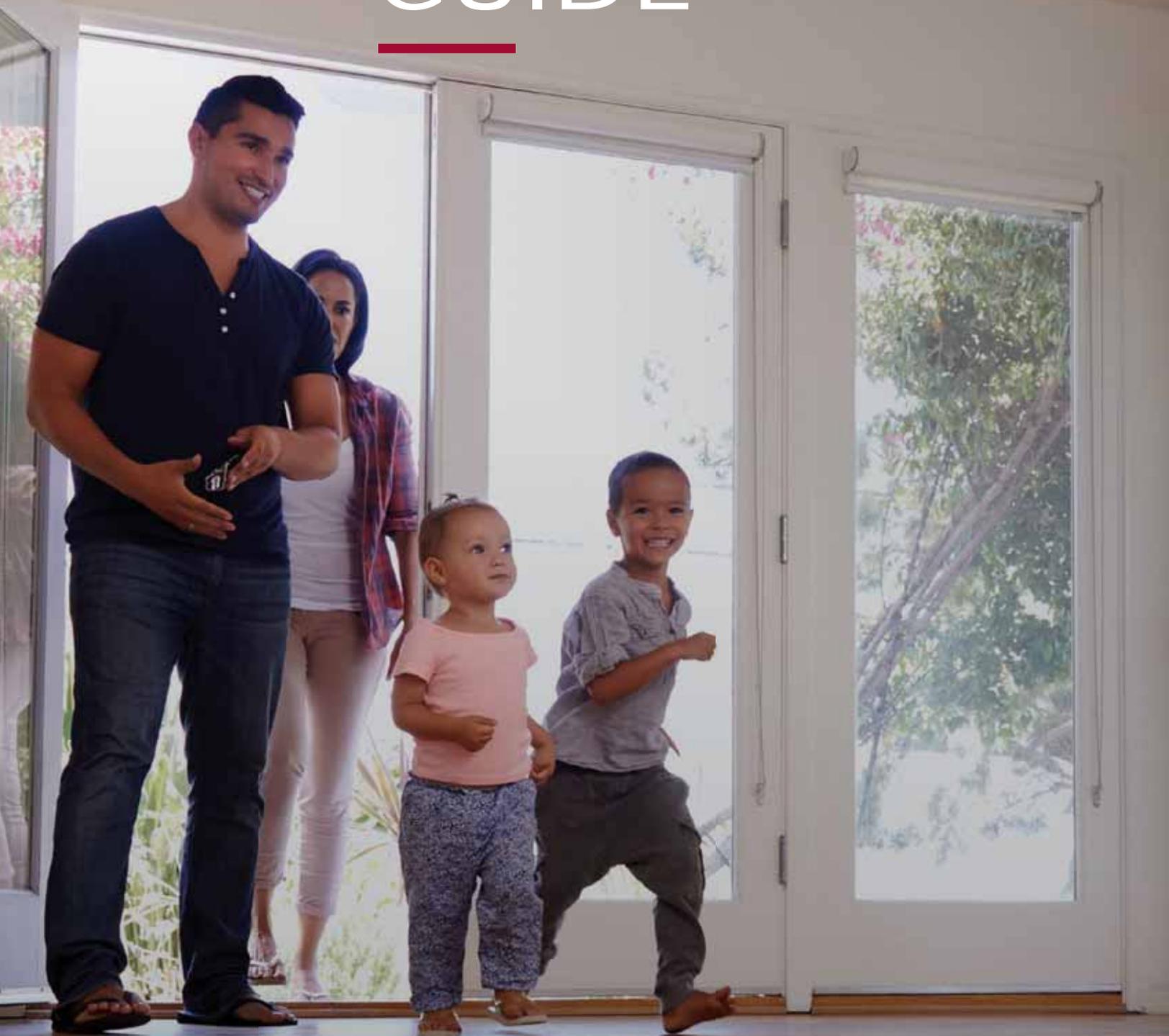


# BUYER'S AND SELLER'S GUIDE

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Buying or selling a home is a memorable milestone. Don't trust it to just anybody; get the help of Stewart Title of California, Inc. Through title insurance and a full range of closing services, we make the dream of property ownership a reality around the world.

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## ABOUT STEWART

Stewart Information Services Corporation is a global real estate services company that puts partnership at the center of every transaction and every deal. We offer products and services through our direct operations (Stewart Title offices), our network of Stewart Trusted Providers™ (independent title agencies) and family of companies. Whether you need residential or commercial title insurance, closing and settlement services or specialized offerings for the mortgage industry, you can count on us to deliver comprehensive service, deep expertise and innovative solutions.

### History

Stewart Title Company began in Galveston, Texas in 1893 as a family-owned business. Our mission of enabling and protecting real estate ownership led to the widespread growth of our company and to our becoming a publicly traded company in 1972.

Our first California offices and agencies opened in 1960, but it wasn't until 1997 that we consolidated our Stewart Title operations across the state and became Stewart Title of California, Inc. More than 20 years later, we continue to make meeting your needs our number-one priority and are proud of our long history of serving California.

### Homeownership

Buying or selling your home is a major decision in life, which is why we've created this Stewart Title of California, Inc. Buyer's and Seller's Guide. On the following pages you'll find tips and information that will help you enjoy a smoother transaction.



Stewart Title

## THE IMPORTANCE OF TITLE INSURANCE

When purchasing a home, the buyer acquires title to the property. This title includes the right of ownership and possession of the land. Sometimes, however, the buyer's rights to the property may be limited by claims asserted by others. If not caught and corrected before closing, these "defects" may threaten the homeowner's and mortgage lender's interests.

Title insurance protects against potential title defects. Purchased as a one-time expense, title insurance covers homeowners against loss due to potential preexisting liens and hazards that may not have been uncovered in a general title search. Title defects are an unpleasant and costly surprise and can take many forms:

- Previously undisclosed heirs with claims against the property
- A forged deed that doesn't transfer title to real estate
- Instruments executed under an expired or fabricated power of attorney
- Mistakes made in public records

Obtaining title insurance through a company like Stewart Title is a simple step buyers can take to protect themselves against loss or damage due to potential problems with the title to their property.

### Title Search – Researching a Title

Stewart Title of California, Inc., the title company issuing a title insurance policy through the title insurer Stewart Title Guaranty Company, will perform a title search before issuing a title insurance policy. This process searches the history of public records of the property. The search results may uncover items that need to be corrected before clear title can be conveyed, such as:

- Outstanding mortgages, liens and judgments
- Deeds, wills and trusts that contain improper vesting and incorrect names
- Improper notary acknowledgments
- Easements and restrictions

The title company will then issue a preliminary report on the property, which gives the buyer, seller, and lender an opportunity to review any potential title defects to be cured or matters to be shown on the title policy.

## THE OVERALL PROCESS

- 1** Home search begins.
  - Buyer gets prequalified by lender.
  - Buyer tours properties for sale.
  - Buyer finds a home and makes an offer.
  - Buyer's REALTOR® presents offer to seller.
  - Seller presents a counteroffer; negotiations begin.
- 2** Buyer begins the title-and-escrow process.
  - Purchase agreement and amendments are signed.
  - Title and escrow are identified in the purchase agreement.
  - Purchase agreement is accepted.
- 3** Order is opened with the title-and-escrow company.
  - Buyer deposits earnest money (if applicable).
  - Buyer obtains home inspection and appraisal (if applicable).
  - Title company issues preliminary report.
  - Buyer obtains final loan approval.
  - Buyer obtains homeowners insurance.
  - Escrow prepares documents and obtains signatures (timing varies by office).
- 4** Closing begins.
  - Buyer (and seller, if applicable) deposits funds for closing costs. Seller executes transfer deed and deposits in escrow.
  - Buyer signs loan documents.
  - Transaction documents are recorded.
  - Escrow is closed, funds are disbursed; transaction is complete.
- 5** The buyer is now a proud homeowner.



## CYBER FRAUD

### Protecting Yourself from Real-Estate Cyber Fraud

Sensitive information plays a critical role in your real estate transaction, and it's imperative that this information remain safe and protected. Stewart Title strives to provide peace of mind by protecting personal information through data security and email encryption. As a consumer, however, you can take steps to protect yourself from cyber fraud, too:

- Send emails containing sensitive, personal information through encrypted email only.
- When verifying requests to either change wiring instructions or make a wire transfer to locations outside normal business areas, use a trusted method such as a previously verified phone number. Never use the phone number listed in the email.
- Never click on any links in an unverified or unexpected email.
- Always question attachments and links that are sent unencrypted.

### Common Indicators of Cyber Fraud

- Emails requesting last-minute changes to wiring information, particularly changes in the beneficiary or receiving bank
- Requests for wire transfers late in the day or week, or before a holiday or outside of business hours
- Emails with poor grammar, unusual phrasing or typographical errors
- Slight alterations to the email address, which are not noticeable at first glance (example: doe@stewarttitle.com or jdoe@stevvarttitle.com instead of jdoe@stewart.com)

### What to Do If You Believe You Are a Victim of Cyber Fraud

- If money was wired in response to fraudulent wiring instructions, immediately call your bank or financial institution to put a stop to the wiring.
- Contact your local police or local municipality's real estate fraud division.
- Contact any other parties who may have been exposed to the cyber fraud so that the appropriate action may be taken.
- Change all usernames and passwords associated with any account that you believe may have been compromised.
- Report any cybercrime activity to the Federal Bureau of Investigation Internet Crime Complaint Center: [ic3.gov/complaint/default.aspx](https://ic3.gov/complaint/default.aspx).
- If your real estate transaction is with Stewart Title, contact your title or escrow office immediately.



