



# Borrower's Handbook



PLACER TITLE COMPANY  
A MOTHER LODE COMPANY

[WWW.PLACERTITLE.COM](http://WWW.PLACERTITLE.COM)

*Placer, Putting People First.*



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**Placer Title Company (PTC)** provides title searches and examinations, issues title insurance policies, handles commercial and residential escrows and other real estate related services. Placer Title continues to extend its commercial and residential services by empowering talented, innovative people to make the decisions necessary to satisfy customers on the spot and by utilizing technology that delivers measurable improvement of service to our most valuable end user – our customer. Placer Title has the distinction of being the only independent title insurance and escrow agency licensed in all California counties with over 60 offices located throughout Northern California alone.

**Mother Lode Holding Company (MLHC)** provides title insurance, underwriting and transaction support services to the nation's real estate industry. With the founding of its principal subsidiary, Placer Title Company in 1973, Mother Lode has since expanded outside of its original California market to provide title and title related products and services throughout the United States. The Mother Lode family of companies includes Placer Title Company, The Sterling Title Company, North Idaho Title, Montana Title and Escrow, Wyoming Title and Escrow, our National Lender Services Division – PTC/National Closing Solutions, and our §1031 Exchange Company – NCS Exchange Professionals. With annual revenue of more than \$120 million, Mother Lode continues to extend its commercial and residential services by empowering talented, innovative people to make the decisions necessary to satisfy customers on the spot and by utilizing technology that delivers measurable improvement of service to the end user – our customer.

**MLHC Corporate Headquarters**

**800.317.8407**

**WWW.PLACERTITLE.COM**

***Placer, Putting People First.***

## **Borrower's Handbook**

### **Customer Service**

Thank you for choosing Placer Title Company. The information in this booklet has been prepared to assist you in the borrowing process. Whether you are investigating borrowing money to purchase a property or would like to refinance your current loan, Placer Title Company is here to assist you.

#### **TAKE A LOOK**

We suggest that you carefully read through this booklet, paying special attention to the following sections:

- ▶ Selecting Your Lender
- ▶ The Loan Process
- ▶ Different Loan Types
- ▶ The Escrow Process
- ▶ The Down Payment Worksheet
- ▶ The Mortgage Comparison Worksheet

Thank you again for choosing Placer Title Company.  
We look forward to working with you!

After the close of your transaction, we suggest that you keep this page for reference. The easiest way for our team to assist you is by knowing your escrow number.

Lender: \_\_\_\_\_

Phone: \_\_\_\_\_

Escrow Officer: \_\_\_\_\_

Phone: \_\_\_\_\_

Escrow Number: \_\_\_\_\_

## The Placer Title Company Story

Placer Title Company was founded by Leo French in 1973. Leo's vision was to create a work environment that emphasized people. His dream: "To bring together a group of people who really care about each other and about their customers." Leo believed that if this was accomplished, success would follow. It did. Beginning with only two offices—one in Roseville, California and the other in Auburn, California—Placer Title Company has grown throughout Northern California and beyond.

At Placer Title Company, our people are dedicated to the industry and are committed to giving exceptional service. Our staff's longevity, combined with the company's commitment to retaining long-term client relationships, has been the key to our success and is what makes us who we are today. Backed by the strength of Mother Lode Holding Company, we have been able to diversify our business by creating a National Lender Service Division — PTC/National Closing Solutions and a §1031 Exchange Company — NCS Exchange Professionals. Furthermore, we have expanded our title and escrow services by adding The Sterling Title Company, North Idaho Title, Montana Title and Escrow, and Wyoming Title and Escrow to our family of companies. By expanding our services, we can better serve our clients and offer solutions to all of their title and escrow needs. At Placer Title Company, we care about each other and our clients, and continually demonstrate why we are a proven leader in the title and escrow industry.

Visit us on the web at [www.PlacerTitle.com](http://www.PlacerTitle.com) to locate one of our 60+ Northern California locations.

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## Options to Consider when Refinancing

### WHAT IS REFINANCING?

Refinancing really means that you are taking out a new mortgage loan. In the process, your current loan is paid off and then you begin making payments on the new loan.

### REASONS TO REFINANCE

There are a number of reasons for refinancing your home:

- ▶ Lower Your Mortgage Payments
- ▶ Take Advantage of Lower Interest Rates
- ▶ Consolidate Payments
- ▶ To Take Cash Out

Whatever your reason, you will want to evaluate your current financial situation and look at it as a prospective lender will. We have provided worksheets at the end of this book to help you with this step.

### WHAT LENDERS FOCUS ON

Lenders will primarily focus on the following factors when evaluating your eligibility for a new loan:

- ▶ Your Income
- ▶ Your Savings
- ▶ Your Debts
- ▶ Your Credit History
- ▶ Your Employment History

### PRIOR TO & DURING THE FINANCE PROCEDURE:

- ▶ Try to reduce your expenses as much as possible
- ▶ Avoid any major purchases (cars, major appliances, etc.)
- ▶ Be sure to continue to make any loan and credit payments in a timely manner, even those you may intend to pay in full as a result of the refinance

## Selecting Your Lender

A very important part of purchasing a home or refinancing your current loan is finding the right lender. A professional and reliable lender will handle your transaction with care and confidentiality.

