

HOME SELLER'S

HANDBOOK

CALIFORNIA
TITLE COMPANY
www.caltitle.com



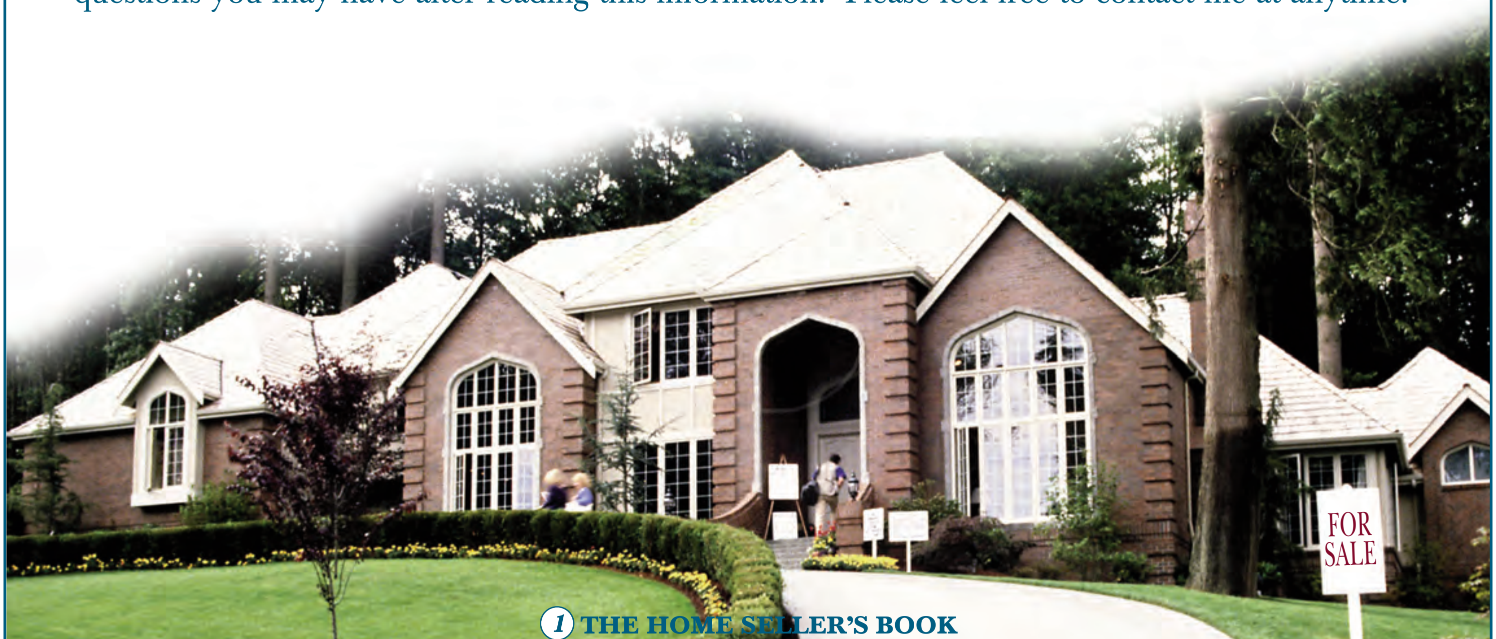
Dear Home Seller,

Thank you for giving me the opportunity to help guide you through your home selling process. It can be very confusing and sometimes complicated, but it is important to you, your family, your future and to me. Please be assured you will receive my very best service incorporating all my experience and training to make a committed effort to have this process be understandable, hassle free and a pleasure for all involved. So let's get started!

The information in this handbook will educate and assist you with the following:

- Help determine your wants and needs
- Steps of the selling process
- Loan information
- Writing, presenting and negotiating the offer
- Explaining the escrow and title process
- Physical inspection process
- Home warranties

I look forward to working with you during the entire home selling process. I welcome any questions you may have after reading this information. Please feel free to contact me at anytime.

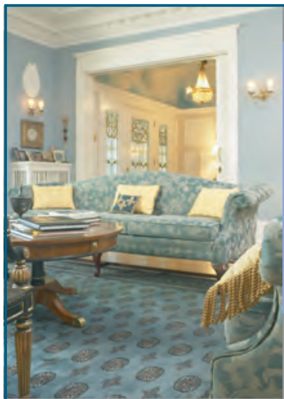


Selecting An Agent

Congratulations! You've taken the first step toward selling your home by deciding to select a real estate professional to represent you. You couldn't have made a better decision than to choose a Realtor® for help and guidance through the process. You can be assured that you will receive excellent service along with the best opportunity to sell your home with far less hassle and worry.

YOU CAN EXPECT YOUR REALTOR® TO.....

- **Assist you in setting the right price for your home. They know the market and will help you get the best possible price.**
- **Assess your home's marketability and show you ways to create more demand.**
- **Actively market your house in the most effective possible manner.**
- **Negotiate on your behalf with qualified prospective buyers.**
- **Allow you to make your own decisions. A professional agent works for you and respects your opinion. They will not try to force you into a decision with which you don't feel comfortable.**
- **Protect your rights. Real estate laws have become increasingly complicated and your Realtor® is there to assist you in every way.**



Tips to Sellers
Let Your Home Give A Smile To Buyers...

First impressions are lasting. The front door greets the prospect. Make sure it is fresh, clean and scrubbed looking. Keep lawn trimmed.

Let the sun shine in. Open draperies and curtains and let the prospect see how cheerful your home can be since dark rooms do not appeal.

Can you see the light? Illumination is like a welcome sign. The potential buyer will feel a glowing warmth when you turn on all your lights for an evening inspection.