# HOME BUYING 101

## Home Buying

A real estate professional will draft a purchase agreement for which the buyer (or seller) will select a company like Stewart Title to supply title-and-escrow services. Typically a purchase agreement is submitted with an earnest-money deposit. Once the purchase agreement is presented to the seller's real estate professional, the seller may accept, counter or reject the offer.

## Opening Escrow

Once the agreement is accepted and signed by all parties, escrow will open. Earnest money will then be deposited, and the escrow company will handle all funds associated with the transaction.

## Entering the Contingency Period

As specified in the purchase agreement, the contingency period is the time used by the buyer and seller to obtain the required items for the transaction. Some of these items are:

- Physical inspection of property
- Property pest inspection
- Property appraisal
- Seller's transfer disclosure statement
- Preliminary report from the title company
- Loan approval
- Other transaction-specific and purchase requirements

## Obtaining Homeowners Insurance

When preparing to buy a home, the buyer must give escrow a homeowner's policy that is both in effect and acceptable to the lender by the close of escrow. Your REALTOR® will work with the escrow company and the homeowner's insurance agent to ensure that the policy, sufficient to the lender, is in place.

## Depositing Funds for a Down Payment and Closing Costs

Money is deposited into escrow, ideally by way of a wire transfer, so that the funds are readily available to close the transaction. The purchase agreement dictates the earnest money to be deposited into escrow. For closing costs, the escrow company provides a statement of the estimated amount of funds to be deposited.

## Signing Loan Documents

Before escrow can close, the buyer must review and sign all loan documents received from the lender. This is often done at an appointment set up with the escrow company.

## Closing Escrow

After all conditions of the purchase agreement have been met, the buyer will sign all the closing documents. Once the buyer has deposited the funds needed to close and the lender has approved final loan documents, the lender will deposit the loan funds. Next, the deed executed and deposited by the seller will be recorded as public record and the buyer will be the new homeowner.



## GETTING STARTED

Buying a home is an exciting experience and one for which you can never be too prepared. Before starting the buying process, you'll want to get your finances in optimal shape. The following timeline is a good basis for planning, which you can begin up to a year in advance or as soon as time allows.

### 1 Year Out

#### **Review your credit reports**

Errors on your credit report can result in a higher interest rate on your mortgage, so it's important to get them resolved. The three major credit bureaus – Equifax®, Experian® and TransUnion® – offer free reports through AnnualCreditReport.com, the only free online credit report authorized by federal law.

#### **Check your FICO® credit score**

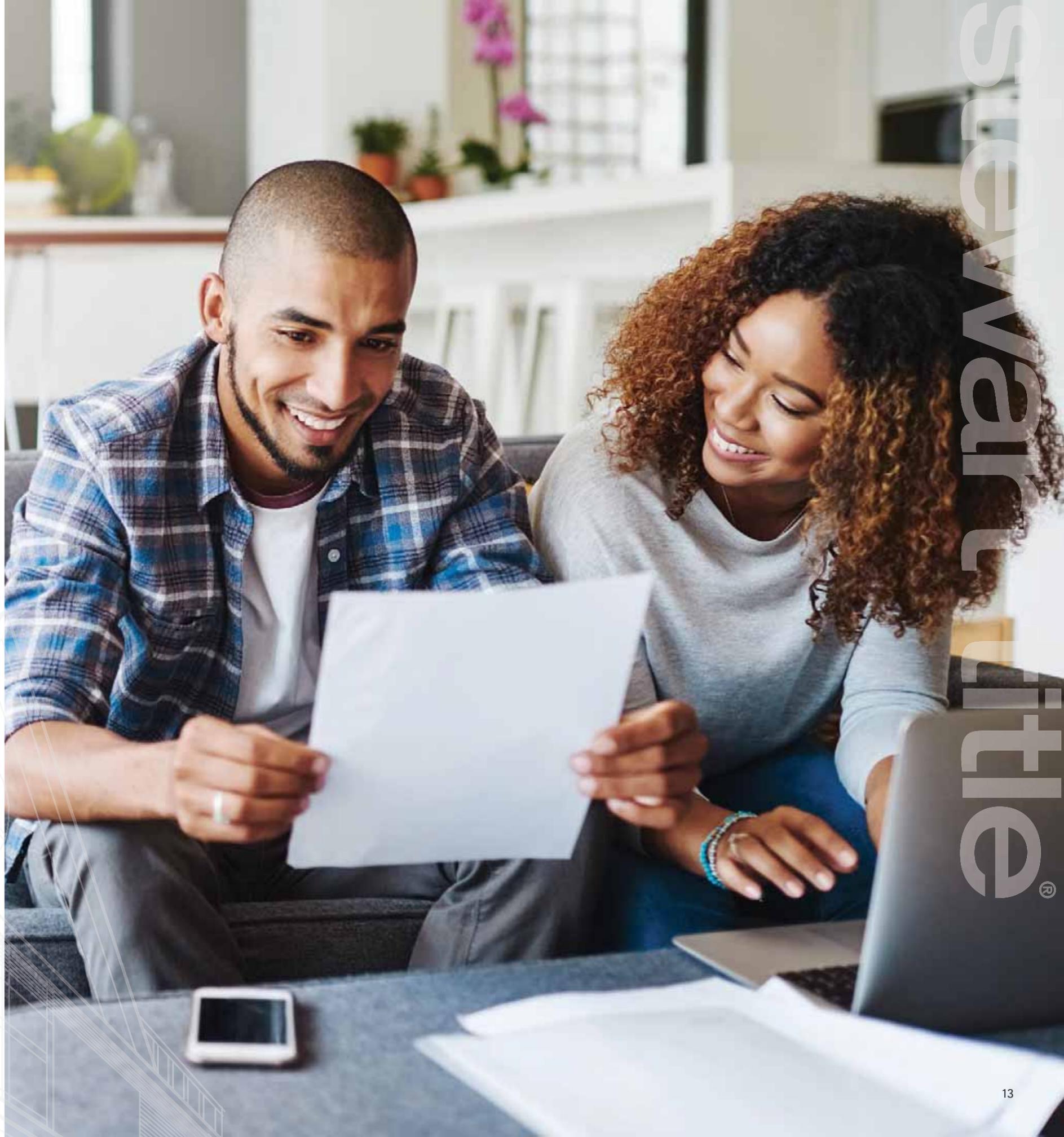
The credit score models most often used by lenders are those developed by the Fair Isaac Corporation. They are most commonly known as FICO scores. Your FICO score indicates your creditworthiness. It helps determine the rates and terms for your loan and can be improved by making positive changes, such as paying creditors on time.

#### **Reduce your debt**

The more you can live within your means, the better. Credit card debt and payday loans indicate you're living beyond your means. While homeownership is exciting, it's also expensive. Property taxes, decorating, maintenance and improvements are just a few of the many expenses that accompany owning a home.

#### **Start saving**

Every dollar you can put toward the down payment on your home will give you more financing options and lower your mortgage. Reduce frivolous expenditures and forgo luxury purchases for a while. You'll be surprised how fast your savings add up.



Stewar  
Title®

## 6 Months Out

### Research mortgage options

Mortgages vary in length and terms. Do your homework. Find out the risks involved in the various loan types. Doing so will ensure you can afford homeownership over time.

### Research unforeseen costs

Unforeseen expenses such as Homeowners Association (HOA) fees and roof replacements can wreak havoc on your bank account. Before determining how much you think you can afford, talk to friends and neighbors about unforeseen costs involved in homeownership.

## 3 Months Out

### Reduce your credit usage

Your FICO score is affected by how much of your available credit lines you are using. Even if you pay your balances in full every month, the balance reflected on your most recent statement is the basis for your score. Keep that balance below 30%.

### Don't open or close any accounts

Until the mortgage process is complete, avoid opening or closing credit lines. When you're close to starting the home-buying process, financial stability is key.

## 2 Months Out

### Be cautious in having your credit pulled

Every time a lender pulls your credit report, your overall score is lowered slightly. Fortunately, the FICO scoring formula counts all mortgage-related credit inquiries within a specified period of time as one. That's a good reason to do your mortgage shopping in a concentrated period of time.

### Look into mortgage rates

Unlike pulling your credit report, which slightly lowers your score, checking your FICO score has no adverse affect on your credit score. Plus, a credit score is helpful to have when talking to your mortgage lender. At this stage, you don't need to pull your credit report but discover your options.

### Get prequalified or preapproved for a mortgage

Being prequalified for a mortgage gives you an idea of how much you can afford, but preapproval is a lender's commitment to giving you a loan. A preapproval letter tells a seller you're a valid potential buyer, but it does not obligate you to use a particular lender.

### Research neighborhoods and real estate agents

What's considered a great neighborhood varies from person to person. Do you need proximity to work, good schools or great amenities? This is where a real estate agent can be your biggest ally. To find an agent, ask friends for recommendations, and pay attention to For Sale signs in your neighborhood. You can also access the National Association of REALTORS® search engine at [realtor.com/realestateagents](http://realtor.com/realestateagents).

## Agents who are members of the National Association of REALTORS® provide many valuable services, including

- Helping you understand what you can afford and, if you're selling, what your home is worth
- Accessing the multiple listing service (MLS) and numerous other resources that help them locate properties for you
- Arranging financing
- Setting up appointments for buyers to view homes or bringing potential buyers to view your property if you're trying to sell
- Explaining and handling the paperwork required for making an offer
- Helping negotiate the best possible deal for your purchase or sale

# HOW MUCH MORTGAGE CAN YOU AFFORD?

The amount of your monthly mortgage payment shouldn't come as a surprise, and with a little planning, it won't. Most banks offer a simple tool called a mortgage calculator, which is generally located on the mortgage lending home page or on the calculator menu page.

By entering just a few figures, such as the purchase price of the home, the amount of the down payment, the amount of the loan and the mortgage term length, you can quickly get an idea of what your monthly mortgage payment for principal and interest will be.

