



Homebuyer's Handbook



PLACER TITLE COMPANY
A MOTHER LODE COMPANY

WWW.PLACERTITLE.COM

Placer, Putting People First.

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 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, North Idaho Title, Montana Title and Escrow, Wyoming Title and Escrow, Targhee National Title, 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

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Customer Service

Welcome and thank you for choosing Placer Title Company. We understand that purchasing a home can be both exciting and stressful. At Placer Title Company, we have been working with buyers since 1973, so you can rest assured that your transaction is being handled with experience and care.

TAKE A LOOK

For your convenience, Placer Title Company has created this Homebuyer's Handbook to assist you during your transaction with PTC. We suggest that you carefully read through this booklet, paying special attention to the following sections:

- ▶ The Purchase Process
- ▶ Understanding the Escrow Process
- ▶ Supplemental Real Property Taxes
- ▶ Your Appointment to Sign Documents
- ▶ Methods of Holding Title
- ▶ Helpful Reminders & Sources of Assistance

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.

Realtor®: _____

Phone: _____

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 North Idaho Title, Montana Title and Escrow, Wyoming Title and Escrow, and Targhee National Title 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 to locate one of our 60+ Northern California locations.

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Finding Your Dream Home

Finding the perfect home starts with determining exactly what you are looking for, and also what you can realistically afford. Your Realtor® and lender will work with you to accomplish both of these goals, but the worksheet below can help you get your home search off to the right start. Good luck!

In what areas are you interested in purchasing a home? (City/Zip)

Please complete the following:

Desired Square Footage

Bed/Bath Minimums

Age of Home Desired

Number of Stories

Are there any other special features that you would like?

Please check all the features that you desire:

- Basement
- Fireplace
- Central Heating/Air
- Wood Floors
- Gated Community
- Laundry Room
- Office/Den
- Swimming Pool
- Spa/Hot Tub/Sauna
- Attached Garage
- City View
- Water View
- Mountain View
- Golf Course
- Senior Community
- One Story
- Two Story
- Storm Windows
- Separate Dining Room
- Backyard Patio
- Landscaping

Your Realtor® can assist you in narrowing your dream home search!



Dream Home Finder Notes



Please use this page to keep notes of the homes that you have toured with your Realtor®. You may photo copy this page to make notes on more than 4 properties.

1

Address: _____

MLS #: _____

Likes: _____

Dislikes: _____

2

Address: _____

MLS #: _____

Likes: _____

Dislikes: _____

3

Address: _____

MLS #: _____

Likes: _____

Dislikes: _____

4

Address: _____

MLS #: _____

Likes: _____

Dislikes: _____

Selecting a Realtor®

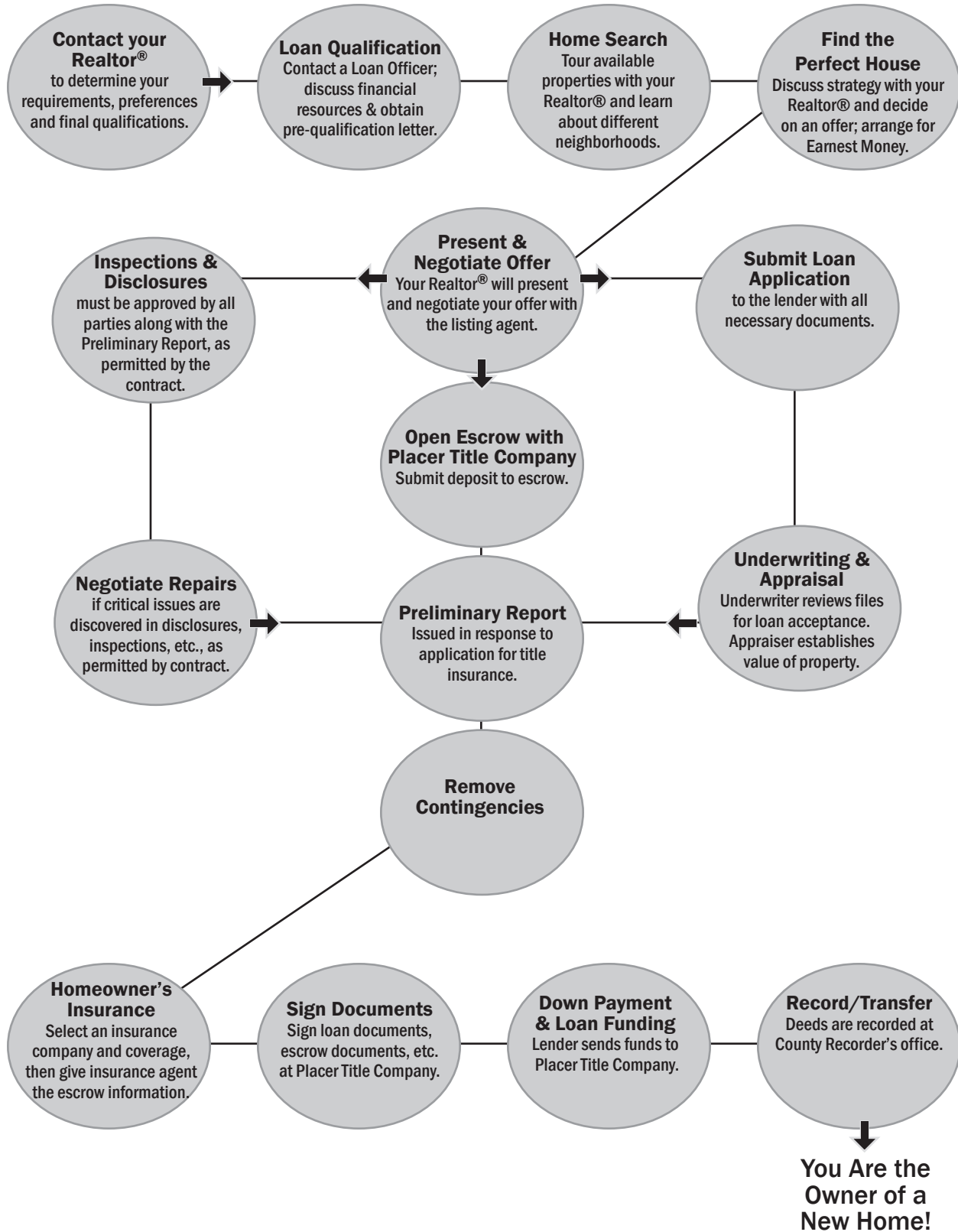
Most people do not buy or sell a home - or other real estate - without the support of a licensed real estate agent. The few who decide to look for a home on their own put themselves at a disadvantage. They may not know the local market or may not have the experience required to write a contract. Only real estate professionals have access to the Multiple Listing Service (MLS), a computerized listing of homes for sale. So, before you start house hunting, start shopping for a licensed real estate professional.