Repairs can make a big difference. Loose knobs, sticking doors and windows, warped cabinet drawers and other minor flaws detract from home value. Have them fixed.

From top to bottom. Display the full value of your attic and other utility space by removing all unnecessary articles.

Decorate for a quick sale. Faded walls and worn woodwork reduce appeal. Why try to tell the prospect how your home could look when you can show them by redecorating? A quicker sale at a higher price will result. An investment in new kitchen wallpaper will pay dividends. Safety first. Keep stairways clear. Avoid cluttered appearances and possible injuries.

Make closets look bigger. Neat, well-ordered closets show space is ample.

Arrange bedrooms neatly. Remove excess furniture. Use attractive bedspreads and freshly laundered curtains.

Bathrooms help sell homes. Check and repair caulking in bathtubs and showers. Make this room sparkle.

Fix that faucet! Dripping water discolors sinks and suggests faulty plumbing.

Three's a crowd. Avoid having too many people present during inspections. The potential buyer will feel like an intruder and will hurry through the house.

Silence is golden. Be courteous but don't force conversation with the potential buyer. They want to inspect your house - not pay a social call.

Music is mellow. But not when showing a house. Turn off the blaring radio or television. Let the agent and buyer talk, free of disturbances.

Pets underfoot? Keep them out of the way - preferably out of the house.

Be it ever so humble. Never apologize for the appearance of your home. After all, it has been lived in. Let the trained salesperson answer any objections. This is his/her job.

In the background. The salesperson knows the buyer's requirements and can better emphasize the features of your home when you don't tag along. You will be called if needed.

Why put the cart before the horse? Trying to dispose of furniture and furnishings to the potential buyer before they have purchased the house often loses a sale.

A word to the wise. Let your Realtor® discuss price terms, possession and other factors with the buyer. He/she is eminently qualified to bring negotiations to a favorable conclusion.

Use your agent. Show your home to prospective customers only by appointment through your agent. Your cooperation will be appreciated and will help close the sale more quickly.

Contract to Closing

- ❍ 1. Contract signed and dated
- ❍ 2. Escrow opened and earnest money deposited
- ❍ 3. Title Report Requested
- ❍ 4. Seller orders termite inspection
- ❍ 5. Property inspection ordered by the Buyer Original termite certificate to Escrow Company
- ❍ 6. Buyer arranges insurance for home and provides information to lender and Escrow Company
- ❍ 7. Loan application made
- ❍ 8. Copy of inspection to Buyer and Seller Buyer provides Seller with repair priority list
- ❍ 9. Lender orders appraisal
- ❍ 10. Completed appraisal
- ❍ 11. Seller/Buyer negotiates and then orders repair work
- ❍ 12. Buyer is approved by Lender
- ❍ 13. Other inspections, if needed or requested by Buyer
- ❍ 14. Repairs completed and approved by Lender and Buyer
- ❍ 15. Final contingencies removed
- ❍ 16. Final closing date set
- ❍ 17. Confirm closing figures with Escrow Officer Buyer must bring check in order to close
- ❍ 18. Closing
- ❍ 19. Title Policy Issued

The Loan Process

Prequalification/Interview

- Application interview
- Lender obtains all pertinent documentation

Order Documents

- Credit report, appraisal on property, verifications of employment, mortgage or rent, and funds to close, landlord ratings, preliminary title report

Loan Submission

- The loan package is assembled and submitted to the underwriter for approval

Documentation

- Supporting documents come in
- Lender checks on any problems
- Requests for any additional items are made

Loan Approval

- Parties are notified of approval

Documents are Drawn

- Loan documents are completed & sent to escrow
- Borrowers come in for final signatures

Funding

- Lender reviews the loan package
- Funds are transferred by wire

Recording Documents

- Title company records the deed of trust at the county recorder's office
- Escrow is now officially closed

Types of Loans

Adjustable Rate Mortgage
Adjustable rate mortgages have an interest rate that is adjusted at certain intervals based on a specific index during the life of the loan.

Balloon Payment Loan
A fixed rate loan that is amortized over 30 years but becomes due and payable at the end of a certain term. May be extendible or may roll-over into another type of loan.

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

Community Homebuyer's Program
A fixed rate loan for first time buyers with a low down payment, usually 3-5%, no cash reserve requirement and easier qualifying ratios. Subject to borrower meeting income limits and attendance of a four hour training course on home ownership.

Conventional Loan
Conventional loans are sometimes more lenient with the appraisal and condition of the property. When you are buying a "fixer upper" you may need to use a conventional loan. Homes purchased above the FHA loan limit are usually financed with conventional loans.

FHA Loan
FHA loans are insured by the Federal Housing Administration under H.U.D. They offer a low down payment and are easier to qualify for than conventional loans.

Fixed Rate Loan
A fixed rate loan has one interest rate that remains constant throughout the life of the loan.

Graduated Payment Mortgage
A fixed rate loan that has payments starting lower than a standard fixed rate loan, which then increases by a predetermined amount each year for a set number of years

Non-Qualifying Loan *(Assumable)*
Non-Qualifying loans are preexisting loans which can be assumed by a buyer from the seller of a property without going through the qualifying process. The buyer pays the seller for their equity and then starts making payments.

VA Loan
VA loans are guaranteed by the Veterans Administration. A veteran must have served 180 days active service.

Life of An Escrow

Prepare Escrow Instructions & Pertinent Documents

Obtain Signatures

Order Title Search

Receive & Review Preliminary

Request Demands (if any) Request Clarification of Other Liens (if any) and Review Taxes On Report

Receive Demands and Enter into File

Process Financing

Request Beneficiary Statement

Receive Beneficiary Statement and Enter into File. Review Terms of Transfer and Current Payment Status (is prior approval necessary to record?)