Keep in mind that this payment is for only the home loan amount and does not include property tax, homeowners insurance, mortgage insurance or other bills and expenses. Nevertheless, it's a convenient tool for building a monthly budget and determining what size home loan you can afford.



# PROPERTY PROFILE

Name(s):	_____	Gated Community: <input type="checkbox"/> Yes <input type="checkbox"/> No
_____	_____	_____
Current Address:	_____	Square Feet: _____
_____	_____	Lot Size: _____
_____	_____	No. Bedrooms: _____
Home Phone: _____	_____	No. Bathrooms: _____
_____	_____	Garage Size: _____
Work Phone: _____	_____	Fireplace: <input type="checkbox"/> Yes <input type="checkbox"/> No
_____	_____	Pool: <input type="checkbox"/> Yes <input type="checkbox"/> No
Email: _____	_____	Kitchen Size: _____
_____	_____	Kitchen Amenities: _____
Number of Children: _____	_____	Public or Private Schools: _____
_____	_____	_____
Pets: _____	_____	Access to Public Transportation: _____
_____	_____	_____
Price Range: _____	_____	How Long Have You Been Looking? _____
_____	_____	_____
Neighborhood(s): _____	_____	_____
_____	_____	_____
Style & Age of Home: _____	_____	_____
_____	_____	_____
_____	_____	_____



# FINANCING

## Getting Prequalified

Once you have an idea of the size, type and desired location of the home you want, you should get prequalified by a lender before actually looking for a home. Getting prequalified can save you time, energy and frustration in many ways:

**Determine how much you can spend on a home.** Prequalification helps you avoid paying more for a home than you can afford or being disappointed if you don't qualify for as much as you had hoped.

**Learn what your total investment will be.** You'll know approximately how much money you'll need for the down payment and closing costs.

**Calculate your monthly payments.** Prequalification provides a close estimate of your monthly principal, interest, taxes and insurance (PITI).

**Identify your loan program options.** 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've taken the time to be interviewed by a lender and will probably qualify for the loan.

### At this point, your lender can also present helpful options:

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

### In order to be prequalified, the lender will need to know the following:

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

When you're prequalified by a mortgage company, you'll receive a free prequalification certificate to give to your REALTOR®, which often can predispose a seller to accept your offer.

# PREQUALIFICATION FOR BUYER

Date: \_\_\_\_\_

Borrower(s): \_\_\_\_\_

Address: \_\_\_\_\_

Requesting Agent: \_\_\_\_\_

Agent Contact Info: \_\_\_\_\_

## GROSS MONTHLY INCOME

Borrower: \_\_\_\_\_

Co-borrower: \_\_\_\_\_

Additional: \_\_\_\_\_

TOTAL INCOME: \_\_\_\_\_

## MONTHLY DEBT

Car Payment: \_\_\_\_\_

Credit Cards: \_\_\_\_\_

Alimony: \_\_\_\_\_

Child Support: \_\_\_\_\_

Other: \_\_\_\_\_

TOTAL DEBT: \_\_\_\_\_

## DOWN PAYMENT

Amount: \_\_\_\_\_

Source: \_\_\_\_\_

## CREDIT

Bankruptcy: \_\_\_\_\_

Judgments: \_\_\_\_\_

## GENERAL PURCHASE INFORMATION

Purchase Price: \_\_\_\_\_

Down Payment: \_\_\_\_\_

Loan Amount: \_\_\_\_\_

Loan Program: \_\_\_\_\_

Interest Rate: \_\_\_\_\_

Loan to Value: \_\_\_\_\_

Principal & Interest: \_\_\_\_\_

Insurance: \_\_\_\_\_

PITI (Principal, Interest, Taxes & Insurance) Monthly Total: \_\_\_\_\_

Homeowner's Association (HOA): \_\_\_\_\_

HOA Dues: \_\_\_\_\_

Private Mortgage Insurance: \_\_\_\_\_

NOTES: \_\_\_\_\_

# THE LOAN APPROVAL PROCESS

## The Application

After completing the loan application and providing all pertinent documents to the lender, the buyer generally will receive a loan estimate and loan approval within 24 to 72 hours.

## Loan Submission

The lender may request other documents:

- A credit report showing credit history
- An appraisal on the property, once in escrow
- A preliminary report

## Credit Report Fee

Typically the lender charges this one-time fee covering the cost of the credit report processed by an independent credit-reporting agency.

## Prepaid Interest

This is the interest due to the lender before the first scheduled payment. Prepaid interest is based upon the day your loan closes.

## FHA Mortgage Insurance Premium (MIP)/Private Mortgage Insurance (PMI)

You pay this insurance premium to protect the lender. MIP/PMI is required when you make a down payment that's less than 20% of the purchase price.



## BEFORE YOU PUT YOUR HOME ON THE MARKET

Preparation makes the selling process smoother and more efficient. Just like in the buying process, a real estate agent can be a huge asset. Real estate agents can guide you on preparing your home for potential buyers, pricing your home to sell and negotiating a good deal. They can also assist with closing. Be sure to tell your agent any timing requirements you may have for selling your home, as these may affect the price you set.

### Focus on first impressions

Regardless of whether you use a real estate agent, you'll want to get your home ready for prospective buyers prior to putting it on the market. Taking the following steps can mean the difference between a potential buyer going inside and driving by.

- Walk through the home and ask yourself, "Would I buy this home?"
- Try to take your feelings out of the equation and look at your home objectively.
- Make a list of things needing repairs or changes, but don't make major changes that will cost more to do than a buyer will pay.
- Prioritize the list in relation to when the house is going on the market. (Projects that require numerous resources such as contractors, remodelers, etc., should be first.)
- Prepare a timetable for repairs and changes, and stick to it.



## SHOWING YOUR HOME

Your home needs to be ready to show at all times. In addition to the steps you've already taken to get your home ready to go on the market, here are some extra tips to help ensure your home makes the best possible impression at showing:

- Keep every room clean and tidy, and make all the beds.
- Put dirty dishes in the dishwasher or wash and stack them neatly in the sink.
- Eliminate pet smells, clean carpets and drapes, empty trash often, and refrain from cooking strong-smelling foods
- Introduce good smells such as flowers, potpourri and air fresheners. Baking a pie or cookies is another clever tactic.
- Let in light. Brightness improves a home's atmosphere.
- Make sure the temperature is comfortable.
- Set the dining room table to create a homey environment.
- Hire a cleaning service once a week to keep the house in show condition.
- Leave the house during a showing so that the buyers can feel free to ask the real estate agent candid questions.
- Turn off radios and televisions.
- Keep pets out of the way.

## 15-MINUTE, PRESHOWING CHECKLIST

When your real estate agent calls and says a potential buyer is en route, here is a quick checklist to make sure you're ready:

### Bedrooms, Living Room and Dining Areas

- Turn on lights.
- Open curtains.
- Make beds.
- Remove random items from tables and floors.

### Kitchen

- Put dirty dishes in the dishwasher.
- Empty the trash.
- Clear and wipe down counters.

### Bathrooms

- Flush toilets.
- Shine fixtures.
- Hang towels neatly.
- Empty the trash.
- Wipe counters.

### Exterior

- Close garage door.
- Pick up yard debris and trash.



## THE HOME-SELLING PROCESS

Selling a home involves a complex settlement process that takes careful planning. Our team at Stewart Title is here to help simplify the process and ensure a smoother, more enjoyable closing experience.

### Making an Offer

Once the buyer makes an offer, the real estate professional will present it to the seller. The seller may accept, counter or reject the purchase offer. This process may take anywhere from a few days to a few weeks.

### Opening Escrow

Escrow opens, and the buyer deposits earnest money. The escrow company will handle all funds associated with the transaction.

### Entering the Contingency Period

The purchase agreement will outline a period of time during which the seller must satisfy various contingencies, such as obtaining a property inspection and an appraisal. Once the seller's required transaction documents are completed, the real estate agent will present them to the buyer for review. These documents may include the following:

- Real Estate Transfer Disclosure Statement
- Physical inspection of property
- Property pest inspection
- Other disclosure forms

### Closing Escrow

When all conditions of the purchase agreement have been satisfied, the seller will execute all the required closing and transfer documents. The transaction is completed when the buyer's lender funds the loan, the transaction documents are recorded with the county, and the existing mortgage on the home is paid off.

## THE HOME INSPECTION PROCESS

The purpose of a home inspection is to ensure that a buyer knows the condition of the home prior to completing the transaction.

Home inspections can be of many types. A general home inspection is an evaluation of the condition of a residential property's general integrity, functionality and overall safety. A pest home inspection looks for any active infestation by wood-destroying organisms and details the extent to which repairs are needed. Geological inspections evaluate soil condition, ground stability and past geological activity in the area.

Occasionally, some sellers opt to do a home inspection when they list their property, in order to determine in advance which items might be challenges to selling and to address issues that positively impact the competitive marketability and desirability of a home. Properly maintained homes typically go into escrow faster.

### Who Pays?

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

## COMMON DEFECTS FOUND DURING HOME INSPECTIONS

The majority of home inspection findings tend to be routine in nature, but some reveal construction defects and common safety violations:

- Building violations
- Roofing defects
- Ceiling stains
- Electrical safety hazards
- Water intrusion
- Rotten wood
- Unsafe fireplace and chimney conditions
- Firewall violations in garages
- Faulty installation of water heaters
- Hazardous conditions involving gas heaters

## UNDERSTANDING A HOME WARRANTY

A home warranty is basically an insurance policy that covers the mechanical, electrical and plumbing systems of a house against unforeseeable events after the closing of escrow.

The cost typically ranges from \$300 and up, based on where you live and the level of coverage you need, and is prepaid a year in advance. After closing, the policy is mailed to the new policy holder and can be renewed on an annual basis.