### **LENDER SELECTION TIPS:**

- Investigate his or her reputation in the community.
- Gather their references.
- How long have they been in the industry?
- How many loans do they close per year?
- Is this lender a mortgage broker?
- Does the lender have access to a variety of loans?
- What are the lender's closing costs and what do they include?
- Can the interest rates be locked in at no cost?  
For how long? What are the fees to extend the lock?
- With '0' discount points, what is your rate?
- DO NOT** call around asking for interest rate quotes.  
Quotes given over the phone are often unreliable and inaccurate as they change daily and rarely fit your specific needs or qualifications.



## The Loan Process

Unless you are paying cash for your property, you will need to apply for a mortgage loan. Your lender can explain current financing options and help you select the right type of loan for your situation.

### THE FOLLOWING DETAILS THE STEPS TO SECURING A LOAN:

#### 1 Pre-Qualification/Interview

- ▶ Meet with lender/broker
- ▶ Provide details of purchase/refinance including estimated value/purchase price, balance of existing mortgages, down payment source, income, payments on obligations, etc.
- ▶ Complete loan application
- ▶ Provide lender with documentation including current paystubs, W-2s (2 years), federal income tax returns (if you have income from other than salaried employment), statements on mortgages and other debts, copies of bank and investment statements, property tax bill, hazard insurance declaration page, etc.
- ▶ Request that the lender open escrow with Placer Title Company

#### 2 Order Documents

- ▶ Lender will order a credit report, appraisal, verification of employment, verification of deposits, etc.
- ▶ Lender will provide you with a Good Faith Estimate of all costs associated with your loan. This should be carefully reviewed with your Loan Officer for a thorough understanding of the estimate.
- ▶ For certain loan programs, additional documentation may be requested such as a Certificate of Eligibility, DD214 (VA loans only), etc.

#### 3 Loan Submission

- ▶ Loan package is assembled by the Loan Officer and is submitted to the underwriter for approval

#### 4 Conditional Loan Approval

- ▶ Generally takes 24-72 hours
- ▶ Parties are notified of approval and conditions of the loan

#### 5 Documents Prepared by the Lender

##### Within 1-3 days after loan approval

- ▶ Loan documents are completed by the lender and sent to Placer Title Company
- ▶ In cases where the borrowers are not receiving loan proceeds, the Placer Title Company Escrow Officer will notify the borrowers of how much money is required to close the escrow
- ▶ Borrowers sign all loan documents with the Placer Title Company Escrow Officer

#### 6 Funding

- ▶ Lender reviews the loan package
- ▶ Funds are wired to Placer Title Company

#### 7 Recording Documents

- ▶ Placer Title Company records the Deed of Trust at the County Recorder's Office securing the lien against the property
- ▶ Funds are disbursed to the appropriate parties
- ▶ The loan process is officially complete

## What Information will I Need to Provide my Lender?

There are a number of items that your lender will need to successfully determine the loan amount you qualify for and to successfully close your transaction. The following is a list of items which may be required by your lender. To facilitate the loan approval process, it is recommended that you bring to your appointment any of the applicable items.

### PREPARATION CHECKLIST

- \_\_\_\_\_  Most recent pay check stubs documenting one month's income
- \_\_\_\_\_  Personal tax returns for the previous 2 years
- \_\_\_\_\_  W-2s or 1099 forms for the previous 2 years
- \_\_\_\_\_  Documentation for savings and checking accounts for the previous 3 months
- \_\_\_\_\_  Current statement representing market value of securities possessed and net cash value of your life insurance
- \_\_\_\_\_  Copy of 'pink slip' (vehicle registration) for all vehicles purchased within the last 3 years that do not have a loan balance
- \_\_\_\_\_  Award letter and most recent check from Social Security, retirement or pension income (if appropriate)
- \_\_\_\_\_  Loan information on any real estate owned (rental lease agreements on income properties)
- \_\_\_\_\_  Balance statements on all outstanding loans and credit cards
- \_\_\_\_\_  Copy of front and back of Alien Registration Card of H1 Visa (if not a U.S. Citizen)
- \_\_\_\_\_  Copy of driver's license and Social Security card (FHA only)
- \_\_\_\_\_  Original Certificate of Eligibility and DD214 (for VA loans)
- \_\_\_\_\_  Employment history for the past 2 years, including names and addresses of employers
- \_\_\_\_\_  Copy of school diploma or transcripts (if not employed for at least 2 years and recently out of school)
- \_\_\_\_\_  Residence history for previous 24 months, including name and address of landlord (if renting)
- \_\_\_\_\_  Cash or a blank check to pay for a Pre-Qualification Credit Report and/or appraisal
- \_\_\_\_\_  Final divorce papers or interlocutory (if appropriate)

## Different Loan Types

There are many different loans available, and your Loan Officer/Broker is the best source of information, but the three major loan categories are:

### Fixed Rate Mortgages

A fully amortized fixed rate mortgage offers an interest rate and payments that remain the same throughout the life of the loan. A fixed rate loan offers the security of knowing that your mortgage payment will never change. Generally a lender sets a higher interest rate for fixed rate loans than for adjustable rate mortgages (ARM) so you may not qualify for as high a loan amount as you can with an ARM.