Request or Prepare New Loan Application

Obtain Loan Approval and Determine That Terms Are Correct

Request Loan Documents

Review File to Determine That All Conditions Have Been Met and That All Documents Are Correct and Available for Signature

(Termite inspection, contingencies released, fire insurance ordered, additional documents, second deed of trust, bill of sale etc., have been prepared.)

Figure File and Request Signatures on all Remaining Documents

Forward Documents to Title Company

Obtain Funds From Buyer

Return Loan Documents

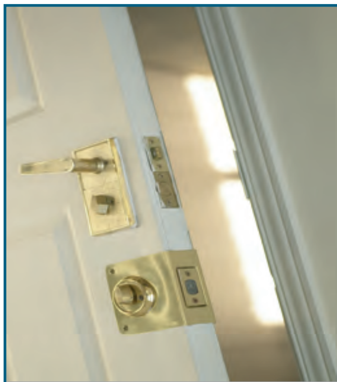
Request Loan Funds

Receive Loan Funds

Order Recording

Close File
Prepare Statements and Disburse Funds

Complete Closing
Forward Final Documents to all Interested Parties
(Buyer-Seller-Lender)



Life of a Title Search

CUSTOMER CALLS IN TO OPEN NEW ORDER
Secretary or Title Officer take information on order form

Order is logged in Unit Log

CUSTOMER SERVICE
Carbon
Open Order Form
to confirm legal description, get maps & assessor's parcel number

SEARCHING
Search opened in title plant. (tax, property and name searches entered into the computer)
Search is completed by Title Searcher.
Search is logged out of Searching.

EXAMINING DEPARTMENT

EXAMINING CHECKS AND CODES
Items that will be disclosed in the preliminary report

TYPING DEPARTMENT
Search is logged into typing.

PRELIMINARY REPORT IS TYPED AND REVIEWED

SEARCH IS RETURNED TO TITLE UNIT
Search is logged out on Unit Log showing prelim out.

SEARCH IS FILED AWAY ON TITLE UNIT

DOCUMENTS, DEMANDS, SI's & INSTRUCTIONS
are abstracted against the title search

TITLE UNIT SETS UP FILE TO RECORD

DOCUMENTS ARE RECORDED, DEMANDS ARE PAID, FUNDS ARE DISBURSED
file is invoiced, title policy(ies) are written, file is logged as closed in Unit Log.

TITLE FILE IS INVOICED
on Order Entry Unit

TYPING DEPARTMENT
File is logged in, policies are typed & reviewed, policies are logged out. Policies are mailed or delivered with invoice to

CLOSED FILES
File is sent to closed files

FILE IS FILMED & ARBED

FILM IS PLACED IN PLANT

ORDER ENTRY UNIT
Original
Open Order Form
& File Folder
to open order in company records

FILE IS RETURNED TO UNIT

PRELIMINARY REPORTS MAILED OR DELIVERED TO CUSTOMER.

CUSTOMER FORWARDS IN
Documents, demands, SI's and instructions

FUNDING & INSTRUCTIONS
to record from Customer

CUSTOMER
is sent policies and invoice

What is an Escrow?

An escrow is an independent "stakeholder" account and is the vehicle by which the interests of all parties to the transaction are protected.

The escrow is created after you execute the contract for the sale of your home and becomes the depository for all monies, instructions and documents pertaining to the sale. Some aspects of the sale are not part of the escrow. For example, the buyer and seller must decide which fixtures or personal property items are included in the sales agreement. Similarly, loan negotiations occur between the buyer and the lender. Your real estate agent can guide you in these non-escrow matters.

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 buyer. Escrow cannot be completed until these items have been satisfied and all parties have signed escrow documents.

How Do I Open An Escrow?

Either your real estate agent or the buyer's agent may open escrow. As soon as you execute the Purchase Agreement, your agent will place your initial deposit into an escrow account at the escrow company.

Where Does The Buyer's Money Go?

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 or trust account.

What Information Do I Need 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 in the transaction through such information as date of birth, social security number, etc. This information is considered confidential.

How Long Is The Escrow?

The amount of time necessary to complete the escrow is determined by the terms of the Purchase Agreement. It is normally 45 to 60 days, but can range from a few days to several months.

What Happens Next?

Unless he/she is paying cash, the next step will be that the buyer will apply for a mortgage loan. Your real estate agent will be able to keep you informed about the progress of the loan application. During the escrow process, you are still required to make your payments on existing loans so that you do not incur any late fees or damages to your credit rating.

What A Title Company Does

Prepares a Preliminary Title Report and Policy

- **Prelim report:** A preliminary report contains the following 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.
- **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.
- **Policy:** Title insurance is insurance against loss resulting from defects of title to a specifically described parcel of real property. Defects may run to the fee (chain of title) or to encumbrances on the property.

Pays Off Existing Loans

The title company pays off existing loans when so ordered.

Recording Documents

The title company records the appropriate documents with the county office, giving public notice.

Paying Off Your Existing Loans...

Unless the buyer takes over your existing loan(s) on the property, the loan(s) will be paid off during the escrow process. You will need to furnish complete information to your escrow officer and real estate agent on each loan against your property. Please be prepared to provide the name of the lender, the loan number, address and phone number of the lender. Your escrow officer will need this information to order the loan payoff demands, so the loan(s) may be paid off correctly during the escrow. Homeowners' Association information may also be required if you are selling a condominium, townhouse or property located in a planned unit development. All of this information will help to insure the timely closing of the escrow.

