to know which types you qualify for and which will best suit your needs.

Strengthen your offer

Sellers are more inclined to accept realistic offers when they know that you have taken the time to be interviewed by a lender and can qualify for a loan.

Your lender can also help you determine alternatives and strategies that will help you buy the home of your choice.

- Special first time homebuyer program
- Co-mortgage financing
- Debt consolidation counseling

In order to be pre-approved, the lender will need to know:

- ☐ Your employment history and income
- ☐ Your monthly debts and obligations
- ☐ The amount and source of cash available for down payment and closing costs



Competitive rates are important, but when you consider the fact that most lenders get their money from the same sources (and therefore have essentially the same rates to offer) you must look at some other factors before choosing a lender. You need a lender who works with you and your real estate agent as a team and has the same goal—to get your loan closed in a timely and professional manner.

Build a list of lenders

Talk to people you know who have bought or refinanced a home recently. Check online as well as the newspaper's real estate or business section.

Talk to a loan officer

Call or visit the lenders on your list. Get a feel for what it will be like to work with them, and how they approach your needs. If you're still uncertain, ask for references—recent home buyers like yourself—and talk to them.

Compare rates for similar loans

Among the things you'll want to discuss with prospective lenders are the rates they offer on mortgages. When comparing rates between lenders, be sure the rates are for comparable loans and remember to include fees and other costs so you're really comparing apples to apples.

SOME OF THE QUESTIONS TO ASK A LENDER SHOULD INCLUDE

Are they a mortgage banker/direct lender?

A mortgage banker is a lender who not only originates their own loans, but also underwrites, approves, funds and services them. A mortgage banker has their own money to lend and therefore has the most control over the loan.

Are they a mortgage broker?

A mortgage broker originates loans but does not actually lend the money. The broker will submit the package to an outside source that underwrites and funds the loan. A mortgage broker may offer the best opportunity to get your loan approved since they can send the loan to many different lenders. They also offer a wide variety of loan programs.

How long has the company been in business?

Lenders come and go. Make sure that the company you are dealing with has been around for a while.

What is their reputation within the real estate community?

Do they lock in their interest rates and for how long?



There are a variety of loan programs to consider and you will want to consult with your lender to determine the best one for you.

Fixed Loan Rate

A loan which has an interest rate that remains constant throughout the life of a loan.

Buydown

A fixed rate loan where the interest rate and payment are reduced for a specific period of time by paying the interest in advance (the buyer or seller can pay for the buydown).

Balloon Loan

A fixed rate loan that is amortized over a 30 year period, but becomes due and payable at the end of a shorter term (i.e.: 5, 6, 7 or 10 years). Some of these loans have an option to be extended with a new rate or rolled into another type of loan. Usually, the rates on these loans are lower than a regular 30 year fixed rate loan.

Graduated Payment Mortgage (GPM)

A fixed rate loan which has payments starting lower than the payments on a standard fixed rate loan, then increasing by a predetermined amount each year for a specific number of years (usually five).

Adjustable Rate Mortgage (ARM)

A loan which has an interest rate that can change, either upward or downward, at specific periods during the life of the loan. The change in the interest rate is usually tied to a financial index over which the lender has no control.

FHA Loan

FHA Loans are available as a fixed rate, ARM, GPM or buydown. They are loans that are insured by the Federal Housing Administration and offer low down payments and lower income requirements.

VA Loan

Fixed loans are available with no down-payment to eligible Veterans, in-service veterans and certain other reservists and national guard members. VA loans are guaranteed by the Veteran's Administration. A VA GPM loan is also available with minimal down-payment. (ARM loans are not presently available)

Community Homebuyers Program

A fixed rate loan with a low (3% to 5%) down-payment, no cash reserve requirement and lower income requirements. Subject to borrowers meeting maximum income limits and completion of a course of ownership.

Mortgage Credit Certificate (MCC) Program

A first-time homebuyer program subject to purchase price, income limits and availability of funds. The MCC is actually a special tax credit and can be used with almost any loan program. The amount of the tax credit is used as additional income to qualify the borrower(s).

California Home Finance Agency (CHFA)

The first time homebuyer program, sponsored by the State of California, subject to purchase price, income limits and availability of funds. This program can be in the form of a Conventional, FHA or VA loan. This program offers a low down-payment that market rates on both fixed and ARM loans.

Use the following checklist to prepare for your mortgage loan application appointment and the loan process.

- ☐ **Copy of Sales Contract**
(on the purchase of your home)
- ☐ **Copy of Sales Contract and certified copy of Closing Statement**
(on the sale of your present home)
- ☐ **Residence History**
 - Past 24 months of residence with complete addresses
 - Length of time you lived at each residence
 - Name of landlord and his/her address (if currently renting)
- ☐ **Employment History**
 - Employers for the past two years with complete address
 - W-2s for the past two years
 - Most recent 2-year's tax returns (with all schedules)
 - Year-to-date profit and loss statement and current balance sheet (if self-employed).
 - If there have been any gaps in your employment be prepared to explain
- ☐ **Copies of most recent monthly statements for all loans or credit card balances**
- ☐ **Copies of most recent 3 month's bank statements for all accounts, stock brokerages, mutual funds, IRAs, pensions, etc.**
- ☐ **Current Real Estate**
 - Property address
 - Estimated market value
 - Outstanding loan balance (bring copy of most recent loan statement)
 - Amount of monthly mortgage loan payment
 - Amount of monthly rental income, if any (copy of rental agreement)
- ☐ **Personal Property**
 - Net cash value of your life insurance
 - Year, make and value of all vehicles
 - Value of your furniture and personal property
- ☐ **If applicable, the following:**
 - Copy of divorce papers (all papers including marital termination agreement and final decree signed by the courts)
 - Certificate of eligibility and DD214 (for VA loans only)
 - Copy of driver's license and Social Security Card (for FHA Loans only)

COMMON WAYS TO HOLD TITLE



	Community Property	Community Property with Right of Survivorship	Joint Tenancy	Tenancy in Common	Partnership	Trust
Parties	Husband and wife or domestic partners	Husband and wife or domestic partners	Any number of persons (can be husband and wife or domestic partners)	Any number of persons	Any number of persons	Any number of beneficiaries of the trust
Division of Interests	Equal	Equal	Equal	Any number of interests, equal or unequal	Partnership interests may be equal or unequal	Beneficial interests under trust may be equal or unequal
Title	In the names of the individual owners	In the names of the individual owners	In the names of the individual owners	In the names of the individual owners	In the name of the partnership	In the name of the trustee, "as trustee"
Possession	Equal right of possession	Equal right of possession	Equal right of possession	Equal right of possession	According to partnership agreement	According to trust agreement
Conveyance	Both spouses must join in a conveyance	Both spouses must join in a conveyance	Conveyance by one co-owner breaks the joint tenancy	Each co-owner's interest may be conveyed separately	Any general partner authorized by the partnership agreement may convey	Trustee may convey in accordance with the trust agreement
Death	Decedent's Spouse 1/2 interest passes to decedent's estate	Decedent's 1/2 interest passes to survivor	Decedent's interest passes to the survivor(s)	Decedent's interest passes to the decedent's estate	Partnership agreement provides for either termination or continuance of the partnership	Trust agreement usually provides for distribution upon death of the settlor
Successor's Status	Tenancy in common between devisee and survivor results	Survivor owns entire interest	Last survivor owns entire interest	Devisees or heirs become tenants in common	Heirs or devisee have rights in partnership interest but not in specific property	Trust agreement usually provides for distribution upon death of the settlor
Creditor's Rights	Community property is liable for the debts of either spouse incurred before or during marriage or domestic partnership	Community property is liable for the debts of either spouse incurred before or during marriage or domestic partnership	Co-owner's interest may be sold at an execution sale to satisfy the co-owner's judgement creditor	Co-owner's interest may be sold at an execution sale to satisfy the co-owner's judgement creditor	Only a partner's right to receive profits can be executed upon by the partner's judgement creditor	Usually, a creditor cannot execute on a beneficiary's interest