### Adjustable Rate Mortgages (ARMs)

With an ARM the interest rate of the loan will adjust according to the index upon which the loan is based, plus the predetermined margin set by the lender. Adjustments to the interest rate may occur at regular intervals from monthly to annually. ARMs may have an annual payment cap as well as an adjustment and maximum interest rate cap.

Most ARMs begin with a rate that is lower than the fully indexed rate (Index+Margin) would be at the time. When comparing various ARM loans, it is important to look beyond the beginning rate and concentrate on the index and interest rate caps. Past performance of an index cannot predict future performance but it may give you a reasonable indicator of volatility.

### Graduated Payment Mortgage

A variation on the fixed rate mortgage, this type of loan has a fixed interest rate and loan period. The payments, however, start low and increase over the first 2 to 5 years of the loan before becoming constant.

If you expect your income to rise significantly in the first few years after you have financed your home, you may want to consider the graduated payment option. However, remember that negative amortization will occur in the first 2 to 5 years. The total amount you owe may actually increase during the first couple of years.

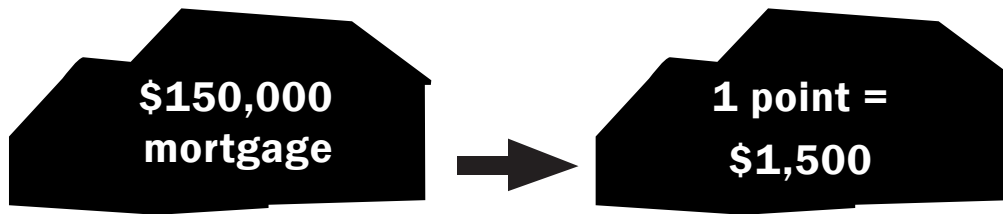


*While shopping for the right loan for you, be sure to consult a Loan Officer/Broker who has your best interests in mind. Your Loan Officer can advise you of the positive and negative aspects of various loan types and the numerous loans available within those types.*

## What are Points?

Points can be a very important part of choosing your loan. Points are paid at closing, with each point equal to one percent of the loan amount.

### For example:



There are 2 different types of points that may be associated with your particular loan:

### Discount Points

Discount points can be considered 'prepaid interest' on your loan, so they may be tax deductible and reduce the amount of interest you will have to pay later on. Paying discount points may make the borrower appear more attractive to the lender. Consult your tax professional about the potential tax deductions that this and other closing and moving expenses can provide you when you buy a home.

### Origination Points

Origination points are essentially lender fees. If you have good credit, you probably will pay little or no origination points. However, if you don't have fantastic credit, you may have to pay points in order to provide the lender with additional 'insurance' for the credit risk taken by loaning you money. The point may be called a loan origination fee, commitment fee, discount fee, warehousing fee or funding fee.

## KNOW WHAT YOU ARE PAYING FOR

Points are not regulated by the government, but rather set by each individual lender. It is very important to discuss points with your lending professional to ensure that you understand exactly what you are paying and why.

## What is a FICO Score?

A FICO score is a credit score developed by Fair Isaac & Company. Credit scoring is a method of determining the likelihood that credit users will pay their bills. A credit score attempts to condense a borrower's credit history into a single number. Fair Isaac & Co. and the credit bureaus do not reveal how these scores are computed. The Federal Trade Commission has ruled this to be acceptable.

### How is my FICO Score Calculated?

Credit scores are calculated by using scoring models and mathematical tables that assign points for different pieces of information which best predict future credit performance. Developing these models involves studying how thousands, even millions of people have used credit. Credit scores analyze a borrower's credit history based on the following five factors:

- 1 Payment History
- 2 Amounts Owed
- 3 Length of Credit History
- 4 New Credit
- 5 Type of Credit Used

### How can I Increase my Score?

While it is difficult to increase your score over the short run, here are some tips to increase your score over a period of time.

- 1 Pay your bills on time. Late payments and collections can have a serious impact on your score.
- 2 Do not apply for credit frequently. Having a large number of inquiries on your credit report can worsen your score.
- 3 Reduce your credit card balances. If you are "maxed out" on your credit cards, this will affect your credit score negatively.
- 4 If you have limited credit, obtain additional credit. Not having sufficient credit can negatively impact your score. Conversely, if you have too much credit extended it can also negatively impact your score

### Who do I Contact if I Believe that there is an Error in my FICO Score?

There are three credit bureaus that determine your FICO score:

- ▶ Equifax . . . . . 800.685.1111
- ▶ Experian (TRW) 800.831.5614
- ▶ TransUnion . . . . 800.888.4213