Disclosures and Contingencies...

During the process of selling your property, you will be asked to fill out a property disclosure form, which is now required by law. In this document, you will inform the buyer of any significant facts you have about the condition of the property.

There will be various contingency dates in your real estate sales contract. You should be very aware of these and be sure that the actions required are performed in a timely manner. Such contingencies include: the buyer's loan approval, approval of the Preliminary Title Report and approval of termite and other inspections. Stay closely in touch with your real estate agent regarding these important dates.

When the loan is approved and the loan documents are sent to the escrow officer or the escrow assistant handling your transaction, the escrow instructions and the deed will be prepared.

A Look At Some Ways To Take Title

Community Property:

- Requires a valid marriage between two people
- Each spouse holds an undivided one-half interest in the estate
- One spouse cannot partition the property by selling his or her interest
- Requires signatures of both spouses to convey or encumber
- Each spouse can devise (will) one-half of the community property
- Upon death, the estate of the decedent must be "cleared" through probate, affidavit or adjudication
- Both halves of the community property are entitled to a "stepped up" tax basis as of the date of death

Joint Tenancy:

- Parties need not be married; may be more than two joint tenants
- Each joint tenant holds an equal and undivided interest in the estate, unity of interest
- One joint tenant can partition the property by selling his or her interest
- Requires signatures of all joint tenants to convey or encumber the whole
- Estate passes to surviving joint tenants outside of probate
- No court action required to "clear" title upon death of joint tenant(s)
- Deceased tenant's share is entitled to a "stepped up" tax basis as of the date of death

Community Property with Right Of Survivorship:

- Requires a valid marriage between two people
- Each spouse holds an undivided one-half interest in the estate
- One spouse cannot partition the property by selling his or her interest
- Requires signatures of both spouses to convey or encumber
- Estate passes to surviving spouse outside of probate
- No court action is required to "clear" title upon the first death
- Both halves of the community property are entitled to a "stepped up" tax basis as of the date of death

Escrow Instructions...

Escrow instructions define all the conditions that must occur before the transaction can be finalized.
The escrow instructions represent your written statement to the escrow holder protecting your interests and specify, in a debit and credit format, the disposition of the sales proceeds and the conditions under which the Grant Deed may be recorded in favor of the new buyer.

A Grant Deed is the document which legally transfers your title to the property to the new owner. You will sign the Grant Deed as part of the escrow instructions and the deed will be notarized by your escrow officer or another qualified notary public. Proper identification is needed for this procedure. The Grant Deed is recorded at the time escrow closes.

Your escrow officer or real estate agent will contact you for an appointment to sign your escrow instructions and the Deed. At this time, the escrow officer will inform you of the amount of proceeds you will receive from the sale of your home. If you are also purchasing another home, arrangements can be made to transfer funds to your purchase escrow.

Your Appointment...

An appointment is required for the sign-off. Please call your escrow officer to arrange a convenient time and expect the process to take approximately one hour.

There are several acceptable forms of identification which may be used during the escrow process. These include: A current driver's license, Passport, etc. One of these forms of identification must be presented at the signing of escrow in order for the signature to be notarized.

On rare occasions, funds are insufficient to close escrow and you, the seller, must deposit money into the escrow. Should this situation occur, you will need to obtain a cashier's check or certified check issued by a California financial institution made payable to the escrow company in the amount indicated to you by your escrow officer or escrow assistant. A personal check may delay the closing since the escrow company is required by law to have good funds before disbursing funds from escrow. Similarly, an out-of-state check could cause a delay in closing, due to delays in clearing the check.