** The foregoing is provided for general information only. For specific Questions on Financial, Tax or estate planning, we suggest you contact an Attorney or Certified Public Accountant**

When your loan is submitted for underwriting, it goes directly into the hands of an underwriter whose job is to determine your “creditworthiness” or your ability to repay the loan. The underwriter must take all of the following into consideration when making the decision to approve or disapprove your loan.

Your Employment History

A stable history of employment in the same line of work is considered ideal. Job hopping is not looked upon favorably because it may lead to unstable income. However, if you have switched jobs within the same line of work for advancement in that field, there should be no problem.

Your Income

The underwriter looks carefully at your capacity to repay the loan. Your job stability and gross income (in relation to your expenses) are critical in this regard. Most income must be verified as having been received for at least two years to be used for qualifying purposes.

Your Credit History

Your credit history is an indication of your character or your willingness to repay a loan. The underwriter looks closely at your past payment record (your credit report) in determining this. Any consistent patterns of late payments, collections, etc. are not looked at favorably. Bankruptcies generally must be discharged for at least two years with reestablished credit and the reason for the bankruptcy must be fully explained. Good explanations for all derogatory credit will need to be provided. All outstanding collections, liens and judgments will have to be paid off through escrow (consult your loan officer about any credit questions you may have).

Your Assets

Money you have available for a down-payment, closing costs, cash reserves (money left over after close of escrow to cover 2-3 months mortgage payments) and other liquid assets is your net worth. The underwriter wants to see your ability to save money for the down-payment and where closing costs are coming from. It must be verified that you have had the money (or assets) for a two to three month period.

Your Debts

The underwriter will be concerned with the amount of debt you have because it affects your qualification and your ability to repay the loan. Excessive use of credit may not be looked upon favorably.

The Property

Because the property is the lender’s collateral for the loan, the value, marketability and condition of the property are extremely important. The underwriter looks at the appraisal for this information.



When your offer has been accepted and conveyed, escrow is opened. An escrow is an arrangement made under contract between a Buyer and Seller. As the neutral third party, escrow is responsible for receiving and disbursing money and/or documents. Both the buyer and seller expect the escrow agent to carry out their written instructions associated with the transaction and also to advise them if any of their instructions are not being met, or cannot be met. If the instructions from all parties to an escrow are clearly set out, the escrow officer can proceed on behalf of the buyer and seller without further consultation.

TYPICAL ROLES IN THE CLOSING PROCESS

The Seller/Agent

- Delivers Purchase Sale Agreement to the escrow agent
- Prepares the paperwork necessary to close the transaction

The Buyer/Agent

- Deposits funds required to close in with the escrow agent
- Approves the commitment for title insurance, or other items as called for by the Purchase Sale Agreement
- Executes the paperwork and loan documents necessary to close the transaction

The Lender

- Deposits loan documents to be provided by the buyer
- Deposits the loan funds
- Informs the escrow agent of the conditions under which the loan funds may be used

The Escrow Agent

- Clears Title
- Obtains title insurance
- Obtains payoffs and release documents for underlying loans on the property
- Receives funds from the buyer and/or lender.
- Prepares vesting document affidavit on seller's behalf.
- Prorates insurance, taxes, rents, etc.
- Prepares a final statement (often referred to as the "HUD Statement" or "Settlement Statement") for each party, indicating amounts paid in conjunction with the closing of your transaction.
- Forwards deed to the county for recording.
- Once the proper documents have been recorded, the escrow agent will distribute funds to the proper parties.

Escrow is the process that gathers and processes many of the components of a real estate transaction. The sale is officially closed when the new deed is recorded and funds are available to the seller, in turn transferring ownership from the seller to the buyer. The escrow agent is a neutral third party acting on behalf of the buyer and seller.

The preliminary title report contains vital information which may affect the willingness and ability of the parties to close escrow. The information in the preliminary report includes:

- ☐ The ownership of the subject property
- ☐ The manner in which the current owners hold title
- ☐ Matter of record which specifically affect the subject property or its owners
- ☐ A legal description of the property
- ☐ An informational plat map
- ☐ The type of title insurance offered by the title company
- ☐ Exclusion and exceptions in the Title Insurance coverage
- ☐ Recorded deeds of trust
- ☐ Easements
- ☐ Agreements
- ☐ Covenants
- ☐ Conditions and restrictions (C.C. & R.'s)
- ☐ Taxes

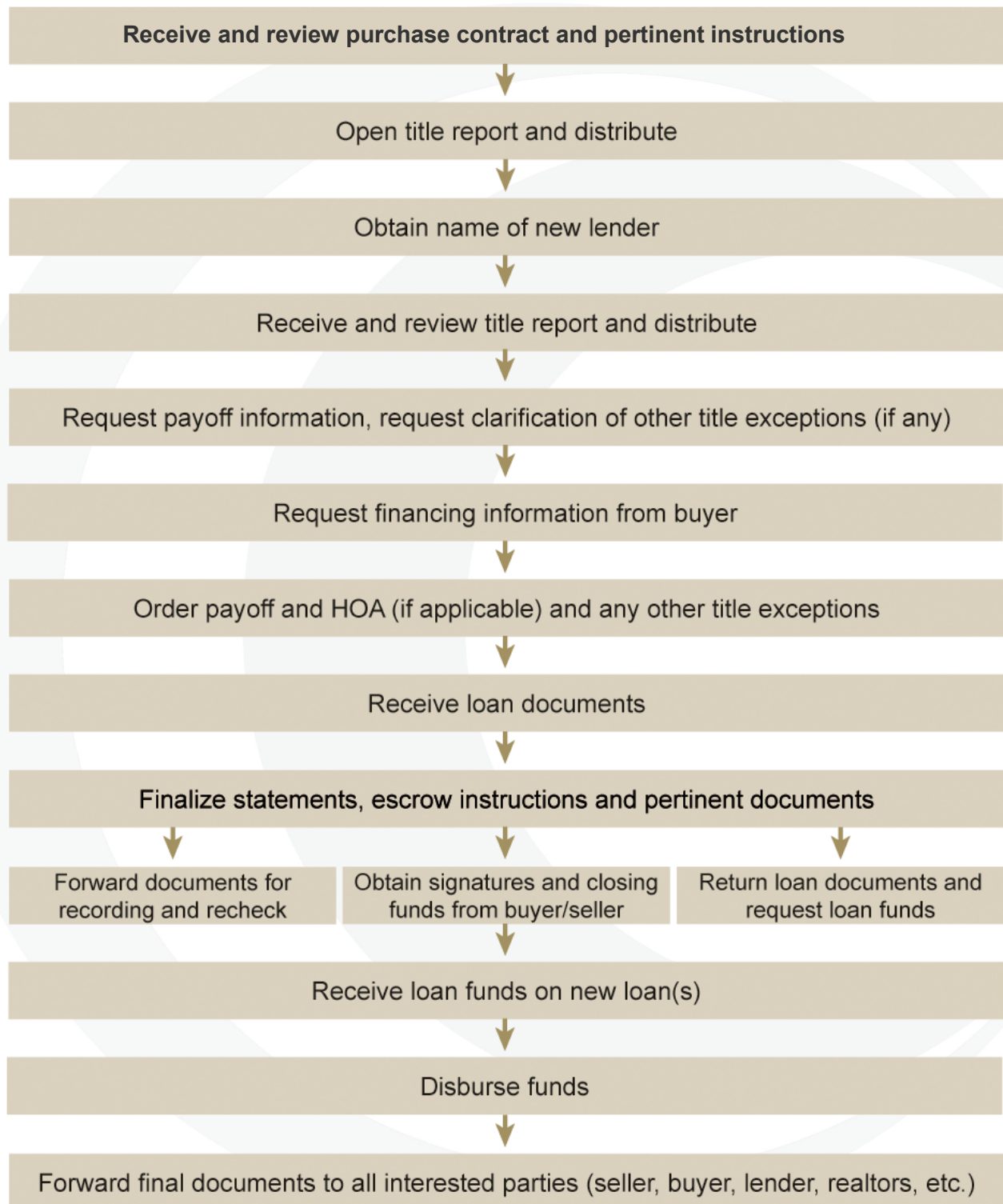
Your Real Estate Agent should review the preliminary report as soon as it arrives, with particular attention to certain areas:

Verify the Ownership Vesting

The name on the report should match the names on the purchase contract. Sometimes the name of an unexpected owner will appear and corrective documents may be required.

Verify the Property Address

The plat map and legal description should match the address. An owner could own two properties adjacent to or across the street from each other, causing confusion in identifying the correct property.



Title insurance insures against financial loss from defects in title, liens or other matters. It protects both purchasers and lenders against loss by the issuance of a title insurance policy. Usually, during a purchase transaction the lender requests a policy (commonly referred to as the Lender's Policy) while the buyers receive their own policy (commonly referred to as an Owner's Policy).

It will protect against lawsuits if the status of the title to a parcel or real property is other than as represented, and if the insured (either the owner or lender) suffers a loss as a result of a title defect. The insurer will reimburse the insured for that loss and any related legal expenses.

Generally there are two policies issued: the Lender's Policy which insures the lender for the amount of the loan and the Owner's Policy which insures the purchaser for the purchase price.

How is title insurance different than other types of insurance?

While the purpose of most other types of insurance is to assume risk through the pooling of monies for losses happening because of unforeseen future events (like sickness or accidents), the primary purpose of title insurance is to eliminate risks and prevent losses caused by defects in title arising out of events that have happened in the past. To achieve this, title insurers perform a thorough search and examination of the public records to determine whether there are any adverse claims (title defects) attached to the subject property. These defects/claims are either eliminated prior to the issuance of a title policy or their existence is excepted from coverage. The policy is issued after the closing of your new home, for a one time nominal fee, and is good for as long as you own the property.

What's involved in a title search?

A title search is made up of three separate searches:

- Chain of Title – History of the ownership of the subject property
- Tax Search – The tax search shows the status of the taxes and assessments

- Judgment and Name Search – Searches for judgment and liens against the owners' and purchasers' name

After the three searches have been completed, the file is reviewed by an examiner who determines:

- If the Chain of Title shows that the party selling the property has the rights to do so.
- If the taxes for the subject property show the existence of any special assessments against the land and whether or not these assessments are current or past due.
- Whether there are any unsatisfied judgments on the Judgment and Name Search against the previous owners, sellers, or/and purchasers.

Rights established by judgment decrees, unpaid federal income taxes and mechanic liens all may be prior claims on the property, ahead of the buyer's or lender's rights. The title search will only uncover issues in title that are of public records and therefore allowing the title company to work with the seller to clear up these issues and provide the new buyer with title insurance.

Once the searches have been examined the title company will issue a commitment, stating the conditions under which it will insure title. The buyer, seller and the mortgage lender will proceed with the closing of the transaction after clearing up any defects in the title that have been uncovered by the search and examination.

WHY DO YOU NEED TITLE INSURANCE?



The purchase of a home is likely going to be one of the most expensive and important purchases you will ever make. You and your mortgage lender want to make sure the property is indeed yours and that no individual or government entity has any right, lien, claim or encumbrance to your property.

Title insurance companies function is to make sure your rights and interests to the property are clear, that transfer of title take place efficiently and correctly and that your interests as a homebuyer are protected. Title insurance companies provide services to buyers, sellers, real estate developers, and builders, mortgage lenders and others who have an interest in real estate transfer. Title companies issue two types of policies—"Owners Policy" which covers the homebuyer; and "Lenders Policy" which covers the bank, savings and loan or other lending institution over the life of a loan. Both are issued at the time of purchase for a one-time premium.

The title company conducts an extensive search of public records to determine if anyone other than you has an interest in the property before issuing a policy. The search may be performed by title company personnel using either public records or more likely, information gathered, reorganized and indexed in the company's title "plant". With such a thorough examination of records, title problems can usually be found and cleared up prior to purchase of the property. Once a title policy is issued, if for some reason any claim, which is covered under your title policy, is ever filed against your property, the title company will pay the legal fee involved in defense of your rights as well as any covered loss arising from a valid claim. That protection, which is in effect as long as you or your heirs own the property, is yours for a one-time premium paid at the time of purchase.

The title company works to eliminate risks before they develop. This makes the title insurance different from other types of insurance. Most forms of insurance assume risks by providing financial protection through a pooling of risks or losses arising from unforeseen events, like fire, theft or accident. The purpose of title insurance, on the other hand, is to eliminate risks and prevent losses caused by defects in title that happened in the past. Risks are examined and mitigated before property changes hands.

Eliminating risk has benefits to both of you, the home buyer, as well as the title company. It reduces the chance adverse claims might be raised, and by doing so reduces the number of claims that have to be defended or satisfied. This keeps costs down for the title company and your title premiums low. With title insurance you are assured that any valid claim against your property will be taken on by the company, and that the odds of a claim being filed is slim.



Not all risks can be eliminated by a title search, since certain “hidden defects” like forgeries, identity of person, incompetence and failure to comply with the law, cannot be disclosed by an examination of the public records. Where the preliminary report is an offer to insure under certain circumstances, the title policy is a contract, providing coverage against such “hidden defects”. Some of the many title risks covered in the California Land Title Association (CLTA) Standard Coverage Policy include “lack of a right of access to and from land” and a number of recorded defects:

- ☐ A forged signature on a deed
- ☐ Impersonation of the real owner
- ☐ Mistakes in interpretation of wills or other legal documents
- ☐ Deeds delivered without the consent of the grantor
- ☐ Undisclosed or missing heirs
- ☐ Deeds and mortgages signed by persons of unsound mind, by minors or by persons supposedly single but are actually married
- ☐ Recording mistakes and missed recorded documents
- ☐ Falsification of records
- ☐ Errors in copying or indexing

In addition to indemnifying the insured against losses which result from a covered claim, the policy also provides for legal fees and defense against future claims against the property.