## How Much House Can You Afford?

GROSS MONTHLY INCOME	Interest Rate											
	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
\$2,000	117,000	111,000	106,000	101,000	96,000	92,000	87,000	83,000	80,000	77,000	74,000	71,000
\$2,500	147,000	139,000	133,000	127,000	121,000	116,000	110,000	106,000	101,000	97,000	93,000	89,000
\$3,000	176,000	168,000	160,000	153,000	146,000	139,000	133,000	127,000	121,000	116,000	112,000	107,000
\$3,500	207,000	197,000	188,000	179,000	170,000	162,000	155,000	148,000	142,000	136,000	130,000	125,000
\$4,000	235,000	224,000	214,000	204,000	194,000	185,000	177,000	169,000	162,000	155,000	148,000	143,000
\$4,500	261,000	251,000	241,000	230,000	218,000	209,000	198,000	189,000	181,000	173,000	166,000	160,000
\$5,000	290,000	278,000	266,000	254,000	242,000	230,000	220,000	210,000	201,000	192,000	185,000	178,000
\$5,500	316,000	303,000	291,000	279,000	265,000	253,000	241,000	230,000	220,000	211,000	203,000	195,000
\$6,000	347,000	332,000	318,000	304,000	290,000	276,000	263,000	251,000	241,000	231,000	221,000	212,000
\$6,500	378,000	361,000	345,000	330,000	315,000	300,000	287,000	273,000	261,000	250,000	249,000	240,000
\$7,000	407,000	389,000	372,000	355,000	338,000	322,000	308,000	294,000	281,000	269,000	258,000	248,000
\$7,500	435,000	416,000	398,000	380,000	362,000	345,000	330,000	315,000	301,000	288,000	277,000	265,000
\$8,000	467,000	446,000	426,000	406,000	386,000	368,000	351,000	335,000	321,000	308,000	296,000	284,000
\$8,500	495,000	473,000	452,000	431,000	411,000	391,000	373,000	356,000	342,000	328,000	314,000	301,000
\$9,000	495,000	498,000	477,000	456,000	435,000	414,000	396,000	378,000	362,000	346,000	332,000	319,000
\$9,500	555,000	530,000	506,000	483,000	460,000	438,000	419,000	400,000	382,000	365,000	350,000	336,000
\$10,000	583,000	557,000	532,000	508,000	484,000	460,000	440,000	420,000	402,000	385,000	370,000	355,000

\*Sales prices above are calculated with 20% down payment, 30-year mortgage term and assuming a 33% housing ratio, with consumer debt not exceeding 6% monthly gross income. Figures are based on principal, interest, taxes and insurance payments. Figures do not include association dues, mortgage insurance or other housing costs.

This chart is for reference purposes only and should not be relied upon to make financial commitments. Information deemed reliable but not guaranteed. (4/05)

## Important Real Property Tax Dates

**March 1**  
Assessment Date  
Taxes become a lien at 12:01 a.m. They are not immediately due, but payable for the Fiscal Tax Year starting July 1. Thereafter title evidence must show taxes as a lien for the coming Fiscal Tax Year.

**April 10**  
**2nd Installment becomes delinquent at 5 p.m.**  
10% penalty plus \$10 administrative fees if delinquency occurs. If April 10th falls on a weekend or holiday, taxes are not delinquent until 5 p.m. the next business day.

**April 15**  
Last day to file for 100% Veteran's or Homeowner's exemption. To be eligible for applicable exemptions you must own and occupy property on March 1.

### May

**June 30**  
Property taxes become defaulted if not paid by 5 p.m. Additional fees and penalties may accrue. If June 30th falls on a weekend or holiday, taxes must be paid by 5 p.m. of the next business day.

**July 1**  
Current fiscal tax year begins.

### August

### September

### October

**November 1**  
**1st Installment due.**  
(1st Installment – July 1 to December 31)

**December 1**  
Last day to file for 80% Veteran's or Homeowner's exemption.

**December 10**  
**1st Installment becomes delinquent at 5 p.m.**  
10% penalty added if delinquency occurs. If December 10th falls on a weekend or holiday, taxes are not delinquent until 5 p.m. the next business day.

**January 1**  
Calendar year begins.

**February 1**  
**2nd Installment due.**  
(2nd Installment – January 1 to June 30)

*Property may be sold at public auction after 5 years of delinquency. Property taxes are governed by California State law and collected by the County. The County Assessor must first assess the value of your property to determine the amount of your property tax.*

## Tax Calendar

Annual property tax bills are collected in two installments.

Tax impounds may be required by your lender and may be desirable to the borrower in certain circumstances. Taxes are paid according to the chart below:

### Buyer

	If you close...	Buyer will owe	If taxes are current
 <p><b>1st Installment</b> July thru December Due: November 1st Late: December 10th</p>	Jan 1	6 months	of 2nd Installment
	Feb 1	5 months	of 2nd Installment
	Mar 1	4 months	of 2nd Installment
	April 1	3 months	of 2nd Installment
	May 1	2 months	of 2nd Installment
	Jun 1	1 month	of 2nd Installment
	Jul 1	6 months	of 1st Installment
	Aug 1	5 months	of 1st Installment
	Sep 1	4 months	of 1st Installment
	Oct 1	3 months	of 1st Installment
	Nov 1	2 months	of 1st Installment
	Dec 1	1 month	of 1st Installment

### Seller

	If you close...	Seller will owe	If taxes are current
 <p><b>2nd Installment</b> January thru June Due: February 1st Late: April 10th</p>	Jan 1	6 months	of 1st Installment
	Feb 1	1 month	of 2nd Installment
	Mar 1	2 months	of 2nd Installment
	Apr 1	3 months	of 2nd Installment
	May 1	4 months	of 2nd Installment
	Jun 1	5 months	of 2nd Installment
	Jul 1	6 months	of 2nd Installment
	Aug 1	1 month	of 1st Installment
	Sep 1	2 months	of 1st Installment
	Oct 1	3 months	of 1st Installment
	Nov 1	4 months	of 1st Installment
	Dec 1	5 months	of 1st Installment

## Supplemental Real Property Taxes

### Who does it Affect?

California property tax law requires the County Assessor to revalue real property at the time the ownership of the property changes or upon the completion of new construction or any remodeling that requires building permits.