How To Take Title In California

COMMON WAYS OF HOLDING TITLE CONCURRENT CO-OWNERSHIP INTERESTS

	TENANCY IN COMMON	JOINT TENANCY	COMMUNITY PROPERTY	TENANCY IN PARTNERSHIP	COMMUNITY PROPERTY W/ RIGHT OF SURVIVORSHIP
PARTIES	Any number of persons (can be husband and wife or domestic partners, but see "Presumption" limitations below).	Any number of persons (can be husband and wife or domestic partners).	Only husband and wife or domestic partners.	Only partners (any numbers).	Only husband and wife or domestic partners.
DIVISION	Ownership can be divided into any number of interests equal or unequal.	Ownership interest must be equal.	Ownership and managerial interests are equal, except control of business is solely with managing spouse or domestic partners.	Ownership interest is in relation to interest in partnership.	Ownership and managerial interest are equal, except control of business is solely with managing spouse/domestic partners.
TITLE	Each co-owner has a separate legal title to his undivided interest.	There is only one title to the whole property. (Joint ownership in undivided equal shares.)	Title is in the "community".	Title is in the "partnership".	Title is in the "community."
POSSESSION	Equal right of possession (only unity of interest required).	Equal right of possession. A joint tenant can be in exclusive possession of the property or he can lease his interest to a third party without affecting the nature of the joint tenancy. Such lease will terminate upon the death of the lessor joint tenant, with the surviving joint tenants taking the interest therein.	Both co-owners have equal management and control with similar absolute power of disposition.	Equal right of possession but only for partnership purposes, absent consent of other partners to the contrary. The partnership property belongs to the firm and not the individual partners.	Both co-owners have equal management and control with similar absolute power of disposition.
CONVEYANCE	Each co-owner's interest may be conveyed separately by its owner. Tenancy in common dissolved by conveyance of co-tenant interest to another. New tenancy in common is created between grantees and remaining co-tenant's.	Conveyance by one co-owner without the others breaks his joint tenancy.	A spouse or domestic partner may not make a gift of or dispose of community property without valuable consideration and written consent of the other spouse or domestic partner; "Necessaries" (furniture, furnishings, or fittings of the home, or the clothing or wearing apparel of the other spouse or domestic partner or minor children) may not be disposed of without the written consent of the other spouse or domestic partner.	Any authorized partner may convey whole partnership property. No partner may sell or assign his interest in specific partnership property without the consent of and in conjunction with all co-partners.	A spouse/domestic partner may not make a gift of or dispose of community personal property without valuable consideration and written consent of the other spouse/domestic partner; "Necessaries" (furniture, furnishings, or fittings of the home, or the clothing or wearing apparel of the other spouse/domestic partner or minor children) may not be disposed of without the written consent of the other spouse/ domestic partner.
PURCHASER'S STATUS	Purchaser will become a tenant in common with the other co-owners in the property.	Purchaser will become a tenant in common with the other co-owners in the property.	Purchaser can only acquire whole title of community, cannot acquire a part of it.	Purchaser can only acquire the whole title.	Purchaser can only acquire whole title of community, cannot acquire a part of it.
DEATH	On co-owner's death, his interest passes by will to his devises or his heirs by intestate succession. No survivorship right.	Upon the death of joint tenant, title to the property passes to the surviving joint tenants by operation of law, to the exclusions of the heirs and creditors of the deceased joint tenant. Ownership cannot be disposed by testamentary disposition, and it does not pass to the heirs of the decedent by interstate succession.	On co-owner's death, 1/2 belongs to survivor as separate property, 1/2 goes by will to decedent's devises or by succession to survivor.	On partner's death, his partnership interest passes to the surviving partner pending liquidation of the partnership. Share of deceased partner then goes to his estate.	Upon the death of one spouse/ domestic partner, title to the property passes to the surviving spouses/domestic partners by operation of law, to the exclusion of the heirs and creditors of the deceased spouse/domestic partner. The survivor holds title to the property as his sole and separate property. Community property with right of survivorship cannot be disposed by testamentary disposition, and it does not pass to the heirs of the decedent by interstate succession.

REV. 01/06

How To Take Title In California

COMMON WAYS OF HOLDING TITLE CONCURRENT CO-OWNERSHIP INTERESTS

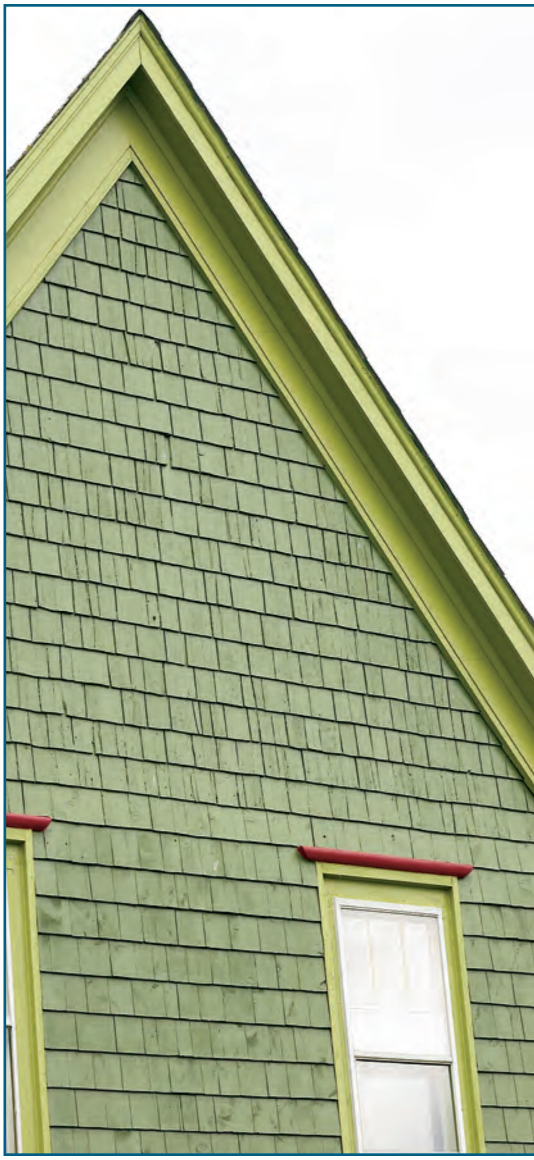
	TENANCY IN COMMON	JOINT TENANCY	COMMUNITY PROPERTY	TENANCY IN PARTNERSHIP	COMMUNITY PROPERTY W/ RIGHT OF SURVIVORSHIP
SUCCESSOR'S STATUS	Devisees or heirs become tenants in common.	If more than one joint tenant remains, all continue to hold title to decendent's share as joint tenants.	Upon death of one spouse/domestic partner who leaves a will, devisees or heirs second to the decendent interest, otherwise, survivor's spouse/domestic partner continues to own entire title, including that of the decendent.	Heir or devisees have rights in partnership interest but not in specific partnership property.	Upon death of one spouse/ domestic partner, survivor continues in ownership of entire property including share of the deceased spouse/domestic partner. Surviving spouse/ domestic partner continues to own entire title, including former title interest of deceased spouse/domestic partner.
CREDITOR'S STATUS	Co-owner's interest may be sold on execution sale to satisfy his creditor. Purchaser becomes a tenant in common with remaining co-tenants. Termination may occur as a result of involuntary sale (e.g., a foreclosure sale under a mortgage or deed of trust).	Mortgage or deed of trust executed by one joint tenant or a judgment lien against interest of one joint tenant, does not sever joint tenancy or affect right of survivorship unless property is sold by foreclosure or execution sale prior to death of the party who incurred the lien.	Community property is generally liable for a debt incurred by either spouse/ domestic partner before or during marriage, regardless of which spouse/domestic partner has management and control of the property or which spouse/domestic partner is party to the debt. Earnings of married person during marriage or of a domestic partner during the term of the partnership are not liable for pre-marital debt of other spouse/ domestic partner if earnings from which debt is paid remains uncommingled with other community property and held in account where other spouse/domestic partner does not have access; community property not liable for debts incurred subsequent to separation. Earnings of a spouse/ domestic partner are not liable for the debts of the other spouse/domestic partner contracted before the marriage.	Partnership real estate is treated as personal property and may be sold to pay debts. If the interests of creditors will not be adversely affected, in lieu of sale of the property, the partners may be awarded their respective interests in the property or it may be partitioned. Creditors receive priority in payment of partnership liabilities, a partner's right in specific partnership property is not subject to attachment or execution, except on a claim against the partnership.	Community property is generally liable for a debt incurred by either spouse/ domestic partner before or during marriage, regardless of which spouse/domestic partner has management and control of the property or which spouse/ domestic partner is party to the debt. Earnings of married person during marriage or of a domestic partner during the term of the partnership are not liable for pre-marital debt of other spouse/domestic partner if earnings from which debt is paid remains uncommingled with other community property and held in account where other spouse/domestic partner does not have access; community property not liable for debts incurred subsequent to separation. Earnings of a spouse/domestic partner are not liable for the debts of the other spouse/domestic partner contracted before the marriage.
PRESUMPTION	Favored in doubtful cases except husband and wife case. Reference to husband and wife in the deed of sale, without mention of any other form of ownership, creates statutory presumption that the property is community in nature.	Deed must expressly vest title to grantees as joint tenants.	Deed must expressly vest title in the name of the spouses/domestic partners as "husband and wife or domestic partners" as community property.	Arises only by virtue of partnership status on property placed in partnership. Partner's interest cannot be seized or sold separately by his personal creditor, but his share of profits, may be obtained by a personal creditor. Entire property may be sold on execution sale to satisfy partnership creditor.	Deed must expressly vest title in the name of the spouses/ domestic partners as "husband and wife or domestic partners as community property with right of survivorship" and deed may be signed by the grantees.