Extended Owner's and Lender's policies provide broader coverage and are available through the American Land Title Association (ALTA). Coverage is extended to certain matters that are off-record but which are generally discoverable by an inspection of the property or by questioning the parties in possession, such as:

- ☐ Unrecorded Liens and encumbrances
- ☐ Unrecorded easements
- ☐ Unrecorded rights of parties in possession
- ☐ Encroachments, discrepancies or conflicts in boundary lines

ALTA Policies are available for lenders or owners, and a “Plain Language” ALTA Residential policy is also available for residential property of one to four units.

Recent legal decisions and new legislation provide that the Seller is responsible for revealing to you the true condition of the property. The concept of selling a property “as is”, with the Buyer assuming all responsibility for determining the property condition, is not acceptable in the present marketplace. The Seller must disclose the known condition of the property to the Buyer. This information should be made available to the buyer as soon as possible.

Charm or Irritant

Having lived in this property, the Seller has become accustomed to the peculiar conditions that may have developed. But for the Buyer peculiarly may be more than a mere inconvenience. It may be an irritant which the Buyer cannot tolerate. It is important for the Seller to review the condition of the property with the real estate agent and take special note of any problems on the Disclosure Statement. Civil code Section 1102 requires that the Seller provide the Buyer with a completed “Real Estate Transfer Disclosure Statement”.

All Systems Are Working Properly

A basic assumption in every sales is that the house and systems in the house are functional. For example, the roof will hold out the rain and sun, the hot water heater will provide hot water, and the heater will provide heat. If it is known that any of the systems do not function properly, such facts should be included in the purchase agreement and acknowledged by the Buyer.

“As Is”

An “as is” purchase is perfectly acceptable, as long as the buyer understands exactly what the “as is” condition entails. Thus, it can be said in the purchase agreement that the buyer accept the roof and the plumbing and the electrical system in their present condition and acknowledges that they may have defects. This acknowledgement provides a defense for the seller if it is a later claimed not all problems were disclosed.

Environmental Hazards

It is required that the Seller disclose any knowledge of environmental hazards in the home or area such as asbestos or pollutants. You will be provided with a Real Estate Transfer Disclosure Statement filled out by the seller as to their awareness or knowledge on this subject.

Take a Tip From Us

Environmental Hazards: A Guild For Home Owners and Buyers is a handbook prepared by the California Department of Real estate to inform you of the various toxins and hazardous wastes and what you can do about them. A copy of this publication can be provided for you.



During the contingency period, your Realtor will order physical inspections as specified in your purchase agreement. Legislation mandates, (under civil code 1102), that the seller has the responsibility to reveal the true condition of the property on a disclosure statement. This may help you determine what kind of property inspections you feel are desired or necessary. Your Realtor will help you arrange for these.

Who Pays?

Your Purchase Agreement will specify who is responsible for the costs of inspections and for making any needed corrections or repairs. The cost is negotiable between the parties and should be considered carefully. Your Realtor will advise you what is customary and prudent.

Structural Pest Control Process

A licensed inspector will examine the property for any active infestation by wood destroying organisms. Most termite reports classify conditions as Section 1 or Section 2. The inspection and the ensuing Section 1 repair work is usually paid for by the seller. Section 2 preventative measures are generally negotiable and not necessarily completed.

Section 1

Section 1 conditions are those currently causing damage to the property. These conditions generally need to be corrected before a lender will make a loan on a home.

Section 2

Section 2 conditions are those currently causing damage but which are likely to, if left unattended.

Geological Inspection

A soil engineer will perform an inspection of the soil conditions and the stability of the ground beneath the structure, as well as research past geological activity in the area. Typically, the buyer pays for this inspection. You may also elect to go to the city and research the property and it's proximity to known fault lines.

Home Inspection

This inspection encompasses roof, plumbing, electrical, heating, appliances, water heater, furnace, exterior siding, and other visible features of the property. A detailed report will be written with recommendations, often times the recommendation is to consult a professional. The inspection fee is usually paid by the buyer.



Having an idea of what is involved in appraising a piece of property can greatly help in maximizing the appraisal value to avoid costly details and re-inspections.

The appraisal process consists of several steps. The following are major steps in the sequence normally taken by appraisers:

1. Research the subject property as to size, bedrooms, baths, year built, lot size, and square footage
2. Gather data of recent sales in the subject's neighborhood. The appraiser needs to locate at least three and preferably similar-sized homes which have sold and closed escrow in the neighborhood. The homes need to be within one mile of the "Comparable properties" or "comps"
3. Field inspection consists of two parts: first the inspection of the subject property, and second, the exterior inspection of the comparable properties which have been selected to estimate the value of the subject property.

The inspection consists of taking photos of the street scene, front of the home and rear of the home which may include portions of the yard. The appraiser will make an interior inspection for condition, noting any items that would detract or add to the value of the home. He will also draw a floor plan of the home while doing the inspection.

The inspection of the comparable properties is limited to an exterior inspection. For features that cannot be seen from the street, the appraiser has reports from Multiple Listings Services (MLS), California Market Data Cooperative (CMDC), county public records, and appraisal files along with other sources to help determine the condition and amenities of the comparables. After the field inspection has been completed, the appraiser must go through the reconciliation process with the three comparable properties to determine a final estimated value. This method of estimating value is called the "Direct Sales Comparison Approach to Value", and it accounts for nearly all of the considerations in determining value of single family homes.

It is important to consider that the appraiser will be taking photos of the street scene and the front of the property. The street scene gives the lender an idea as to the type of neighborhood the property is located in. The photo of the front of the property gives the lender an idea of its condition and its curb appeal. And lastly, a photo of the back of the property and part of the rear yard is taken. Many homeowners don't take care of the rear portion of their property, so for this reason the rear photo is required.

In most cases, (over 90% of the time) what you see in the condition of the exterior of a home will be repeated almost exactly in the interior. An appraiser will call in advance to set up the appointment to inspect the home. At that time, any information about the property, (number of bedrooms, bathrooms, pool, enclosed patio, etc.) should be given. The more that is known about the property prior to inspection, the better the appraiser can focus on researching the most similar comparables.