### How much is it?

Upon purchase of your new property, or upon the completion of new construction, you will be required to pay a supplemental property tax which will become a lien against your property as of the date of ownership change or the date of completion of new construction. The supplemental property taxes are based on the difference between the property taxes the seller paid, and the likely larger property taxes you will have to pay. In the case of a change of ownership, generally the valuation made by the Assessor is based upon the sales price of the property.

### When will the Bill Arrive?

Sometime after the close of escrow, the County Assessor will revalue your property and advise you of the new supplemental assessment amount. Depending upon the individual county and the workload of the County Assessor and County Tax Collector, it could take as few as three weeks or as many as six months to receive notice of the new supplemental assessment amount. The County will then calculate the amount of the supplemental tax, and the Tax Collector will mail you a supplemental tax bill. Supplemental taxes are payable in two equal installments, and the dates on which the taxes will become delinquent will be set forth on the tax bills. These dates vary, depending upon when the bill is mailed to you. The total assessment will be prorated from the date ownership changed or completion of the improvements occurred until the end of the tax year, June 30.

### Who Pays Them?

The buyer does. Supplemental taxes that are assessed due to a change in ownership are not prorated in escrow since they are incurred on the date of the transfer of title. As such, they are the responsibility of the buyer. Supplemental tax bills are not mailed to your lender. If you have arranged for your property tax payments to be paid through an impound account, the supplemental tax bills will not be paid by your lender, and it is your responsibility to pay these supplemental bills directly to the Tax Collector, as these bills are in addition to the regular annual tax bills.

If you need help in calculating the amount of your property tax, see your County Assessor or tax professional.



## The Escrow Process

### What is an Escrow?

Buying, selling, or refinancing real property usually involves the transfer of large sums of money. It is imperative that a neutral third party, known as the Escrow Holder (Placer Title Company), handles the transfer of these funds and related documents from one party to another. When opening an escrow for a refinance transaction, the borrower and lender establish the terms and conditions of the loan—it is the responsibility of the Escrow Officer at Placer Title Company to see that the terms contained in the written lender's instructions are satisfied.

The Escrow Holder impartially carries out all written instructions given by the principals (borrowers). As a neutral third party, Placer Title Company oversees the escrow process to ensure that all conditions of the loan are met.

### The Escrow Holder's Duties Include:

- ▶ Serves as the neutral third party and the liaison between all parties involved
- ▶ Requests a Preliminary Report
- ▶ Prepares the escrow instructions
- ▶ Complies with lender's conditions and prepares necessary documentation
- ▶ Requests payoff demands for anything to be paid through escrow
- ▶ Records the Deed and other related documents
- ▶ Receives closing instructions, documents, borrower's funds and reviews file to determine that all conditions have been met
- ▶ Closes the escrow
- ▶ Disburses funds as authorized by the instructions, including charges for title insurance, recording fees, lender fees, and loan payoff
- ▶ Issues the Title Insurance Policy for the lender

### What do I Need to Provide?

You may be asked to complete a Statement of Identity as part of the paperwork. Because many people have similar names, 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 highly confidential.

### When do I Sign Escrow Instructions?

Approximately 4-6 days before closing, Placer Title Company will contact you or your lender to schedule a signing appointment.

# Understanding Title Insurance

## The Title Process

When your lender has approved your loan, they will order a **Preliminary Report** from Placer Title Company.

## What is a Preliminary Report?

A Preliminary Report is prepared prior to issuing a policy of title insurance, and it contains information which can affect the close of escrow. The report lists exceptions and exclusions to the policy of title insurance; it is important to read the exceptions and exclusions set forth. It is intended to provide the lender with notice of matters which are not covered under the terms of the Title Insurance Policy. The Preliminary Report is not a written representation as to the condition of the title and may not list all liens, defects, and encumbrances affecting the title to the property. It is actually the Title Insurance Policy that will cover against such problems.

## Why does the Lender Need Title Insurance?

Your lender will want to make sure that the property is indeed yours and that no one else has any lien, claim, or encumbrance on the property. The lender's greatest protection is a Lender's Title Insurance Policy.

## What is Title Insurance?

Placer Title Company works to identify and eliminate existing claims against a property or discrepancies that cloud title to a property. Title insurance indemnifies the insured against loss under terms of the policy. Prior to closing, Placer Title Company attempts to identify and eliminate potential claims and defects that may have been created in the past. Placer Title Company maintains "Title Plants" that contain information regarding property transfers and liens reaching back many years. However, claims can surface after a property is insured. Unrecorded liens may surface, missing heirs may claim the property, or taxes might have been unpaid. The Lender's Title Insurance Policy protects the new lender by providing coverage for such matters.