REV. 01/06

THIS IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY. SPECIFIC QUESTIONS FOR ACTUAL REAL PROPERTY TRANSACTIONS SHOULD BE DIRECTED TO YOUR ATTORNEY OR C.P.A.

Title Insurance

Most real estate transactions are closed with a title insurance policy. Many home buyers just assume that when they purchase a piece of property, possession of the deed to the property is all they need to prove ownership. This is not true. Hidden hazards may attach to real estate. A property owner's greatest protection is a policy of title insurance...



What Is Title Insurance?

It is a contract of indemnity which guarantees that the title is as reported and, if not reported and the owner is damaged, the title policy covers the insured for their loss up to 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.

The Title Search

Title companies work to eliminate risks by performing a search of the public records or through the title company's 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, the title company issues a preliminary report detailing the current status of title.

The Preliminary Report

A preliminary report contains the following 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.

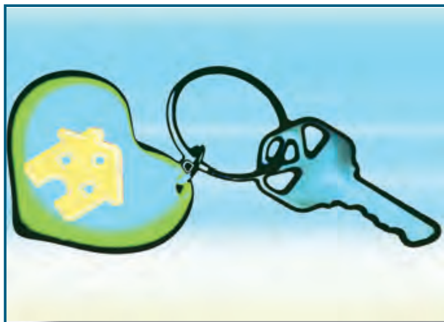
The Preliminary Report

The preliminary report indicates the type of title insurance offered by the title company. It also indicates the exclusions and exceptions from coverage under which the policy will be issued...

Reviewing The Preliminary Title Report

The preliminary report should be reviewed immediately with special attention to the following areas...

- Verify the ownership vesting. Make sure the names on the report are the same as the names on the purchase contract.
- Read the informational notes for important facts about the property.
- Carefully review the exceptions: bonds, deeds of trust, current taxes, CC&R's and easements.
- Look for surprises. If you can't locate an easement, if an unexpected deed of trust appears, etc., call your escrow officer right away. Let your title company be the problem solver. Top notch escrow officers and title companies go out of their way to resolve problems quickly and accurately.



After The Sign-Off

What next after completion of the sign-off?

After you and the buyer have signed all the necessary instructions and documents, the escrow officer will return them to the new lender for a final review. Following the review, which usually occurs within a few days, the lender is ready to fund the buyer's loan and advises the escrow officer so that the necessary work can be completed to record the documents and "close" the escrow.

What is "escrow closing"?

It signifies legal transfer of title to the property from the seller to the buyer and is the culmination of the transaction.

Usually the Grant Deed and Deed of Trust are recorded within one working day of the escrow's receipt of loan funds. This completes the transaction and signifies the "close of escrow." Once all the conditions of the escrow have been satisfied, the escrow officer advises you of the date the escrow will close and takes care of the technical and financial details, including paying off your loan.

When do I receive proceeds from the sale?

A final settlement statement and a check for the proceeds will be available to you the day the sale is completed, documents are recorded and the escrow is closed.

After the Close...

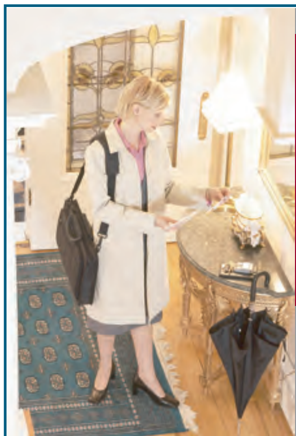
What happens after escrow closes?