Home warranties are helpful in warding off potential disputes regarding repair and replacement of covered items after the home has sold. Local customs usually dictate whether the seller or the buyer pays for the home warranty; however, the seller often pays for it so as to avoid dealing with calls from the buyer should something break after closing.

### Types of Coverage

Coverage varies from state to state and from policy to policy. Basic home warranty plans cover routine heating, plumbing and electrical systems. Air conditioning, pools, spas and appliances are often charged on a per-item basis. More comprehensive plans cover such items as irrigation systems, roofs and garage-door openers.

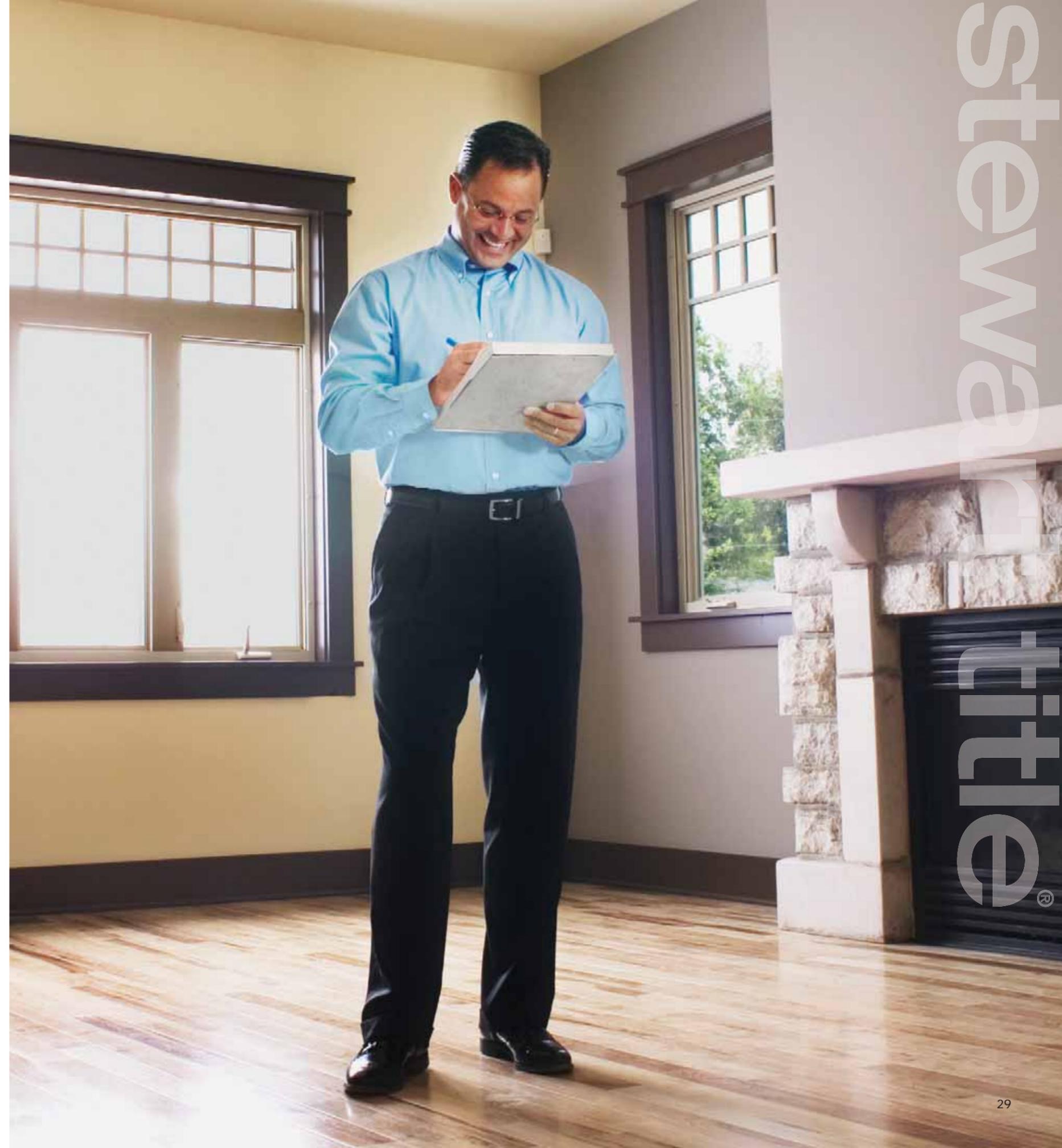
### How it Works

Once the policy is in effect and when service is needed, the policy holder often has the option of either having the warranty company call to arrange service from an outside service company or calling the warranty company's in-house service department directly to arrange service. The level of coverage and replacement or repair depends upon the type of home warranty purchased.

### Understanding Appraisals

If the buyer is securing a new loan to purchase your home, the buyer's lender will require and obtain an appraisal to determine the fair market value of the property. The appraiser will assess both the home's interior and exterior and will also research "comparables": homes in the area that are similar to yours in terms of size, age, construction and amenities, and which have sold in the past six months. The appraiser will then provide the buyer's lender with a report detailing his or her assessment of the home's market value.

**DON'T LIKE THE APPRAISAL?** If you, as a seller, don't believe the appraisal is a fair representation of your property, talk with your REALTOR®.



## CAPITAL GAIN TAX RATES

### 1031 Exchanges Can Defer the 3.8% NIIT and Capital Gains Taxes

The familiar adage, "It's not how much you make, but how much you keep" rings truer than ever for taxpayers who are real estate investors facing today's high tax rates. Fortunately, IRC Section 1031, a provision in the tax code since 1921, provides critically needed tax deferral. Reflected below is a summary of the four ways a taxpayer could be taxed on the sale of an investment property if they do not take advantage of a 1031 exchange:

- 1. Depreciation Recapture** – First, taxpayers will be taxed at a rate of 25% on all depreciation recapture.
- 2. Federal Capital Gain Taxes** – Next, taxpayers owe federal capital gain taxes on the remaining economic gain depending upon their taxable income. Taxpayers exceeding the \$434,550, taxable income threshold for single filers and married couples filing jointly with over \$488,850 in taxable income will be subject to a 20% capital gain tax rate. The 15% capital gain tax rate generally applies to taxpayers below these threshold income amounts.
- 3. Net Investment Income Tax Pursuant to IRC Section 1411** – When applicable, an additional 3.8% surtax applies to taxpayers with "net investment income" who exceed threshold income amounts of \$200,000 for single filers and \$250,000 for married couples filing jointly. Pursuant to IRC §1411, "net investment income" includes interest, dividends, capital gains, retirement income and income from partnerships (as well as other forms of "unearned income").
- 4. State Taxes** – Last, taxpayers must also take into account the applicable state tax, if any, to determine their total taxes owed.

Despite high overall taxes owed when combining these four levels of taxation at the disposition of an investment property, one aspect of the tax code provides real estate investors with a significant tax advantage: Section 1031 exchanges allow taxpayers holding real property for investment purposes to defer taxes that would otherwise be recognized upon the sale of investment property.

#### Federal Capital Gain Tax Rates

Single Taxpayer	Married Filing Jointly	Capital Gain Tax Rate	Section 1411 NIIT Surtax*	Combined Tax Rate
\$0 - \$39,375	\$0 - \$78,750	0%	0%	0%
\$39,376 - \$200,000	\$78,751 - \$250,000	15%	0%	15%
\$200,001 - \$434,550	\$250,001 - \$488,850	15%	3.8%	18.8%
\$434,551+	\$488,851+	20%	3.8%	23.8%

\* The 3.8% NIIT surtax only applies to "net investment income" as defined in IRC §1411.

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## FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT

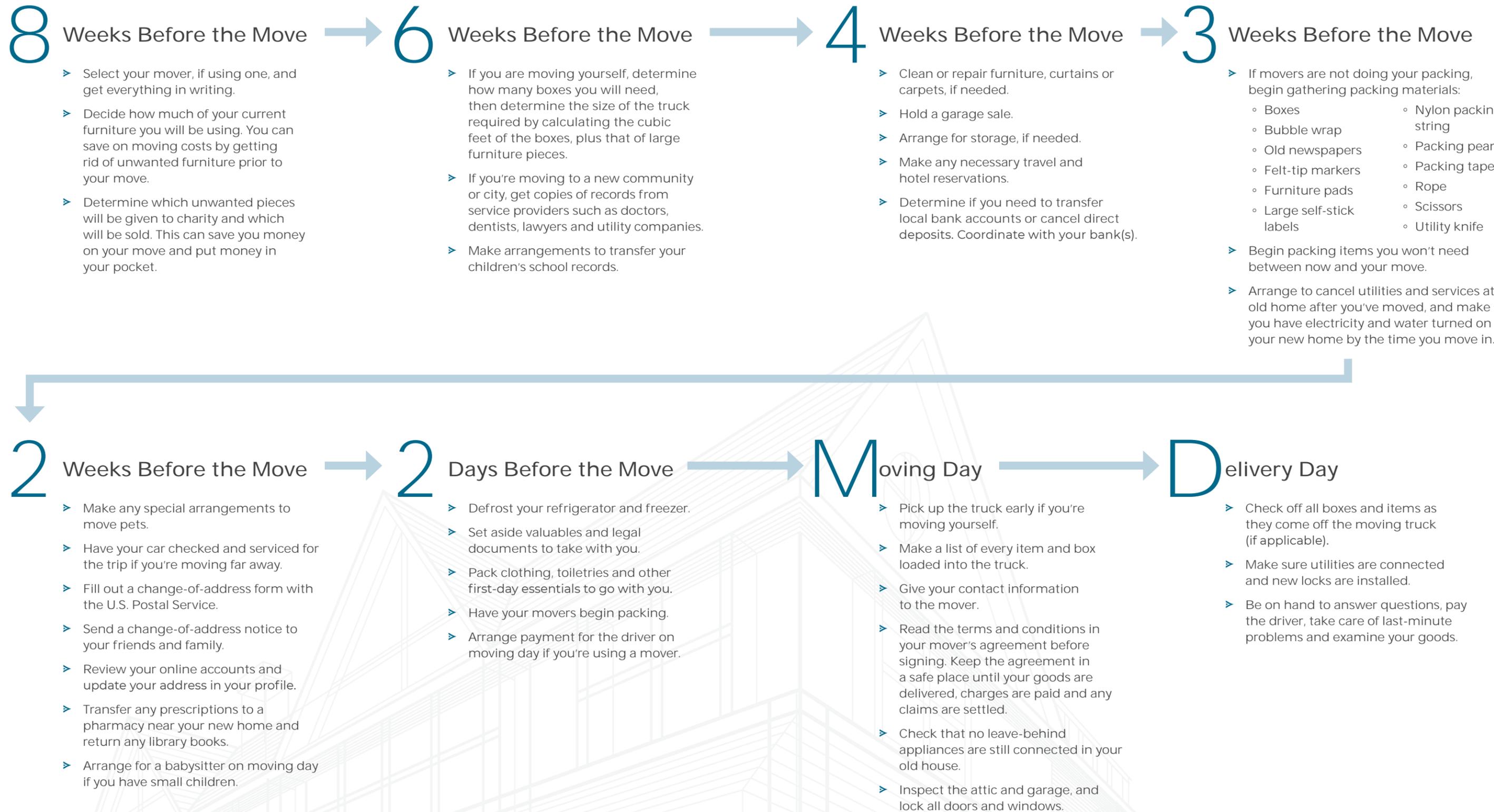
The Foreign Investment in Real Property Tax Act (FIRPTA) was enacted for the purpose of imposing a tax on foreign persons selling real-property interests in the United States. FIRPTA requires buyers of real-property interests to withhold taxes from foreign sellers upon the sale of the property. The tax withholding is considered a prepayment of anticipated taxes, which the IRS will require from a foreign person\* selling any U.S. real-property interest.