## Methods of Holding Title

	<b>Community Property</b>	<b>Community Property w/Right of Survivorship</b>	<b>Joint Tenancy</b>	<b>Tenancy in Common</b>	<b>Partnerships</b>	<b>Trust Arrangements</b>
<b>Parties</b>	Husband and wife or domestic partners.	Husband and wife or domestic partners.	Any number of persons, but cannot be artificial entity such as corporation, LLC or trustee of trust.	Any number of persons or entities may hold title as tenants in common.	Only partners/shareholders/members of the artificial entity.	Trustee and beneficiaries of trust may be individuals, trusts or any legally created entity.
<b>Division</b>	Ownership and management are equal except control of business is solely with managing partner.	Ownership and management are equal except control of business is solely with managing partner.	Ownership interests must be equal (can have equal interests in undivided interest).	Ownership can be divided into any number of interests, equal or unequal.	Single legal entity; partners/shareholders/members own interest in entity, not property held.	Interests in trust are personal property and are in accordance with terms of trust.
<b>Title</b>	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.	Each joint tenant has separate legal title to undivided interest, subject to right of survivorship.	Each owner has a separate legal title to undivided interest.	Title is in the artificial entity.	Held in name by the trustee(s).
<b>Possession</b>	Each spouse or partner has equal rights of management and control.	Each spouse or partner has equal rights of management and control.	Equal right of possession.	Equal right of possession.	Entity has sole right of possession. Entity's organizational documents determine individual partner's/shareholder's/member's rights, if any.	In accordance with terms of trust.
<b>Conveyance</b>	Both spouses or partners must convey or encumber in writing, or conveyance is void.	Both spouses or partners must convey or encumber in writing, or conveyance is void. Right of survivorship may be terminated by same joint tenancy.	Each owner's interest may be conveyed or encumbered individually, but conveyance or encumbrance without joinder of other joint tenants severs joint tenancy.	Each owner's interest may be conveyed separately.	Conveyance authority determined by organizational documents and applicable statutes.	Trustee has authority to convey in accordance with terms and limitations of trust agreement.
<b>Death</b>	On spouse's or partner's death, 1/2 belongs to surviving spouse/partner; 1/2 passes by will or, if no will, then passes to surviving spouse or partner.	Upon death of spouse/partner, interest passes to surviving spouse/partner without administration.	On co-owner's death, interest passes to surviving joint tenants. Interest may not be disposed of by will.	Interest passes by will or intestate, if no will. Interest must be probated.	Entity not capable of dying. Impact, if any, of death of partner/shareholder/member on affairs of entity determined by organizational documents and applicable statutes.	Upon death of trustee, successor trustee, if any, holds title on behalf of trust. Effect of interests in trust upon death of a beneficiary determined by terms of trust agreement.
<b>Successor Status</b>	If passing by will, tenancy in common with surviving spouse; if passes to spouse, then owned in entirety by surviving spouse.	If passing by will, tenancy in common with surviving spouse; if passes to spouse, then owned in entirety by surviving spouse.	Last survivor owns property.	Devisee or heir becomes tenant in common with other owners.	Interest, but not management authority, of partner/shareholder/member in the entity passes by will or, if no will, by intestate succession.	Defined by terms of trust agreement.
<b>Creditor's Rights</b>	Property is liable for the debts of either spouse made before or after marriage, subject to homestead rights, if principal residence.	Property is liable for the debts of either spouse made before or after marriage, subject to homestead rights, if principal residence.	Involuntary lien of creditor or deed of trust terminates on death of joint tenant. If creditor executes on lien prior to death and acquires title, becomes tenant in common with remaining joint tenants.	Owner's interest may be sold on execution sale to satisfy creditor. Creditor becomes tenant in common with remaining owners.	Creditor of partner/shareholder/member may obtain order attaching interest in entity, but not property held by entity.	Creditor with lien/judgement against beneficiary may execute on beneficiary's interest in trust, not property held by trust. Lien against individual trustee may not attach to trust. However, if trustee is settlor or revocable trust, lien may attach.
<b>Presumptions</b>	Strong presumption that property taken as "husband and wife" or as "domestic partners" is community property.	Strong presumption that property taken as "husband and wife" or as "domestic partners" is community property.	Creation of joint tenancy must be in writing.	Joint ownership presumed to be as tenants in common, unless title acquired by "husband and wife."	Property must be expressly vested in partnership.	Property must be expressly vested in trustee of trust. Trust is created by executed trust agreement.

The information provided above is intended for informational purposes only. It is important to seek professional counsel from an attorney and/or CPA to determine the legal and tax consequences of how you hold title to real property.

## Closing Costs

Below are some typical closing costs you may incur during the borrowing process. Placer Title Company will review and explain your closing statement during your signing appointment.

### Appraisal Fee

- ▶ This is a one-time fee paid to independent appraiser.

### Title Insurance Premium

- ▶ Fee paid by an individual to insure a marketable title or, in the case of a lender, to insure the lien position.

### Transfer and Assumption Charges

- ▶ Fees charged by a lender to allow a new purchaser to assume the seller's existing loan.

### Inspection Fees

- ▶ The cost for inspections performed. Example: pest, home, roof, etc.

### Recording Fees

- ▶ Fees assessed by a County Recorder's Office for recording legal documents of a real estate transaction.

### Loan Fees

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

### Prepaid Interest

- ▶ Depending upon the time of month a loan closes, the per diem charge may vary from a full month's interest to a few day's interest.

### Escrow Fees

- ▶ Fees charged by a title and/or escrow company for services rendered in coordinating the closing and preparation of documents necessary to close a real estate transaction.

### Taxes

- ▶ The buyer may be required to reimburse the seller for property taxes, depending upon the month in which the transaction closes.