After the loan has been finalized, the documents signed and recorded, and the financial settlement completed, there are still several steps which must be accomplished to complete the transaction.

Your existing loan is being paid in full from the escrow. Your lender is required by law to issue a full reconveyance of their loan. As soon as the deed of reconveyance removing the previous Deed of Trust is received, it should be recorded and the original returned to you. This may take several weeks. However, you need not be concerned by this delay since it is normal.

What happens to funds held in escrow?

In some cases, the escrow holder will be instructed to hold funds in escrow to pay off obligations which may not be completed until after escrow closes. An example might be a set-aside of funds to correct a structural problem, remodeling or termite repair work. Upon completion of the project and receipt of the proper documentation and releases, the escrow officer will disburse the reserved funds.



Inspections

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

Which inspections to order is usually a matter of observation and knowledge of what is critical to a particular region or area.

BELOW IS A LIST OF THE THREE MOST COMMON TYPES OF INSPECTION:

STRUCTURAL PEST CONTROL

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

PHYSICAL INSPECTION

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

SOME OTHER INSPECTIONS

- Well and Septic
- Hazardous Materials
- Contractor's Home Inspection
- Chimney Inspection
- Heating and Air Conditioning
- Structural Engineering
- Energy Audit

Home Warranties

As a Real Estate professional, it is my duty to inform both Buyers and Sellers about the advantages of home warranty protection. This policy protects the Buyer by paying for certain repairs and costs of major mechanical systems and major appliances in the home such as heating and air-conditioning. There are a variety of plans available, and I would be happy to gather a selection of plans for you to review.

Benefits of Home Warranty Coverage to the Seller

- Home may sell faster and at a higher price
- Optional coverage during the listing period
- Protection from legal disputes that occur after the sale
- Increases the marketability of your home

Benefits of Home Warranty Coverage to the Buyer

- Warranty coverage for your major systems and built-in appliances
- Protects your cash flow
- Puts a complete network of qualified service technicians at your service
- Low deductible

Seller Contacts

Real Estate Agent

Title Officer

Lender

Escrow Officer

Physical Inspector

Insurance Agent

Other Important Contacts: ______________________________

Moving Expenses

When you meet the IRS's definition of a qualifying move, the following items are tax deductible:

TAX DEDUCTIBLE MOVING EXPENSES:

- The cost of trips to the area of a new job to look for a home. Your home shopping expedition does not have to be successful for the cost to be deductible.
- The cost of having your furniture and other household items shipped, including the cost of packing, insurance, and storage for up to 30 days.
- The cost of getting your family to the new home town, including food and lodging expenses on the trip.
- The cost of lodging and 80% of food expenses for up to 30 days in the new home town, if these temporary living expenses are necessary because you have not yet found your ideal home or it is not ready when you arrive.
- Certain costs associated with the sale of your old home and purchase of the new one. These expenses, including real estate commissions, legal fees, state transfer taxes and appraisal and title fees, could be used either to reduce the gain on the sale of the previous home or to boost the basis of the new one. But it's usually beneficial to count them as moving expenses up to the allowable dollar limits, because that gives you an immediate tax benefit.

Provided for informational purposes only. Consult your tax or legal advisor for advice on your particular situation.

Moving Checklist

Old Residence

Changing Address
- ❍ Forward address at post office
- ❍ Credit card accounts
- ❍ Publications
- ❍ Bank accounts

Utilities to Cancel
- ❍ Telephone, check for refund
- ❍ Gas & Electric, check for refund
- ❍ Water, check for refund
- ❍ Garbage
- ❍ Propane
- ❍ Cable, check for refund

Moving Preparation
- ❍ Defrost refrigerator
- ❍ Auto transportation needs
- ❍ Pet transportation needs
- ❍ Travel cash or checks
- ❍ Hand carry jewelry and valuables
- ❍ Leave keys
- ❍ Leave garage door openers

Medical Services to Obtain
- ❍ Medical records
- ❍ Dental records
- ❍ Veterinarian records

❍ School transcripts for kids

New Residence

Changing Address
- ❍ Ask postman to hold mail for your arrival

Utilities
- ❍ Telephone: new number:

  ____

- ❍ Gas & Electric
- ❍ Water
- ❍ Garbage
- ❍ Propane
- ❍ Cable

Government Licenses & Services
- ❍ Apply for state driver's license
- ❍ Register car
- ❍ New address on driver's license
- ❍ Register to vote
- ❍ Register children in school

Medical Services
- ❍ New doctor
- ❍ New dentist
- ❍ New veterinarian

Real Estate Glossary

Adjustable Rate Mortgage (ARM) — A mortgage with an interest rate that changes over time in line with movements with the index.

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.

Amortization — Repayment of a loan in equal installments of principal and interest rather than interest only payments.

Annual Percentage Rate (APR) — The total finance charge (interest, loan fees, points expressed as percentage of the loan amount).

Assumption of Mortgage — A buyers' 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 assume the loan.

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.

Closing Statement — The financial disclosure statement that accounts for all of the funds received and expected at the closing of the escrow, including deposits for taxes, hazard insurance and mortgage insurance.

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.

Federal National Mortgage Association — Popularly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by VA as well as conventional home mortgages.

Finance Charge — The total cost a borrower must pay, directly or indirectly, to obtain credit.

Real Estate Glossary

Graduate Payment Mortgage — A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

Home Inspection Report — A qualified inspector's report on a property's overall condition. The report usually covers 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.