The Seller

- Real Estate Commission
- Document preparation fee for Deed
- Documentary transfer tax (\$1.10 per \$1,000 of sales price)
- Any city Transfer/conveyance Tax (according to contract)
- Payoff of all loans in the seller's name (or existing loan balance if being assumed by Buyer)
- Interest accrued to lender being paid off
- Statement Fees, Reconveyance Fees, and any prepayment Penalties
- Termite Inspection (according to contract)
- Home Warranty (according to contract)
- Any judgments, tax liens, etc. against the Seller
- Tax proration (for any taxes unpaid at time of transfer of title)
- Any unpaid Homeowners Association dues
- Recording charges to clear documents of record against Seller
- Any bonds or assessments (according to contract)
- Any and all delinquent taxes
- Notary Fees
- Escrow Fee (one half)
- Title Insurance Premium of Owner's Policy

The Buyer

- Title Insurance Premium for lender's Policy
- Escrow Fee (one half)
- Document preparation (if applicable)
- Notary fees
- Recording charges for all documents in Buyers name
- Termite Inspection (according to contract)
- Tax proration (from date of acquisition)
- Homeowners 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 too first payment date
- Assumption/Change of Record fees for takeover of existing loan if applicable
- Beneficiary Statement Fee for assumption of existing loan if applicable
- Inspection Fees (roofing, property inspection, geological)
- Home Warranty (according to contract)
- City Transfer/Conveyance Tax (according to contract)
- Fire Insurance Premium for first year

Personal Property vs Real Property

The distinction between personal property and real property can be the source of difficulties in a real estate transaction. A purchase contract is normally written to include all real property; that is, all aspects of the property that are fastened down or which are an integral part of the structure. For example, this would include light fixtures, drapery rods, attached mirrors, trees and shrubs in the ground. It would not include potted plants, free-standing refrigeration, washer/dryer, microwave, bookcases, lamps, etc.

If there is any uncertainty whether an item is included in the sale or not, it is best to be sure that the particular item is mentioned in the purchase agreement as being included or excluded.

PROPERTY TAX CALENDAR



First Installment July 1st to December 31st	JUL	July 1—new fiscal year begins. Tax year runs through next July 1.
	AUG	
	SEP	
	OCT	Tax bills mailed last week of October
	NOV	First installment due November 1st.
	DEC	First delinquent—December 10th.
Second Installment January 1st to June 30th	JAN	Assessment date—January 1st.
	FEB	Second installment due February 1st
	MAR	
	APR	Second installment delinquent April 10th Last day to file for Veterans or homeowners exemptions 100% - April 15th and file by December 1st for 80%
	MAY	
	JUN	

Moving can be very stressful, so what do you do when circumstances or opportunities require that you relocate? How do you get through a move in one piece? You might begin by following these helpful stress relief tips.

Start early

Few feel relaxed under a deadline, but having the benefit of time can help calm the nerves. The time to start planning for your move is as soon as you know you need to move.

Get Organized

The number one method for alleviating emotional stress when moving is to feel like you have control over what's happening. As illusory as that control may be, being organized will help you handle the unexpected.

First, come up with a relocating schedule that will help you break the moving process into phases. Detail exactly which task needs to be accomplished when. Use a checklist to make sure you are taking care of necessary goals by their due dates.

Create a system that works to help you keep track of everything. Whether you make up your own or get help from someone with moving experience, having a model to work from will be your saving grace.

Make it easy

Don't be married to an initial moving plan simply because it was your first. As you do the footwork, you may discover there is an easier way to get the move done, and you should embrace this! Sure, driving your car cross-country might have seemed the only affordable option initially, but a search for reputable auto shippers and a sale on air fares could make all the difference between a stressful move and a more relaxed one.

The same philosophy goes for packing. Rather than take on the entire process yourself, be sure to get quotes for having movers assist you.

Schedule time for stress relief

In the weeks leading up to your move, you may be so focused on getting everything done that you neglect your own health. Coping with a move requires that you stay physically and emotionally fit, so get plenty of sleep, eat well and get some exercise. This would also be a good time to schedule a massage or a spa session. If time allows, try to get a weekend or at least a night away so that you can take your mind off your move for a little while.

Ask for help

Obsessive-compulsive people and the detail-oriented among us often have trouble asking for help. While you are making your thorough preparations, also be sure to contact friends and family on both sides of your move to help you in any way possible. Many hands really do make the work lighter, which can relieve a lot of stress. You'll be glad for the company, too.

Look forward to the end results

Yes, you know moving will be hard and potentially fraught with stresses, but you will survive it. Many others have gone before you and lived to tell about it. Know that there is nothing that can happen that you can't handle and focus on the potential for new growth and adventure in your new home.

Moving is one of the more stressful things we can experience, but there are ways to make it easier. Prepare, get organized and stay flexible. Before you know it, you'll be unpacking your things in your new home and wondering what all that worry was about!

8 WEEKS BEFORE YOU MOVE

- ☐ **Inventory Sheets:** Create an inventory sheet of all which is to be moved
- ☐ **Research Moving Options:** You'll need to decide if yours is a do-it-yourself move or if you'll be using a moving company.
- ☐ **Request Moving Quote:** Solicit moving quotes from as many moving companies and movers as possible. There can be a large difference between rates and services within moving companies.
- ☐ **Discard Unnecessary Items:** Moving is a great time for ridding yourself of unnecessary items. Have a yard sale or donate unnecessary items to charity.
- ☐ **Packing Material:** Gather moving boxes and packing material for your move.
- ☐ **Contact Insurance Companies:** You'll need to contact your insurance agent to cancel/transfer your insurance policy.

4 WEEKS BEFORE YOU MOVE

- ☐ **Start Packing:** Begin packing all things destined for your new location.
- ☐ **Obtain Your Medical Record:** Contact your doctor, physician, dentist and other medical specialists who may currently be retaining any of your family's medical records. Obtain these records or make plans for them to be delivered to your new medical facilities if changing.
- ☐ **Note Food Inventory Levels:** Check your cupboards, refrigerator and freezer to use up as much of your perishable food as possible.
- ☐ **Small Engines:** Service small engines for you move by extracting gas and oil from the machines. This will reduce that chance to catch fire during your move.
- ☐ **Protect Jewelry and Valuables:** Transfer jewelry and valuables to a safety deposit box so they can not be lost or stolen during your move.
- ☐ **Borrowed and Rented Items:** Return items which you may have borrowed or rented. Collect items borrowed to others.



1 WEEK BEFORE YOU MOVE

- ☐ **Your Change of Address:** Change your address with the USPA, DMV, Financial Institutions, Utilities, Government Offices, Health Care Service Providers, Memberships and Subscriptions
- ☐ **Bank Accounts:** Transfer or close bank and financial accounts if changing banks. Make sure to have a money order for paying the moving company..
- ☐ **Service Automobiles:** If automobiles are to be driven long distance, you'll want to have them serviced so you have a trouble-free drive.
- ☐ **Cancel Services:** Notify any remaining service providers (newspapers, lawn services, etc.) of your move.
- ☐ **Travel Items:** Set aside all items you'll need while traveling. Make sure these are not packed on the moving truck.
- ☐ **Contact Utility Companies:** Set utility turnoff date, seek refunds and deposits and notify them of your new address.

MOVING DAY

- ☐ **Plan Your Itinerary:** Make plans to spend the entire day at the house or at least until the movers are on their way. Someone will need to be around to make decisions. Make plans for kids and pets to be at a sitters for the day.
- ☐ **Review the House:** Once the house is empty, check the entire house (closets, attic, basement, etc.) to ensure no items are left or no home issues exist.
- ☐ **Double Check With Your Mover:** Ensure the mover has the new property address and all of your most recent contact information should they have any questions during your move.
- ☐ **Vacate Your Home:** Make sure utilities are off, doors and windows are locked and notify your real estate agent you've left the property.
- ☐ **Questions To Ask:** Where is the garage door opener? Where are the keys to the house, mailbox and other lockable area? Did you retrieve all keys from neighbors and friends?