	Withholding Rate	Total Sales Price
All investment property sold by foreign persons to buyers that do not intend to reside** in the property as defined in the Internal Revenue Code (IRC).	15%	Any sales price
Buyer intends to "reside"*** in the property (as defined in the IRC).	15%	Full sales price is GREATER THAN OR EQUAL TO \$1 million
Buyer intends to "reside"*** in the property (as defined in the IRC).	10%	Full sales price GREATER than \$300,000 and LESS than \$1 million
Buyer intends to "reside"*** in the property (as defined in the IRC).	0%	Full sales price LESS THAN OR EQUAL TO \$300,000

\* Information on the IRS definition of foreign person may be found at <https://www.irs.gov/individuals/international-taxpayers/foreign-persons>.

\*\* The definition of residence, under the Internal Revenue Code (IRC), along with exceptions, may be found at <https://www.irs.gov/individuals/international-individuals>.

# MOVING TIMETABLE



## CHANGE OF ADDRESS

Below you'll find an organized checklist of all of the institutions and individuals you need to notify of your new address. This can reduce some of the stress you're feeling and help to make sure nothing slips through the cracks. Most organizations allow you to make an address change online. The list of utilities to call includes:

- Electric
- Water
- Gas
- Telephone
- Cable and internet
- Sewer
- Postal service
- Trash collection
- Newspaper delivery
- Regular home care service providers (lawn care, pest control, etc.)

Once you've arrived at your new home, always start your address change process by notifying the Department of Motor Vehicles. In some states, you have less than a month to update your records. Below is comprehensive list of entities that may or may not apply to you, but it's possible you'll need to change your address with the following:

- Department of Motor Vehicles
- Post office
- Bank (order new checks)
- Voter registration
- Human resources and payroll where you work
- Magazine subscriptions
- Insurance companies (auto, home/renters, life, etc.)
- Doctors offices
- Schools (yours/your kids)
- Cell phone company
- Credit card companies
- Loan companies
- Places of worship
- Personal and professional clubs, licensing boards, organizations, and memberships such as AAA
- Gym memberships
- Lawyer
- Financial advisor/investment firm
- Accountant
- Possibly the IRS (Form 8822), especially if between filing and receiving a return/refund or if you pay quarterly taxes
- Friends and family



# HOMEOWNER'S TITLE POLICY COMPARISON CHART

Stewart Title of California, Inc. offers our residential customers two levels of coverage for your protection: The standard coverage provided by the American Land Title Association® (ALTA®) Owner's policy covers you for defects and liens in the history of your title through the date and time your deed is recorded in the public records. The ALTA Homeowner's policy provides enhanced coverage that protects you from additional risks, including some that might occur after the policy is issued.

Head-to-head Coverage Comparison (Coverages Included Without Endorsement) Assumes compliance with Stewart Title Guaranty Company's underwriting requirements for issuance of the applicable policy.	ALTA Owner's policy (6/17/06)	CLTA/ALTA Homeowner's policy (12/2/13)
<b>Covered Risks</b>		
Title being vested other than as stated in Schedule A of policy	✓	✓
Forgery, fraud, duress, incompetency, incapacity or impersonation	✓	✓
Liens or encumbrances on the title (e.g., prior mortgage or deed of trust, state or federal tax lien, condominium or homeowners' association lien)	✓	✓
A document affecting title not properly created, executed, sealed, acknowledged or delivered	✓	✓
Defective recording of documents	✓	✓
Unmarketability of the title	✓	✓
No right of access to and from the land	✓	✓
Violation of restrictive covenants limiting your use of the land	✓	✓
Gap Coverage (extending coverage from the closing to the recording of the deed)	✓	✓
<b>Duration</b>		
Coverage continues as long as you own the property	✓	✓
Policy insures anyone who inherits the property from you	✓	✓
Policy insures the trustee of an estate-planning trust	✓	✓
Policy insures the beneficiaries of a trust upon your death	✓	✓
<b>Extended Coverage</b>		
Parties in possession of the property that are not disclosed by the public records (e.g., tenants, adverse possessors)	*	✓
Unrecorded easements (e.g., prescriptive easements) affecting the property	*	✓
Encroachments and boundary line disputes that would be disclosed by a survey	*	✓
Mechanic's liens (a lien against the property due to non-payment of work)	*	✓
Taxes or special assessments that are not shown as liens by the public records	*	✓
<b>Additional Coverages</b>		
Actual vehicular and pedestrian access, based upon a legal right		✓
Loss of your title resulting from a prior violation of covenant, condition or restriction		✓
A limited amount of coverage is available if you are unable to obtain a building permit due to an existing violation of a subdivision law or regulation or you must correct an existing violation (subject to a deductible)		✓

Head-to-head Coverage Comparison (Coverages Included Without Endorsement) Assumes compliance with Stewart Title Guaranty Company's underwriting requirements for issuance of the applicable policy.	ALTA Owner's policy (6/17/06)	CLTA/ALTA Homeowner's policy (12/2/13)
<b>Additional Coverages continued</b>		
A limited amount of coverage is available if you must remedy or remove an existing structure because it was built without a proper building permit (subject to a deductible)		✓
A limited amount of coverage is available if you must remedy or remove an existing structure due to an existing violation of a zoning law or zoning regulation (subject to a deductible)		✓
A limited amount of coverage is available if you must remove your existing structures if they encroach into an easement or over a setback line		✓
You cannot use the land as a single-family residence because such use violates an existing zoning law or zoning regulation		✓
You are forced to remove your existing structures because they encroach into an easement or over a setback line		✓
Damage to existing structures due to an exercise of an existing right to use any easement affecting the land		✓
Damage to existing improvements due to an exercise of an existing right to use the surface of the land for the extraction or development of minerals, water or any other substance		✓
Attempted enforcement of discriminatory covenant		✓
Supplemental taxes because of prior construction or change of ownership or use		✓
Loss if the residence is not located at the address stated in the policy		✓
Pays substitute rent and relocation expenses, if you cannot use your home because of a claim covered by the policy		✓
Automatic increase in policy amount up to 150% of policy amount over five years		✓
<b>Post-policy Coverages</b>		
Forgery affecting the title		✓
Unauthorized leases, contracts or options		✓
Ownership claims		✓
Easements or restrictions affecting your use of the land		✓
Encroachment of neighbor's buildings onto your land		✓

\* Not automatically included in the basic policy but may be available by extended coverage.

Coverages stated above are merely a sampling. Please refer to the policy jacket for actual coverages related to your transaction. Both policies identified above may contain certain exceptions, stipulations and conditions as set out by Stewart Title Guaranty Company, the California Land Title Association and the American Land Title Association. If you have any questions regarding your legal rights under the various policies, we suggest that you contact your attorney.

The information provided is for informational purposes and is subject to change without notice. Seek legal, tax or other professional advice before relying upon this information.