Index — The measure of interest rate changes used to determine adjustments in an ARM's interest rate over the term of the loan.

Joint Tenancy — An equal, undivided ownership of property by two or more persons. Upon death of any owner, the survivors take the decedent's interest in the property.

Lien — A legal hold or claim on property as security for a debt or charge.

Loan Commitment — A written promise to make a loan for a specified amount on specific terms.

Loan to Value Ratio — The relationship between the amount of 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.

Negative Amortization — This occurs when monthly payments fail to cover the interest cost. The interest not covered is added to the unpaid principal balance so that even after several payments you could owe more than you did at the beginning of the loan.

Origination Fee — A fee or charge for establishing a new loan.

PITI — Principal, interest, taxes and insurance.

Point — An amount equal to 1% 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.

Real Estate Glossary

Prepayment Penalty — A fee charged to the mortgagor who pays a loan before it is due.

Private Mortgage Insurance — Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.

Purchase Agreement — A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under certain terms and conditions. Also called a sales contract.

Tenancy in Common — A type of joint ownership of property by two or more persons with no right of survivorship.

Title Insurance Policy — An insurance policy which protects the purchaser, mortgagee or the party against liens or encumbrances against their property.

VA Loan — A loan that is guaranteed by the Veterans Administration and made by a private lender.

Homeseller's Glossary

Agency — A legal relationship in which someone (principal) hires someone else (agent) to represent them to a third party.

Application Fee — A fee to cover some of the charges of the loan process.

Appraisal Fee — A fee charged by the lender for an appraisal.

Assessed Value — The value placed on property by the County Assessor District as a basis for taxation.

Balloon Payment — An instance in which the final installment payment on a note is greater than the preceding payments, and pays the note in full.

Chain of Title — A history of conveyances and encumbrances affecting the title of real property.

Conventional Mortgage — A mortgage securing a loan made by investors without government underwriting - that is, not FHA insured or VA guaranteed.

Convey or Conveyance — Process of transferring ownership of property from one person to another.

Courier Fee — Charges for delivery.

Credit Report Fee — Assessed by the lender for a required credit report from a credit bureau.

Deed — A document which, when properly executed and delivered, conveys title of real property.

Disclosure — To make known or public. When dealing with real property, all disclosures should be made in writing.

Discount Points — A negotiable fee paid to the lender to secure financing for the buyer. Discount points are up-front interest 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.

Earnest Money — Money deposited by a buyer as evidence of good faith.

Encumbrance — Anything that affects or limits the ownership of real property, such as mortgages, liens, easements or restrictions of any kind.

Escrow Fee — Charged by the title company to service the transaction and to escrow money and documents.

Escrow — The deposit of documents and funds with instructions to a neutral third party to carry out the provisions of an agreement or contract.

Homebuyer's Glossary

Exclusive Right To Sell Listing	A written agreement between owner and agent giving agent the right to sell a property and collect a fee for a set term.
Fair Market Value	The price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure.
Loan Origination Fee	Normally 1% of the loan amount, charged by the lender to the buyer.
Mortgage	A legal document that provides security for repayment of a promissory note.
Mortgagee's Title Policy	Required by lenders to ensure that the lender has a valid lien. It does not protect the buyer. Also required for 2nd mortgages.
Owner's Title Policy	Insures the buyer against loss due to any defect of the title not excepted to or excluded from the policy.
Points	Paid by the buyer or seller. One point is equal to one percent of the loan amount.
Principal	The employer of an agent in an agency relationship.
Recording Fee	Charged by the County Recorder to record documents in the public records. Charges are based on number of pages recorded.
Septic Inspection	The septic system must have certificate by the city or county Health Department.
Survey	Survey of property required by lender; shows lot size, easements, any encroachments, locations of improvements, etc. . . .
Tax Service Fee	Required by the lender for collection and disbursement of tax escrow by a servicing company.
Termite Inspection	Required by lender to show property free and clear of active termites.
Time is of the Essence	Demands punctual performance in a binding contract.
Title Policy	Insurance policy on the ownership of real property, against defects in title.
Title	In dealing with Real Property, title means ownership.
Underwriting Fee	Charged by a lender to underwrite the loan.
VA Funding Fee	Veteran's Administration charge for originating a VA loan.
Warehouse Fee	Charged by the lender to hold the loan locally before selling it in the secondary mortgage market to an investor.
Zoning	Act of city authorities specifying type of use for which property may be used.

Helpful Reminders...

If you wish to transfer funds to another escrow or wire transfer funds, arrangements must be made in advance with the escrow officer.

In the event that you wish to use a Power of Attorney, arrangements must be made one to two weeks in advance with the escrow officer and the Power of Attorney must be approved by the buyer's lender and your title company. These arrangements should be made as early as possible in the transaction.

Please bring appropriate identification with you to the escrow company, so that your identity can be verified by the notary public.

Should the funds deposited in escrow be insufficient for closing, you will need to bring a cashier's check or certified check to the title company for the remainder of the purchase price. Either type of check should be from a California bank or savings and loan and should be issued in the exact amount of the balance due. The amount of the balance may be obtained by phoning the escrow officer prior to signing the papers. The check should be made payable to your escrow company.

THE FOLLOWING IS A BRIEF LIST OF THE BEST SOURCES FOR ASSISTANCE FOR CERTAIN COMMON QUESTIONS...

Details of your Sales Agreement	Real Estate Agent
Possession and key to home	Real Estate Agent
Loan requirements and financial matters	Lender Mortgage Company or Real Estate Agent
Escrow Instructions	Escrow Officer or Escrow Assistant
Title Reports or Policy	Title Officer or Title Assistant

Notes

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