NOTIFICATION CHECKLIST



UTILITIES

- ☐ Electric
- ☐ NW Natural Gas
- ☐ Water District
- ☐ Sewer District
- ☐ Garbage Provider
- ☐ Cable/Satellite
- ☐ Fuel (Propane)
- ☐ Phone Services
- ☐ Internet

FINANCIAL INSTITUTIONS

- ☐ Banks and Credit Unions
- ☐ Credit Card Companies
(including department store credit cards)
- ☐ Lenders
(Mortgage, Home Equity, Auto, Student Loans)
- ☐ Insurance Companies
(Health, Renters, Auto, Home, Medical, Dental, Disability, Life)
- ☐ Retirement
(Pension plans, 401K, Social Security, Veterans Affairs)
- ☐ Investments
(Investment Agencies and Brokers)
- ☐ Online Bill Payer
- ☐ Paypay

GOVERNMENT OFFICES

- ☐ US Post Office
- ☐ Department of Motor Vehicles
(Obtain your driver's license and change vehicle registration)
- ☐ IRS
- ☐ Passport Office
- ☐ Veteran Affairs
- ☐ Unemployment Office
(If you are currently receiving unemployment benefits)

HEALTH

- ☐ Physician
- ☐ Pharmacies

SERVICES PROVIDERS

- ☐ Childcare
- ☐ Housecleaning Services
- ☐ Delivery Services
- ☐ Lawn Care Services
- ☐ Veterinarian
- ☐ Pool Service

MEMBERSHIPS

- ☐ Health Clubs
- ☐ Membership Clubs (AAA or similar)
- ☐ Community Groups
(PTA, Neighborhood Associations, Civic Clubs)
- ☐ Children's Extracurricular Activities
(Dance Classes, Music Lesson, Sports Clubs)

SUBSCRIPTIONS

- ☐ Newspapers
- ☐ Magazine (USPS will only forward 2 months)
- ☐ Movie Subscriptions (Netflix, Blockbuster, etc)
- ☐ Book or Music Clubs

OTHER

- ☐ Friends and Family
- ☐ Employers
(typically notify the Human Resources Department)

TIPS FOR PACKING HOUSEHOLD ITEMS



Beds: Disassemble the bed frame. Tie rails and cross-pieces together with packing tape. Be sure to mark on tape to show where pieces fit together for reassembly.

Bicycles, Tricycles, Baby Carriages: Loosen, lower and turn handlebars at right angles to save space. Clean and cover chains and pedals to protect other items from being snagged or soiled.

Books: They're heavy, so use small boxes. Don't mix books with other items. Pack books flat, alternating bindings, and fill empty spaces with packing paper or bubble wrap.

Bureaus, Dressers: Fill drawers with small breakable items and cushion well with loose clothes. Secure drawers with pad or blanket and tape. Do not overload drawers with heavy items.

Chairs: Wrap arms and legs to prevent scratches. Bundle armless chairs in pairs, seat to seat, with a folded blanket or other padding between and tie seats together.

Clothes: Dresses, coats, suits - anything hanging in closets - travel best in reusable boxes, which can be used seasonally as "extra closets" for wardrobe storage. Other clothes can remain folded in their regular dresser drawers.

Curtain Rod Hardware: Put the hardware in a plastic bag and tape to rod or pack in dresser drawers.

Dishes: Individually wrap each piece. Place saucers, plates, and platters on edge. Do not stack flat. Cups and bowls may be placed inside each other and wrapped three or four in a bundle.

Fine Furniture: You may want to wrap your best furniture in bubble wrap, not only to protect it from scratching, but to keep dust and dirt off the upholstery.

Glasses: Wrap each glass separately in packing paper or bubble wrap (remember to wrap first in a plastic bag to save washing later). Pack in sturdy boxes.

Kitchenware: Pots, pans, etc. can be stacked in a box with packing paper between them.

Lamps: After disassembling lamps, pack small bases in dresser drawers surrounded by loose clothing, and large bases in boxes stuffed with packing paper or bubble wrap. Box shades individually in boxes with plenty of packing paper for stuffing. Don't use newspaper because it smudges.



TIPS FOR PACKING HOUSEHOLD ITEMS



Lawn Mowers: Drain fuel and oil before moving. Remove handle from hand mowers and place blade end in sturdy box. Mark properly.

Mirrors: Small mirrors can be well wrapped in paper and packed in boxes. For a large mirror, make a cardboard case by cutting pieces of corrugated cardboard. Mark glass on the outside to prevent mishandling. Always pack and store on end.

Paint and Flammables: Don't move! The same goes for other flammables such as alcohol, solvents, lighter fluid, ammunition and greasy mops or rags.

Paintings and Prints: Place in mirror boxes, wrap individually in corrugated cardboard, or wrap in cardboard cushioned with thick blankets and tie bundles with cord. Stand on sides.

Radios, TV's: Box upright and make sure items are well padded on all sides. For console-size equipment, surround with furniture pads, and then move and load upright.

Rugs and Pads: After vacuuming rugs and pads, sprinkle with moth flakes. Roll up and tape.

Stereos, Compact Discs, and Cassettes: Separately pack components and pack in well padded box marked fragile. Pack CD's upright in their cases in a sturdy box with tape-reinforced bottom. Tie CDs in small bundles before packing, then fill air space with packing paper. Mark FRAGILE.

Tables: For large tables, remove legs and tie together. Put hardware in small sealed envelope taped to underside of table top. Pad tops. Pad and tie spare table leaves. For smaller tables, pad top and wrap legs to prevent scratching.

Tools and Gardening Equipment: Drain hoses, coil and pack in boxes. Fill remaining spaces with lawn sprinklers, small garden hand tools, etc. Tie rakes, shovels, and other long-handled tools together with tape.

Valuables: Set aside jewelry, important papers and safe deposit box contents to be packed in a small container you can keep with you throughout the move.



Do not wait to inform your children about moving.

Tell your kids about the move as soon as possible!

It is pretty natural to assume that the less time kids have to think about moving, the easier it will be for your children. However, experts say it is actually the opposite. Kids need time to get used to the idea of moving. Don't put off telling them about moving.

Welcome your children's questions about moving.

Open lines of communication will go a long way toward helping your children feel comfortable with moving and it's okay even if you can't answer all their questions right now. Your kid's questions can give you an idea of how they're feeling about moving — whether they're excited or uneasy. Some questions may also offer an ideal way to get them involved in the moving process, such as suggesting they get online to locate nearby libraries or parks.

Be positive & upbeat about the move.

Your attitude about the move will influence your children's attitude as well. If you dread moving, then the move will seem dreadful to them too. Be enthusiastic, upbeat, and positive about the new experiences and opportunities in store, and your children will be more likely to feel the same way.

Let your children know they can help with the move.

This is a good time to emphasize that the move is a family event and that everyone will be part of the planning, packing, and perhaps even choosing the new home. Start your kids on thinking of things they can do and how to get ready for the move. Assure your kids that their contributions, however small, will be valued and greatly appreciated.



MOVING DAY CHECKLIST

Packing Time! Time to Sort Your Stuff!

Moving is a good reason to get rid of things you don't want anymore, which will also make room for new things you might get in the future! Go through your all toys and games and group them into three piles:

- First Pile: *Things you want to take with you to the new home.*
- Second Pile: *Things to toss out (broken toys and games with missing pieces).*
- Third Pile: *Things you don't want but could be given away to other kids.*

Ask: "What Else"!