## WAYS TO HOLD TITLE

	Tenancy in Common	Joint Tenancy	Community Property	Community Property With Right of Survivorship
<b>Parties</b>	Any number of persons (including married or registered domestic partners).	Any number of persons (including married or registered domestic partners).	Only married couples or registered domestic partners have community property rights.	Only married couples or registered domestic partners.
<b>Division</b>	Ownership can be divided into any number of interests, equal or unequal.	Owner interests must be equal.	Ownership and managerial interests are equal.	Ownership and managerial interests are equal.
<b>Title</b>	Each co-owner has a separate legal title to his or her undivided interest.	Co-owners must acquire interest at the same time and from the same person (may be created by deed from a sole owner to self and to others).	Title is in the "community." Each interest is separate but management is unified.	Title is in the "community." Each interest is separate but management is unified. Title must expressly state community property with right of survivorship.
<b>Possession</b>	Equal rights of possession.	Equal rights of possession.	Both co-owners have equal rights of possession.	Both co-owners have equal rights of possession.
<b>Conveyance</b>	Each co-owner's interest may be conveyed separately by its individual owner.	Conveyance by one co-owner without the others will sever (terminate) the individual's joint tenancy.	Conveyance requires both parties' signatures.	Conveyance requires both parties' signatures.
<b>Death</b>	Upon co-owner's death, his or her interest passes to that person's devisees or heirs. No survivorship right.	Upon co-owner's death, his or her interest ends and cannot be disposed of by will. Joint tenant survivor(s) own(s) the property. An affidavit may establish fact of death.	Upon death of spouse or registered domestic partner, 50% belongs to surviving spouse or registered domestic partner, 50% may go to surviving spouse or registered domestic partner or may be disposed of by decedent's will.	Upon death of one spouse or registered domestic partner, his or her interest ends and cannot be disposed of by will. Survivor owns the property 100%. An affidavit may establish fact of death.
<b>Successor's Status</b>	Devisees or heirs become tenants in common.	Last survivor owns property 100%.	If passing by will, tenancy in common between devisees and survivor results.	Last survivor owns property 100%.
<b>Presumption</b>	Favored in doubtful cases except married couples or registered domestic partners case.	Must be expressly stated in the deed.	The legal presumption is that the property that has been acquired during the course of the marriage or registered domestic partnership is community property.	Must expressly state community property with right of survivorship.

The information concerning ownership vesting is for informational purposes only. Contact an attorney or CPA if you desire advice regarding a specific manner of holding title to property. This brochure lists ways for two or more individuals to hold title together.

## TRANSFERRING TITLE BY DEED

In California there are a number of common deed forms that may be used by individuals or entities to transfer title to real property. There is also a statutory form of deed called the Revocable Transfer Upon Death deed that does not transfer a present interest in real property but may be used for estate-planning purposes. The chart below provides a comparison of certain characteristics and effects of using a quitclaim deed, grant deed and a Revocable Transfer Upon Death deed.<sup>1</sup>

	Quitclaim Deed	Grant Deed	Revocable Transfer Upon Death Deed
Statutory basis	Yes	Yes	Yes
Must be recorded <sup>2</sup>	No	No	Yes, within 60 days of execution
Must be signed/dated before a notary <sup>3</sup>	No	No	Yes
Conveys present interest	Yes, if any exists	Yes	No
Contains warranties	No	Yes	Depends
Can be rescinded after execution/delivery	No	No	Yes
Transfers only upon death, if at all	No	No	Yes
Subsequent will, judgment, deed voids transfer	Maybe	Maybe	Yes
Primarily used as probate avoidance	No	No	Yes
Used for one to four single-family residences only	Not only	Not only	Yes

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<sup>1</sup> Assembly Bill No. 139 approved by the governor and chaptered by the secretary of state on September 21, 2015.

<sup>2</sup> Recording is not statutorily required to be effective as between the parties; however, for title insurance purposes and proper notice to third parties, deeds must be recorded.

<sup>3</sup> Similar to recording, although it may not be statutorily required to have the deed notarized to be effective as between the parties; for title insurance purposes and proper notices to third parties, deeds must be notarized to be recorded.

# PROPERTY TAXES

## Property Tax Defined

Local governments, usually at the county level, administer property taxes. Tax rates vary from county to county and are based on a predetermined percentage of the assessed value of your property. Property taxes are paid in two installments each year.

## Property Tax Payments

Whether property taxes are to be paid at closing depends on when escrow closes. If escrow closes near the time at which a tax payment is due, proof of that payment from the seller will be required.

The lender's instructions will advise whether buyer is to pay property taxes monthly through the loan payment and an impound account or directly when due.

## Supplemental Tax

Typically when there is a change of ownership, a supplemental tax assessment occurs. Most property taxes are based on the assessed value of a home at the time of purchase. The supplemental tax bill is sent to the mailing address of record. The supplemental tax payment is the responsibility of the new homeowner, who should provide proof of payment to the lender.

# PROPERTY TAX CALENDAR

## The Tax and Insurance Impound Schedule

### First installment: July 1 through December 31

Add two months for standard loans.

JUL	AUG	SEPT	OCT	NOV	DEC
July 1 Beginning of the fiscal tax year		September Tax bills mailed		November 1 First installment due	December 10 Installment delinquent

### Second installment: January 1 through June 30

Add four months for government loans.

JAN	FEB	MAR	APR	MAY	JUN
	February 1 Second installment due	March 1 Assessment date	April 10 Second installment delinquent		

*Note: Homeowner must own and occupy property on March 1 in order to be eligible for applicable exemptions. A tax and insurance impound account is an account through the lender that can be set up with your new home loan through the lender. This will pay your property taxes and/or insurance when due. The account may be optional or may be required by the lender. When the tax and insurance impound account is first set up, a deposit of two to six months of property taxes and generally two to three months of insurance is placed into the account. This is known as the impound deposit. Once the loan has been paid in full, the lender should forward the balance of the impound account to the owner within 30 days.*

## Tax Impound Reserve Schedule

Closing Months	First Payment	In Escrow – Pay First Installment	In Escrow – Pay Second Installment	Estimated Number or Months Required by Lender to Impound (or as Instructed by Lender)
January	March		Yes	6
February	April		Yes	7
March	May		Yes	2
April	June		Yes	3
May	July			4
June	August			5
July	September			6
August	October	No		7
September	November	No		8
October	December	Yes		9
November	January	Yes		4
December	February	Yes		5

Impound accounts generally require an initial deposit of two to six months' worth of property taxes and two to three months' worth of insurance.

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## THE GENERAL ESCROW PROCESS

After a purchase agreement has been signed, the escrow company steps in as a neutral third party to process and oversee the money and documents involved in transferring property ownership. The buyer and seller will sign escrow instructions, which list the contingencies from the purchase agreement and any other requirements for escrow to close.

The escrow company will require you to also complete a Statement of Identity form in order to differentiate you from others who may have the same name and, possibly, judgments, bankruptcies and liens filed against them.

### The Escrow Company's Role

While the transaction is in escrow, the escrow company will do the following:

- Order demands and other documents and information required for closing
- Contact the buyer's lender to coordinate loan funding
- Coordinate payoff of the seller's mortgage
- Forward the deed and other transaction-related documents to the county recorder for recording
- Handle final accounting and disbursement of any remaining funds to all parties
- Issue settlement statements, HUD 1s, seller's Closing Disclosures and, if applicable, lender's Closing Disclosures

### Funding the Transaction

Typically, buyers deposit a down payment and sellers deposit the deed and other necessary documents with the escrow company. Prior to the close of escrow, the buyer deposits the balance of funds and the lender funds the loan.

### Closing Escrow

The length of the escrow period is determined by the buyer, seller and real estate agents. It can range from a few days to several months and will be specified in the purchase agreement. However, before escrow can close, several events must first occur:

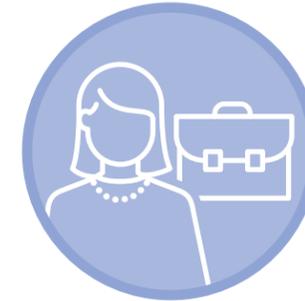
- All parties must sign the escrow and closing documents.
- All contingencies in the purchase agreement must be satisfied and removed.
- All monies required for closing, including the lender's funds, must be deposited into escrow.
- Transaction documents must be recorded with the county.
- All funds must be disbursed.

With the recording of the documents, which signifies the legal transfer of title, escrow closes. The buyer then receives the keys to their new home.

## WHO IS INVOLVED IN THE ESCROW PROCESS?



Seller



Seller's Real Estate Professional



The Escrow Company (neutral third party)