### Real Estate Commission

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

### Homeowner's Insurance

- ▶ Lenders typically require the first year of fire and hazard insurance be paid by escrowing funds.

### PMI Premium

- ▶ Possible up-front fee for mortgage insurance, depending upon the amount of down payment. Lenders may require monies be placed into a reserve account held by the lender.

## Glossary

These definitions are to acquaint the borrower with terms commonly used in real estate transactions. The terms are intended to be general and brief and are not complete and wholly accurate when applied to all possible uses of the term. Please consult your real estate agent for more information or questions regarding specific terms.

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

**Adjustment Period** – The length of time between interest rate changes on an ARM. For example, in the case of an ARM loan with a one-year adjustment period, the interest rate may change once each year.

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

**American Land Title Association (ALTA)** – A national association of title insurance companies, abstractors, and agents. The association adopts standard policy forms.

**Amortization** – Repayment of a mortgage debt with periodic payments of both principal and interest, calculated to retire the obligation at the end of a fixed period of time.

**Annual Percentage Rate (APR)** – A term defined in section 106 of the Federal Truth in Lending Act (15 USC 1606), which expresses on an annualized basis the charges imposed on the borrower to obtain a loan (defined in the Act as “finance charges”), including interest, discounts and other costs.

**Appraisal** – An opinion or estimate of value. Also refers to the process by which a value estimate is obtained.

**Assignment** – The transfer of ownership, rights, or interests in property, as in a mortgage, lease, or deed of trust. Mortgages and other security instruments are regularly assigned from one investor to another and commitments by HUD/FHA to insure mortgages may be assigned by one originating lender to another before insurance.

**Beneficiary** – The person who is entitled to receive funds or property under the terms and provisions of a will, trust, insurance policy or security instrument. In the case of a mortgage loan, the beneficiary is the lender.

**Broker, Real Estate** – One who is licensed by the state to carry on the business of dealing in real estate. A broker is employed on a fee or commission basis to bring together buyers and sellers, landlord and tenant, or parties to an exchange, and assist in negotiating contracts between them.

**California Land Title Association (CLTA)** – A California statewide association of title insurers and underwritten title companies. The association adopts standard title policy forms.

**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.

**Certificate of Reasonable Value (CRV)** – A document that establishes the maximum value and loan amount for a VA guaranteed loan.

**Closing Costs** – The costs incurred to purchase real estate. These may include loan fees, title fees, appraisal fees, etc.

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

**Commission** – An agent’s compensation for negotiating a real estate or loan transaction, often expressed as a percentage of the selling price.

**Community Property** – A form of ownership under which property acquired during a marriage is presumed to be owned jointly unless acquired as separate property of either spouse.

## Glossary

**Contingency Clause** – A provision in some ARMs to a fixed rate loan, usually after the first adjustment period. The new fixed rate is generally set at the prevailing interest rate for fixed rate mortgages. This conversion feature may cost extra.

**Deed** – The document by which title to real property is transferred or conveyed from one party to another.

**Deed of Trust** – Type of security instrument in which the borrower conveys title to real property to a third party (trustee) to be held in trust as security for the lender, with the provision that the trustee shall reconvey the title upon the payment of the debt, and, conversely, will sell the land and pay the debt in the event of a default by the borrower.

**Deposit** – A sum of money given to (1) bind a sale of real estate, or (2) assure payment or an advance of funds in the processing of a loan. Also called Earnest Money.

**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.

**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** – A deposit made to bind the conditions of a sale of real estate.

**Easement** – A limited right of interest in land of another that entitles the holder of the right to some use, privilege or benefit over the land.

**Escrow** – The process in which a neutral third party holds money and documents for delivery to the respective parties in a transaction on performance or established conditions.

**Federal National Mortgage Association** – Commonly 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 according to Regulation Z.

**Foreclosure** – The legal process by which property is sold to satisfy an unpaid debt in the event of default on terms or payments of a mortgage.

**Good Faith Estimate (GFE)** – A document that tells borrowers the approximate costs they will pay at or before settlement, based on common practice in the locality. Under requirements of the Real Estate Settlement Procedures Act (RESPA), the mortgage banker or mortgage broker, if any, must deliver or mail the GFE to the applicant within three business days after the application is received.

**Graduated Payment Mortgage** – A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

**Grant Deed** – One of many types of deeds used to transfer real property.

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

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

**Impound Account** – An account held by a lender for the payment of taxes, insurance or other periodic debts against real property.

## Glossary

**Index** – A measure of interest rate changes used to determine changes in an ARM’s interest rate over the term of the loan.

**Joint Tenancy** – A means of ownership in which two or more persons own equal shares in real property. Upon the death of one tenant, his/her share passes to the remaining tenant(s) until title is vested in the last survivor.

**Legal Description** – A description by which real property can be definitely located by reference to surveys or recorded maps. Sometimes referred to simply as “the legal.”

**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 and the loan, expressed as a percentage of the appraised value.

**Lock-in** – A guarantee by the lender of a particular loan rate. The loan must fund before the lock expiration in order to receive the guaranteed or “locked” rate.

**Margin** – The number of percentage points the lender adds to the index rate to calculate the ARM’s interest rate at each adjustment.