Ask your parents what else can you do to help with all the sorting and packing that needs to be done. They will appreciate your help!

Mark Your Stuff as "Yours"!

Design your own personal "seal" for marking your boxes as YOUR property! As your belongings are packed, draw your "seal" on the outside of each box. Be creative! You can create your own work of art to mark your belongings.

Get Ready for Your First Night!

Your first night in your new home is very special. Be sure to have your favorite pajamas, your trust blanket or stuffed toy, or your favorite book packed away in your suitcase or backpack. This will be your very own piece that you'll personally be in charge of to take with you to your new place to get ready for your first night in your new home!

Don't Forget to Bring Some Entertainment!

Don't forget to take some things for you to do on the airplane or in the car on the way to the new home, such as books, video games, action figures, or crayons and paper.

Take Your Time When Packing

Stretch out your moving preparation time over several weeks. Avoid panic in the last days. Take steps to ensure that moving day is as relaxed as possible for you and your pets.

Make Travel Arrangements For Your Pets

If your move involves air travel, contact airline carriers one month in advance. Ask about their pet regulations, and make reservations. Choose a nonstop flight to avoid extra handling and climate and air-pressure changes.

Visit Your Pet's Veterinarian Before Moving

A couple weeks before moving, request a copy of veterinary records, a rabies vaccination certificate, and a health certificate. Be sure your pets are up to date with their shots. If your pet is a senior or has health problems, ask whether a mild sedative would be advisable before travel. Can your vet recommend another in your new location? For out-of-state moves, contact the State Department of Animal Husbandry or the state veterinarian about entry regulations—almost all states have entry laws for most animals except tropical fish.

Don't Change - Maintain Your Pet's Routine

Keep your pets' routines, such as feedings and walks, as normal as possible in the week before moving. Because dogs and cats need to feel in control, they might exhibit behavioral changes or even become ill when stressed. Treat them with the same level of attention you would ordinarily give them.

Make A Special Room For Your Pet

A few days before moving, choose a small room to be the "pet room." Tape a sign to the door that says "Pets: Do Not Open." Make the sign large enough that friends or movers can see it easily. Move food and water bowls, as well as toys, into this room. Provide dogs and cats with sturdy carriers equipped with litter box (for cats), chew toys, or favorite objects that have a familiar smell. Leave carrier doors open so pets can adapt to them before travel day. On moving day, keep animals in their carriers. As an alternative, consider boarding dogs and cats, or ask a friend to care take your dogs during the last few days.

Get Tags And Leashes For Your Pets

If you have a dog or an indoor/outdoor cat, buy or create identification tags with your new address and phone number. Be sure your pets are wearing them during travel. While you're at it, pick up a cat leash—you'll need it if you're taking a long road trip or an airplane.

TRAVEL CHECKLIST WHEN MOVING WITH PETS

- ☐ Veterinary records, certificates, and recent photos
- ☐ Medications
- ☐ Beds (pillows, towels, or other crate liners)
- ☐ Plastic bags and scoops for dogs
- ☐ Your pets' usual foods and plenty of water from the home you're leaving (changing their water source can be disorienting and upset their stomachs)
- ☐ Food and water bowls, a can opener, and resealable lids
- ☐ Leashes for cats and dogs
- ☐ Litterbox for cats
- ☐ Cage covers for birds and rodents
- ☐ Paper towels for messes
- ☐ Toys, chew bones, and treats
- ☐ Provisions for the first day at the new home

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.

ACKNOWLEDGMENT: A formal declaration made before an authorized official (usually a notary public), by the person who has executed (signed) a document, that such execution is his/her own act and deed. In most instances a document must be acknowledged (notarized) before it can be accepted for recording.

ADJUSTABLE RATE MORTGAGE (ARM): A mortgage with an interest rate that changes over time in line with movements in the index. ARMs are also referred to as AMLs (adjustable mortgage loans) or VRMs (variable rate mortgages).

ADJUSTMENT PERIOD: The length of time between interest rate changes on an ARM. For example, a loan with an adjustment period of one year is called a one-year ARM, which means that the interest rate can change once a year.

AFFIDAVIT: A sworn statement in writing, made before an authorized official.

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 or attorney, etc.

A.L.T.A.: Abbreviation for the American Land Title Association

AMORTIZATION: Repayment of a loan in equal installments of principal and interest, rather than interest-only payments.

ANNUAL PERCENTAGE RATE (APR): The total finance charges (interest, loan fees, points) expressed as a percentage of the loan amount.

APPRAISAL: An opinion of value based on factual analysis. Legally, an estimation of value by two disinterested persons of suitable qualifications.

ASSESSMENTS: Specific and special taxes (in addition to normal taxes) imposed on real property to pay for public improvements within a specific geographic area.

ASSUMPTION OF MORTGAGE: A Buyer's agreement to assume the liability under an existing note that is secured by a mortgage or deed of trust. The lender must approve the buyer in order to release the original borrower (usually the seller) from liability.

ATTORNEY-IN-FACT: An agent authorized to act for another under the power of attorney.

BALLOON PAYMENT: A lump sum principal payment due at the end of some mortgages or other long term loans.

BENEFICIARY: As used in trust deed, the Lender is designated as the beneficiary, i.e. obtains the benefit of the security.

BINDER: Sometimes known as an offer to purchase or an earnest money request. A binder is the acknowledgement of a deposit along with a brief written agreement to enter into a contract for the sale of real estate.

BORROWER: One who borrows funds, with the express or implied intention of repaying the loan in full, or giving the equivalent.

CAP: The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.

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

CERTIFICATE OF REASONABLE VALUE (CRV):

A document that establishes the maximum value and loan amount for a VA guaranteed mortgage.

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 deal 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.

CONVENTIONAL LOAN: A mortgage loan which is not insured or guaranteed by a governmental agency.

CLOSING STATEMENT: The financial disclosure statement that accounts for all of the funds received and accepted at the closing, including deposits for taxes, hazard insurance and mortgage insurance.

CONDOMINIUM: A form of real estate ownership. The owner receives title to a particular unit and has a proportionate interest in certain common areas. The unit itself is generally a separately owned space whose interior surfaces (walls, floors and ceilings) serve as its boundaries.

CONTINGENCY: A condition that must be satisfied before a contract is binding. For instance, a sales agreement may be contingent upon the buyer obtaining financing.

CONVENTIONAL MORTGAGE: A mortgage or deed of trust not obtained under a government insured program such as FHA or VA.

CONVERSION CLAUSE: A provision in some ARMs that enables you to change the ARM to a fixed-rate loan, usually after the first adjustment period. The new fixed rate is generally set at the prevailing interest rate for fixed rate mortgages. This conversion feature may cost extra.

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

COOPERATIVE: A form of multiple ownership in which a corporation or business trust entity holds title to a property and grants occupancy rights to shareholders by means of proprietary leases or similar arrangements.

CRB: Certified Residential Broker. To be certified, a broker must be a member of the National Association of Realtors, have five years experience and a licensed broker and have completed five required Residential Division courses.

DEED: Written instrument by which the ownership of land is transferred from one person to another.

DEED OF TRUST: Written instrument by which the ownership of land is transferred to a trustee as security for a debt or other obligation. Also called trust deed. Used in place of mortgage in many states.