Buyer



Buyer's Lender

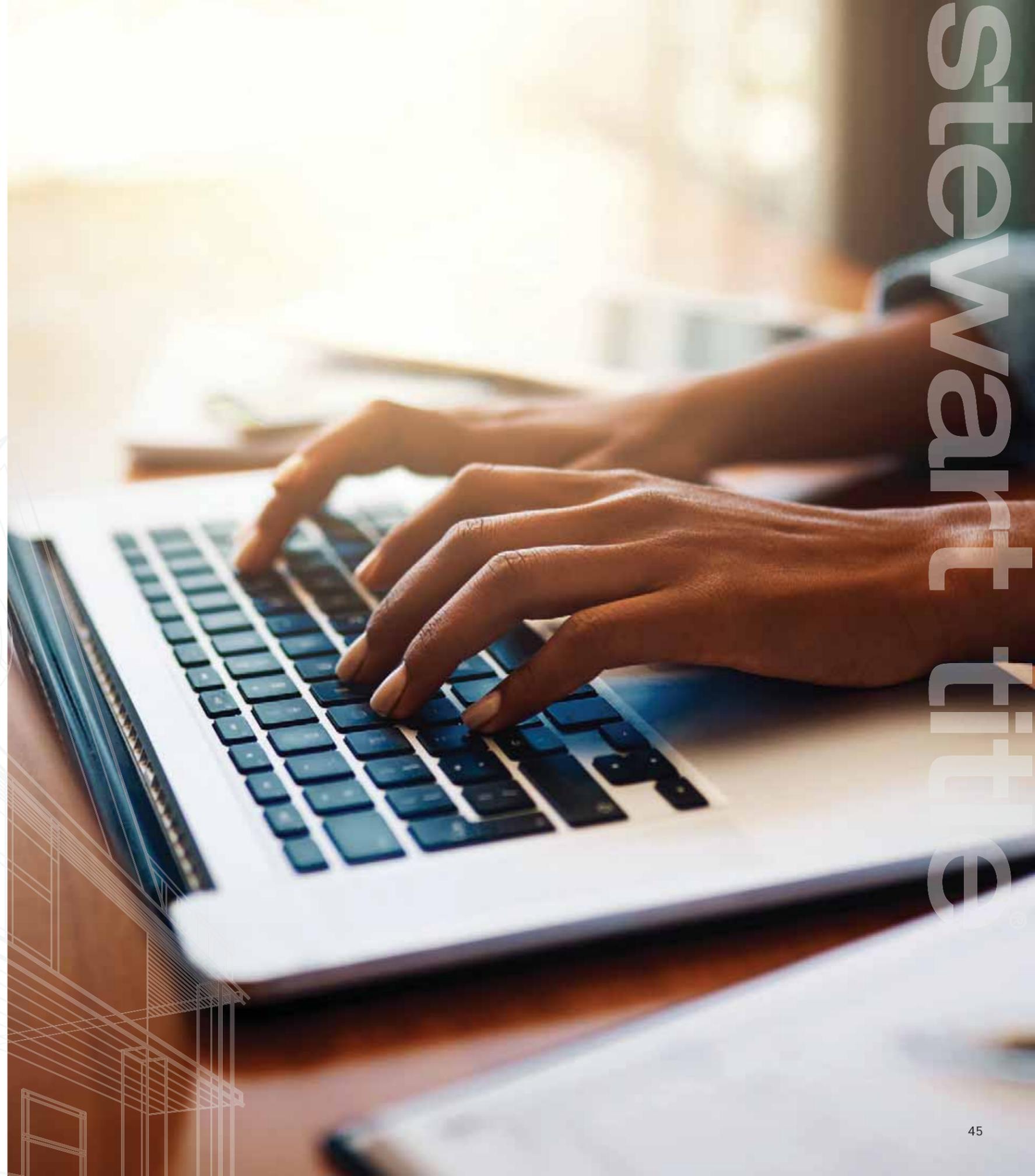


Buyer's Real Estate Professional

## YOU ARE IN ESCROW. SO NOW WHAT?

- 1 Purchase Agreement is provided to escrow and reviewed by the escrow team.
- 2 Buyer's deposit is received, and preliminary report is requested.
- 3 Preliminary report is received, reviewed and distributed.
- 4 Escrow instructions and documents are prepared and distributed as per local practice.
- 5 Information and signatures from principal(s) are requested. This includes payoff of underlying loans and Statements of Information from sellers.
- 6 Demand(s) are requested and received.
- 7 Data entries are made for payoffs, commissions, etc.
- 8 If financing is involved, loan approval is received and loan documents arrive from the lender.
- 9 Escrow prepares estimated closing statements for buyer's and seller's review and approval, together with seller's CD, if required.
- 10 Buyer's signing appointment is scheduled, documents are prepped for signing, escrow paperwork is added, and appointment with seller is made, if required.
- 11 Funds are requested and received from buyer and seller, if required. Upon receipt of buyer's and seller's funds as may be required, loan funds are requested from lender.
- 12 Upon receipt of all funds required to close, recordable documents are forwarded to county recorder's office with authorization to record.
- 13 Recording confirmation is received.
- 14 Disbursements are made and closing packages are released.

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# WHO PAYS FOR WHAT

## Escrow Charges, Title Fees and Transfer Taxes

County	Escrow Charges	Title Fees (Owner's Policy)	County Transfer Tax (Per Thousand Unless Stated Otherwise)	City Transfer Tax (Per Thousand Unless Stated Otherwise)
Alameda	Buyer pays	Buyer pays	Seller pays \$1.10 (Except in the city of Alameda - 50/50)	50/50* Alameda \$12.00 Albany \$15.00 Berkeley \$15.00 Berkeley \$25.00 Emeryville \$12.00 Hayward \$8.50 Oakland \$10.00 Oakland \$15.00 Oakland \$17.50 Oakland \$25.00 Oakland \$13.00 San Leandro \$11.00
Alpine (Calaveras Side)	50/50	50/50	Seller pays \$1.10	None
Alpine (El Dorado Side)	50/50	Buyer pays	Seller pays \$1.10	None
Amador	50/50	Buyer pays	50/50 \$1.10	None
Calaveras (Bear Valley)	50/50	Buyer pays	Seller pays \$1.10	None
Calaveras (San Andreas)	50/50	50/50	Seller pays \$1.10	None
Colusa	50/50	50/50	Seller pays \$1.10	None
Contra Costa	Buyer pays	Buyer pays	Seller pays \$1.10	50/50 El Cerrito \$12.00 Richmond \$7.00 Richmond \$12.50 Richmond \$25.00 Richmond \$30.00
El Dorado	50/50	50/50	Seller pays \$1.10	None
Fresno	50/50	Seller pays	Seller pays \$1.10	None
Glenn	50/50	50/50	Seller pays \$1.10	None
Imperial	50/50	Seller pays	Seller pays \$1.10	None
Inyo	50/50	Seller pays	Seller pays \$1.10	None
Kern	50/50	Seller pays	Seller pays \$1.10	None
Kings	50/50	Seller pays	Seller pays \$1.10	None
Lake	Buyer pays	Buyer pays	Seller pays \$1.10	None
Los Angeles	50/50	Seller pays	Seller pays \$1.10	Seller pays: Culver City \$15.00 Culver City \$30.00 Culver City \$40.00 Los Angeles \$4.50 Pomona \$2.20 Redondo Beach \$2.20 Santa Monica \$3.00
Madera	50/50	Seller pays	Seller pays \$1.10	None
Marin	Buyer pays	Buyer pays	Seller pays \$1.10	Seller pays: San Rafael \$2.00
Mariposa	50/50	50/50	Seller pays \$1.10	None
Mendocino	Buyer pays	Buyer pays	Seller pays \$1.10	None
Merced	50/50	50/50	Seller pays \$1.10	None
Mono	50/50	Seller pays	Seller pays \$1.10	None
Monterey (Salinas)	50/50	Seller pays	Seller pays \$1.10	None
Monterey (Peninsula)	Seller pays	50/50	Seller pays \$1.10	None
Napa	Buyer pays	Buyer pays	Seller pays \$1.10	None
Nevada	50/50	50/50	Seller pays \$1.10	None
Orange	50/50	Seller pays Owner's Buyer pays Lender's	Seller pays \$1.10	None
Placer	50/50	Seller pays	Seller pays \$1.10	None
Riverside	50/50	Seller pays	Seller pays \$1.10	Seller pays: City of Riverside \$1.10

County	Escrow Charges	Title Fees (Owner's Policy)	County Transfer Tax (Per Thousand Unless Stated Otherwise)	City Transfer Tax (Per Thousand Unless Stated Otherwise)
Sacramento	Seller pays	Seller pays	Seller pays \$1.10	50/50 Sacramento \$2.75
San Benito	Seller pays	Seller pays	Seller pays \$1.10	None
San Bernardino	50/50	Seller pays	Seller pays \$1.10	None
San Diego	50/50	Seller pays Owner's Buyer pays Lender's	Seller pays \$1.10	None
San Francisco	Buyer pays	Buyer pays	Seller pays \$5.00 \$0 - \$250,000 \$6.80 \$250,001 - \$999,999 \$7.50 \$1,000,000 - \$4,999,999 \$22.50 \$5,000,000 - \$9,999,999 \$27.50 \$10,000,000 - \$24,999,999 \$30.00 \$25,000,000 and up	Included with County Transfer Tax
San Joaquin	50/50	50/50	Seller pays \$1.10	None
San Luis Obispo	50/50	Seller pays or split	Seller pays \$1.10	None
San Mateo	Buyer pays	Buyer pays	Seller pays \$1.10	50/50 San Mateo 0.5% property value
Santa Barbara	50/50	Seller pays	Seller pays \$1.10	None
Santa Clara	Seller pays	Seller pays	Seller pays \$1.10	50/50 Mountain View \$3.30 Palo Alto \$3.30 San Jose \$3.30 \$1 to \$1,999,999 \$3.30 + \$7.50 \$2,000,000 to \$4,999,999 \$3.30 + \$10.00 \$5,000,000 to \$9,999,999 \$3.30 + \$15.00 \$10,000,000 and above
Santa Cruz	50/50	50/50	Seller pays \$1.10	None
Solano	Buyer pays	Buyer pays	Seller pays \$1.10	Seller pays: Vallejo \$3.30
Sonoma	Buyer pays	Buyer pays	Seller pays \$1.10 Cloverdale \$1.10 Cotati \$1.10 Healdsburg \$1.10 Petaluma \$1.10 Rohnert Park \$1.10 Santa Rosa \$1.10 Sebastopol \$1.10 Sonoma \$1.10 Windsor \$1.10 Unincorporated Area \$1.10	Seller pays Petaluma \$2.00 Santa Rosa \$2.00 Unincorporated Area n/a
Stanislaus	50/50	50/50	Seller pays \$1.10	None
Turlock	50/50	50/50	Seller pays \$1.10	None
Modesto (City)	50/50 or as negotiated	Seller pays or as negotiated	Seller pays \$1.10	None
Patterson (City)	50/50 or as negotiated	50/50 or as negotiated	Seller pays \$1.10	None
Sutter	Seller pays	Seller pays	Seller pays \$1.10	None
Tulare	50/50	Seller pays	Seller pays \$1.10	None
Tuolumne	50/50	50/50	Seller pays \$1.10	None
Ventura	50/50	Seller pays	Seller pays \$1.10	None
Yolo (Davis)	50/50	50/50	Seller pays \$1.10	None
Yolo (Woodland)	50/50	Seller pays	Seller/Buyer negotiated \$1.10	Seller/Buyer negotiated \$1.10
Yuba	Seller pays	Seller pays	Seller pays \$1.10	None

\*50/50 = Buyer Pays 50%, Seller Pays 50%.