**Market Value** – An appraisal term denoting the highest price that a buyer, willing but not compelled to buy, would pay, and the lowest a seller, willing but not compelled to sell, would accept.

**Mortgage Payment** – A payment that is owed to the bank/lender each month toward repayment of the loan. The amount is determined by the terms of the loan: principal, interest rate, length of the loan, and periodic adjustments, if applicable.

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

**Negative Amortization** – Occurs when monthly payments fail to cover the interest cost. The interest that isn’t covered is added to the unpaid principal balance, which means that even after several payments you may owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that aren’t high enough to cover the interest.

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

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

**PITI (Principal, Interest, Taxes and Insurance)** – The four major components of a usual monthly mortgage payment.

**PMI (Private Mortgage Insurance)** – Insurance written by a private mortgage insurance company protecting the mortgage lender against loss occasioned by a mortgage default and foreclosure. The premium is paid by the borrower and is included in the mortgage payment. Typically required if down payment is less than 20% of purchase price.

**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.

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

## Glossary

**Preliminary Report** – A report prepared prior to issuing a policy of title insurance that shows the ownership of a specific parcel of land, together with the liens and encumbrances thereon which will not be covered under a subsequent Title Insurance Policy.

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

**Pre-Qualification Letter** – A letter that states a potential borrower's financial status to determine the size and type of mortgage available to him/her.

**Principal** – (1) The amount of debt, not including interest. (2) The person who is served by an agent or attorney.

**Processing (or Origination) Fees** – Fees that cover the administrative cost of processing the loan. These charges vary from lender to lender.

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

**Proration** – The method used in dividing charges into that portion which applies only to a party's ownership up to a particular date.

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

**Reconveyance** – The conveyance to the landowner of the title, held by a trustee under deed of trust, when the performance of the debt is satisfied.

**Recordation** – Involves filing for record in the office of the County Recorder for the purpose of giving constructive notice of title, claim or interest in real property.

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

**Statement of Information (SI)** – A confidential form filled out by buyer and seller to help a title company determine if any liens are recorded against either party. It is necessary to differentiate between parties with similar names. Also called a Statement of Identity.

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

**Title Insurance Policy** – A policy that protects the purchasers, mortgagee or other parties against losses.

**Uniform Settlement Statement** – The Standard HUD Form 1 required to be given to the borrower, lender and seller at, or prior to, settlement.

**VA Loan** – A loan that is guaranteed by the Veteran's Administration and made by a private lender.

**Vesting** – Denotes the manner in which title is held. Examples of common vestings are: Community Property, Joint Tenancy, Tenancy in Common, and Community Property with Right of Survivorship.

## Down Payment Worksheet

Here's a quick way to determine if you have the down payment you need:

### Sources Of Available Funds

Equity In Current Home -----	+	<input style="width: 100%;" type="text"/>
Savings Accounts -----	+	<input style="width: 100%;" type="text"/>
Investments -----	+	<input style="width: 100%;" type="text"/>
Insurance (Cash Value) -----	+	<input style="width: 100%;" type="text"/>
Other Funds (Such As Cash Gift)-----	+	<input style="width: 100%;" type="text"/>
<b>Total Available Funds</b> -----	=	<input style="width: 100%;" type="text"/>
Subtract "Rainy Day" Funds Or Amount You Need To Keep In Your Savings Account-----	-	<input style="width: 100%;" type="text"/>
<b>Adjusted Total Funds Available</b> -----	=	<input style="width: 100%;" type="text"/>

### Estimated Expenses

Settlement Costs (Estimate About 5% Of Loan Amount) -----	+	<input style="width: 100%;" type="text"/>
Moving Costs -----	+	<input style="width: 100%;" type="text"/>
Move-in Improvements (Such As Landscaping, New Drapes, Paint, etc.) -----	+	<input style="width: 100%;" type="text"/>
Other Estimated Expenses -----	+	<input style="width: 100%;" type="text"/>
<b>Total Estimated Expenses</b> -----	=	<input style="width: 100%;" type="text"/>

### Down Payment

Adjusted Total Funds Available -----		<input style="width: 100%;" type="text"/>
Subtract Total Estimated Expenses -----	-	<input style="width: 100%;" type="text"/>
<b>Estimated Amount Available For Down Payment</b> -----	=	<input style="width: 100%;" type="text"/>

Note: This worksheet has been prepared to assist you in computing a down payment, but is not guaranteed as your lender may suggest other methods of calculating.

# Mortgage Comparison Worksheet

Use this worksheet to compare your financing options:

Property: \_\_\_\_\_ Price: \_\_\_\_\_

	OPTION 1	OPTION 2	OPTION 3
<b>Mortgage Type</b>			
<b>Rate %</b>			
<b>Term</b>			
<b>Down Payment \$</b>			
<b>Mortgage Amount \$</b>			
<b>Monthly Principal &amp; Interest \$</b>			
<b>Monthly Association Dues \$</b>			
<b>Private Mortgage Insurance (PMI) \$</b>			
<b>Monthly Homeowner's Insurance \$</b>			
<b>Monthly Taxes \$</b>			
<b>Total Monthly Payment \$</b>			
<b>Buyer's Estimated Monthly Income \$</b>			
<b>*Total Monthly Payment = 28%</b>			
<small>*Total monthly payment shouldn't exceed 28% of monthly gross income.</small>			





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