DEPOSIT RECEIPT: Used when accepting "Earnest Money" to bind an offer for property by a prospective purchaser, also includes terms of a contract.

DOCUMENTARY TRANSFER TAX: A state tax on the sale of real property, based on the sales price.

DUE-ON-SALE CLAUSE: An acceleration clause that requires full payment of a mortgage or deed of trust when the secured property changes ownership.

EARNEST MONEY: The portion of the down payment delivered to the seller or escrow agent by the purchaser with a written offer as evidence of good faith.

EASEMENT: A right to power of the government to take property for a public purpose upon payment of just compensation.

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.

ESCHEAT: The reversion of property to the state when an owner dies leaving no legal heirs, devisees or claimants.

FAIR CREDIT REPORTING ACT: A federal law giving one the right to see his/her credit report so that error 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.

ESCROW: A procedure in which a neutral third party acts as a stakeholder for both the buyer and seller, carrying out both parties instructions and assuming responsibility for handling all of the paperwork and distribution of funds.

FHA LOAN (Federal Housing Administration): A federal agency, created by the National Housing Act of 1934, for the purpose of expanding and strengthening home ownership by making private mortgage financing possible on a long-term, low down payment basis. The vehicle is a mortgage insurance program, with premiums paid by the homeowner, to protect lenders against loss on these higher-risk loans. Since 1965, FHA has been part of the newly created Department of Housing and Urban Development (HUD).

FEE SIMPLE: An estate in which the owner has unrestricted power to dispose of the property as he wishes, including leaving by will or inheritance. It is greatest interest a person can have in real estate.

FIANCE CHARGE: The total cost a borrower must pay, directly or indirectly, to obtain credit according to Regulation Z.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): Popularly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages by FHA or guaranteed by the VA, as well as conventional home mortgage

GRADUTATED PAYMENT MORTGAGE: A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

GRANT: A transfer of real property.

GRANTEE: The person whom a grant is made.

GRANTOR: The person who makes the grant.

GRI: Graduated Realtors Institute. A professional designation granted to member of the National Association of Realtors who has successfully completed three courses covering Law, Finance and Principles of Real Estate.

HOME INSPECTION REPORT: A qualified inspector's report on a property's overall condition. The report usually includes an evaluation of both the structure and mechanical systems.

HOME WARRANTY PLAN: Protection against failure of mechanical systems within the property. Usually includes plumbing, electrical, heating systems and installed appliances.

IMPOUND ACCOUNT: Funds retained by a lender to cover such items as taxes and hazard insurance premiums.

INDEX: A measure of interest rate changes used to cover such items as taxes and hazard insurance premiums.

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

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

LEGAL DESCRIPTION: A method of geographically identifying 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 COMMITMENT: A written promise to make a loan for a specified amount on specified amount on specified terms.

LOAN-TO-VALUE RATIO: The relationship between the amount of the mortgage and the appraised value of the property, expressed as a percentage of the appraised value.

MARGIN: The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

MARKETABLE TITLE: Title which can be readily marketed (sold) to a reasonably prudent purchaser aware of the facts and their legal meaning concerning lien and encumbrances.

MECHANICS 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.

MORTGAGE BANKER: A company or individual engaged in the business of originating mortgage loans with its own funds, selling those loans to long-term investors and servicing the loans for the investor until they are paid in full.

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.

MORTGAGE LIFE INSURANCE: A type of term life insurance often bought by mortgagors. The coverage decreases as the mortgage balance declines. If the borrower dies while the policy is in force, the debt is automatically covered by insurance proceeds.

NEGATIVE AMORTIZATION: This occurs when monthly payments fail to cover the interest cost. The interest that isn't covered is added to the unpaid balance, which means that even after several payments you could owe more than you did at the beginning of the loan. Negative Amortization can occur when an ARM has a payment cap that results in monthly payments that aren't high enough to cover the interest.

NOTE: A unilateral agreement containing an express and absolute promise of the signer to pay to a named person, order, or bearer, a defined sum of money at a specified date or on demand. Usually provides for interest and, concerning real property, is secured by a mortgage or trust deed.

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).

ORGINATION FEE: A fee or charge for work involved in evaluating, preparing and submitting a proposed mortgage loan. The fee is limited to 1 percent for FHA and VA loans.

PERSONAL PROPERTY: Moveable property: all property which is not real property. Property consisting of chattels as contrast as to real estate; e.g. furniture, car, clothing.

PIGGYBACK LOAN: A loan made jointly by two or more lenders on the same property under one mortgage or trust deed.

PITI: Principal, Interest, Taxes and Insurance.

PLANNED UNIT DEVELOPMENT (PUD): A zoning designation for property developed at the same or slightly greater overall density than conventional development, sometimes with improvements clustered between open, common areas. Uses may be residential, commercial or industrial.

POINT: An amount equal to 1 percent of the principal amount of the investment or note. The lender assesses loan discount points at closing to increase the yield on the mortgage to a position competitive with other types of investments.

POWER OF ATTORNEY: An authority by which one person (principle) enables another (attorney-in-fact) to act for him/her. (1) General power – authorizes sale, mortgaging, etc., of all property of the principle. This is 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.

PRE-PAYMENT PENALTY: A fee charged to a mortgagor who pays a loan before it is due. This is not allowed with FHA or VA loans.

PRIVATE MORTGAGE INSURANCE (PMI): Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.

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 proportionally to time of use, or the date of closing.

PURCHASE AGREEMENT: A written document in which the purchaser agrees to buy certain real estate and seller agrees to sell under stated terms and conditions. Also, called a sales contract, earnest money contract or agreement for 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 PROPERTY: Land and buildings as opposed to personal property or chattels.

REALTOR: A real estate broker or associate active in a local real estate board affiliated with the National Association of Realtors.

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.

RECORDATION: Filing for record in the office of the county.

REGULATION Z: The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.

RIGHT OF SURVIVORSHIP: The right of a survivor of a deceased person to the property of said deceased. A distinguishing characteristic of a joint tenancy relationship.

STATEMENT OF IDENTITY: Also called Statement of Information, a confidential form filled out by the 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. property of the one owing taxes.

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 IN COMMON: A type of joint ownership of property by two or more persons with no right of survivorship.

TITLE: Evidence of a person's right or the extent of his interest in property.

TITLE INSURANCE POLICY: A policy that protects the purchaser, mortgagee or other party against losses.

TRANSFER TAX: State tax on the transfer of real property. Based on purchase price or money exchanging hands. Also called documentary transfer tax.

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

TRUSTOR: The borrower under deed of trust. One who deeds his/her property to a trustee as security for the repayment of a loan.

VA LOAN: A loan that is partially guaranteed by the Veterans Administration and made by a private lender.

VETERANS ADMINISTRATION (VA): An independent agency of the federal government created by the service men's readjustment act of 1944 to administer a variety of benefit programs designated to facilitate the adjustment of returning veterans to civilian life. Among the benefit programs is the home loan guaranty program designated to encourage mortgage lenders to offer a long-term low down payment financing to eligible veterans by guaranteeing the lender against loss on these higher-risk loans.

WRAP-AROUND MORTGAGE: A second or junior mortgage with a face value of both the amount is 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 .