Please note: The information and rates supplied are customary and subject to change and must be verified with the appropriate governmental agency at the time of purchase or sale to ensure accuracy. The information supplied is accurate as of January 18, 2021. Stewart Title is not responsible for the accuracy of this information.

Source: SPL Inc.

# GLOSSARY OF REAL ESTATE TERMS

This brochure is intended solely to provide helpful information to buyers and sellers. The laws of each state may vary. Please consult with an attorney of your choice for specific information or legal advice.

## **Adjustable Rate Mortgage (ARM)**

A loan with an interest rate that changes periodically based on a current index, like one-year treasury bills. Typically, ARMs can't change by more than two percentage points per year or six points above the starting rate. Check the specific rates carefully for any type of mortgage loan.

## **Amortization**

A payment plan, that enables the borrower to pay off the debt gradually through equal monthly payments of principal and interest.

## **Appraisal**

An expert judgment or estimate of the quality or value of real estate as of a given date. This appraisal is done for financial lending purposes and may not reflect the actual market value.

## **Appraised Value**

An estimate of the value of the property offered as security for a home loan.

## **Bridge Finance**

A short-term loan, usually at a higher rate of interest than the longer-term mortgage, used by borrowers who have bought a house while waiting for theirs to be sold. May also refer to a second subordinate loan.

## **Caveat Emptor**

Latin for "let the buyer beware." This puts the burden on the buyer to be satisfied with the item before purchasing the property. Many states have passed laws that require sellers to disclose any defects or problems with the property being sold.

## **Chattels**

Items of personal property that are movable (e.g., clothing, furniture), as distinguished from real property (e.g., land, a house).

## **Closing Protection Letter (CPL)**

A letter from a title insurance company generally given to a lender for one or more closings, which indemnifies the lender for loss caused by the policy issuing agent's or approved attorney's failure to comply with the lender's written closing instructions or for certain kinds of misconduct committed by the issuing agent or approved attorney if the failure or misconduct affects the title or the mortgage.

## **Commission**

Fee payable to real estate agents for selling the property by the person authorizing the sale; usually a percentage of the sale price, although this can be negotiated and paid by the buyer or split between the parties. Often the commission is shared by the listing and buyers' real estate agent.

## **The Consumer Financial Protection Bureau® (CFPB)**

An independent government agency responsible for consumer protection in the financial sector.

## **Consummation**

The point in time when a borrower becomes contractually obligated to the creditor on the loan under state law.

## **Contingent Offer**

Offer to buy or sell is subject to some condition, such as the buyers selling their current home or the home passing an inspection. If the condition is not met, then the parties may agree to waive the condition or the contract may terminate.

## **Contract of Sale**

Written agreement setting out the terms and conditions of a property sale.

## **Covenant**

A promise or agreement in a written contract or deed of real property defining specific conditions or actions concerning the property.

## **Conventional Mortgage**

A mortgage loan not insured by the United States Department of Housing and Urban Development or guaranteed by the Department of Veterans Affairs. It is subject to conditions established by the lending institution and state statutes. The mortgage rates may vary with different institutions and between states. (States have various interest limits.)

## **Credit Report**

A report detailing a loan applicant's credit history used by a lender to determine creditworthiness.

## **Deposit (or Earnest Money)**

An agreed-to percentage of the purchase price of a property placed in escrow as evidence of intention to buy. May be nonrefundable based upon the terms and conditions of the contract. Usually the deposit goes toward the purchase price when the sale goes through.

## **Document Preparation**

A charge by an attorney for preparing legal documents for a transaction.

## **Encroachment**

When a structure overhangs someone else's property and a fence or other structure is built over the dividing line between the two properties.

## **Encumbrance**

An easement, lien or other restriction on a property, which impedes its use or transfer.

## **Equity**

The difference between the market value of the property and any loans that are outstanding on the property. If the market value is less than any outstanding loans, there will be a negative equity.

## **Escrow Funds**

Funds paid to the escrow agent to hold until the occurrence of a specified event, such as the completion of repairs or the payment of insurance and taxes, after which the funds will be released to the designated individual. After closing, many lenders will require that the buyer make monthly payments (in addition to the principal and interest) to cover these expenses.

## **Exclusions**

Any item that is specifically not included in the sale (e.g., an above-ground pool or garden shed). These should be shown in the contract.

## **Fixed Rate Mortgage**

A loan that carries an unchangeable interest rate over its entire term – typically a period of 15 to 30 years.

## **Homeowners Insurance**

Protects the property and contents in case of damage or loss. Most lenders require that the insurance be for at least the loan amount or for 80% of the value of the improvements, whichever is greater.

## **Inclusions**

Lights, curtains, blinds, ceiling fans, air-conditioning units, fly screens, dishwasher, range hood, stove, fixed cupboards, clothes hoist or any other removable item that the seller has agreed will be included in the sale.

## **Inspections**

An examination to determine the condition of property, such as termite inspections. Inspections are also conducted to see if required repairs were made before funds are disbursed.

## **Interest**

A charge paid for borrowing money.

## **Interest-Only Loan**

Loan on which just the interest is paid periodically, and the principal is paid at the end of the term. Some loans may be interest-only for a certain period of time and then require that both principal and interest be paid in monthly installments.

## **Inventory**

List of items included with a property for sale; usually furniture, furnishings and other removable items.

## **Investment**

The purchase of an asset, such as real estate, with the goal of producing income, including capital gains, on the resale of the asset.

## **Joint Tenants With Right of Survivorship**

Joint tenancy is the equal holding of property by two or more persons. If one owner dies, the deceased's share passes on to the survivors.

## **Liabilities**

Your outstanding debts or what you owe.

# GLOSSARY OF REAL ESTATE TERMS

## Lien

A claim one person holds on the property of another as security for money owed. Such claims may include obligations not met, judgments, unpaid taxes, materials or labor.

## Loan Application Fee

Paid to the lender at the time of application. The amount varies by lender.

## Loan Discount (or Discount Points)

Loan discounts are a form of prepaid interest. One point equals generally 1% of the loan amount. By charging a borrower points, a lender effectively increases the yield on the loan above the amount of the stated interest rate. Borrowers can offer to pay a lender points as a method to reduce the interest rate on the loan, thus obtaining a lower monthly payment in exchange for this up-front payment. For each point purchased, the loan rate is typically reduced by 0.125%, but check with your lender for the specific reduction.

## Loan Estimate Form and Closing Disclosure Form

These forms are intended, in the words of the Consumer Financial Protection Bureau (CFPB), to help consumers make informed decisions when shopping for a mortgage and avoid costly surprises at the closing table. These forms are required in most transactions.

## Maintenance Fee

Periodic charge by the homeowners association as set out in the subdivision restrictions.

## Maturity Date

The last day of the term of the home-loan agreement. The home loan must then be paid in full, or the home-loan agreement must be renewed or refinanced.

## Mortgage (or Deed of Trust)

A legal agreement containing the lender's terms and conditions, in which the owner pledges his/her/its title to real property to the lender as security for a loan described in a promissory note (In a promissory note, a mortgagee lends the money to a mortgagor, the borrower.) Mortgages are normally recorded in the county records.

## Mortgagee's (or Lender's) Title Policy

A title insurance policy that insures the validity, enforceability and priority of a lender's lien. This policy does not provide protection for the owner.

## Multiple Listing Service (MLS)

System of offering the property through many real estate agents.

## Offer to Purchase

A formal legal agreement that offers a specified price for a specified property. The offer may be firm (no conditions attached) or conditional (certain conditions apply).

## Option to Buy

Legal agreement giving the buyer the right to purchase property at a certain time and price. An option fee, usually a percentage of the price or fixed amount, is payable and may be forfeited if the buyer does not go through with the transaction. Option may be refunded if conditions are not met.

## Origination Fee

A fee the borrower pays the lender to originate a new loan.

## Owner's Title Policy

Insures that the buyer has the title to the property, subject to policy terms.

## PITI

Abbreviation for principal, interest, taxes and insurance (PITI) – all of which can be lumped together in your monthly mortgage payment.

## Power of Attorney (POA)

A written authorization by a person to another person to act for him on his behalf.

## Principal

The actual amount of money that has been borrowed to buy a property.

## Private Mortgage Insurance (PMI)

Insurance against a loss by a lender (mortgagee) in the event of default by a borrower (mortgagor). PMI is often required for larger loans.

## Real Estate Professional Fee

Usually called commission, the amount paid to real estate professionals as compensation for their services.

## Recording Fees

Charged by the county clerk to record documents in the public records.

## Restrictions

These limit the way in which a property can be used or modified and are written into (or referred to in) the deed for the property. They are usually enforced by the developer or builder, the neighborhood or the homeowners association. A certified copy of deed restrictions is usually required by the lender. Restrictions normally have a termination date but may be renewed.

## Settlement

Completion of sale when the balance of the contract price is paid to the seller and the buyer is legally entitled to take possession of the property.

## Survey

Confirms lot size and identifies any encroachments or restriction violations.

## Tax Proration

The seller and buyer split up property taxes based on the length each party has owned the home during the year.

## Title Insurance

Title insurance protects real estate owners and lenders against any property loss or damage they might experience because of liens, encumbrances or defects in the title to the property. Each title insurance policy is subject to specific terms, conditions and exclusions.

## Title Search

The process of examining the land title to determine the terms and conditions under which the title company will issue a title policy.

# IMPORTANT CONTACT INFORMATION

## Real Estate Agent

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

Work \_\_\_\_\_ Cell \_\_\_\_\_

Email \_\_\_\_\_

Notes \_\_\_\_\_

## Title and Escrow Company

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

Work \_\_\_\_\_ Cell \_\_\_\_\_

Email \_\_\_\_\_

Notes \_\_\_\_\_



For more information, please contact your local Stewart Title office, call (800) STEWART or visit us online at [stewart.com](http://stewart.com).

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