Your Real Estate Professional Should Be:

- ▶ Knowledgeable about your marketplace, with a reputation for honest dealings
- ▶ Associated with a reputable real estate firm
- ▶ Backed by professional marketing management
- ▶ Aware of the complicated local and state property requirements that may affect your rights of ownership
- ▶ Willing to cooperate with all brokers to get the best price for you in your market
- ▶ Successful in multi-party, face-to-face negotiating
- ▶ Skilled in acting as an intermediary between you and the seller



The Purchase Process



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 these terms are carried out.

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 to determine the status of the title to the property
- ▶ 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 borrower and 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. Please refer to page 14 for helpful reminders related to your signing appointment at Placer Title Company.

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**
 - ▶ Application interview
 - ▶ Lender obtains all pertinent documents to avoid delays
 - ▶ The lender opens the transaction with Placer Title Company
- 2 Order Documents**

Within 24 hours of the application, the lender will request:

 - ▶ Credit report, appraisal of property, verification of employment, mortgage or landlord ratings, funds to close
 - ▶ Preliminary Report and a Preliminary Good Faith Estimate of your costs and loan details from Placer Title Company
 - ▶ Picture ID, W2s (2 years), a Certificate of Eligibility, DD214 (VA only), and any other necessary supporting documentation
- 3 Loan Submission**
 - ▶ Loan package is assembled by the Loan Officer and submitted to the underwriter for approval
- 4 Loan Approval**
 - ▶ Generally takes 24-72 hours
 - ▶ Parties are notified of approval and conditions to the loan
- 5 Documents Prepared by the Lender**

Within 1-3 days after loan approval

 - ▶ Loan documents are completed and sent to Placer Title Company
 - ▶ Borrower is notified of how much money is necessary to close the loan
 - ▶ Borrower will come to Placer Title Company to sign all final documents
- 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
 - ▶ Escrow is officially closed

Closing Costs

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

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 preparing 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. (See page 11 for chart.)

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.

Please refer to the following 2 pages to better determine what costs you might be responsible for.

Who Pays What in Your County?

County	Escrow Charges	Title Fees (Owner's Policy)	County Transfer Tax (per thousand)	City Transfer Tax (per thousand)
Alameda	Buyer pay	Buyer pay	Seller pay \$1.10 Except in the City of Alameda Buyer-Seller 50/50	Buyer-Seller 50/50 Alameda \$5.40 Albany \$11.50 Berkeley \$15.00 Hayward \$4.50 Oakland \$15.00 Piedmont \$13.00 San Leandro \$6.00
Alpine	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
Amador	Buyer-Seller 50/50	Buyer pay	Buyer-Seller 50/50 \$1.10	None
Calaveras	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
Contra Costa	Buyer pay	Buyer pay	Seller pay \$1.10	Buyer-Seller 50/50 Richmond \$7.00
El Dorado	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
Fresno	Buyer-Seller 50/50	Seller pay	Seller pay \$1.10	None
Madera	Buyer-Seller 50/50	Seller pay in Valley Area; Buyer-Seller 50/50 in Mountain Area	Seller pay \$1.10	None
Marin	Buyer pay	Buyer pay	Seller pay \$1.10	Seller pay San Rafael \$3.10
Mendocino	Buyer pay	Buyer pay	Seller pay \$1.10	None
Merced	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
Monterey	Seller pay	Seller pay	Seller pay \$1.10	None
Napa	Buyer pay	Buyer pay	Seller pay \$1.10	None
Nevada	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
Placer	Buyer-Seller 50/50	Seller pay, except in Tahoe City 50/50	Seller pay \$1.10	None
Sacramento	Seller pay	Seller pay	Seller pay \$1.10	Buyer-Seller 50/50 Sacramento \$2.75
San Francisco	Buyer pay	Buyer pay	Seller pay \$1.10	Seller pay \$100,00-\$250,000 \$3.90 \$250,000-\$1,100,00 \$5.70 \$1,100,000 and up \$6.40
San Joaquin	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
San Mateo	Buyer pay	Buyer pay	Seller pay \$1.10	Buyer-Seller 50/50 San Mateo \$5.00
Santa Clara	Seller pay	Seller pay	Seller pay \$1.10	Buyer-Seller 50/50 Palo Alto \$3.30 Mountain View \$3.30 San Jose \$3.30
Santa Cruz	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
Shasta	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
Solano	Buyer pay	Buyer pay	Seller pay \$1.10	Seller pay Vallejo \$3.30
Sonoma	Buyer pay	Buyer pay	Seller pay \$1.10	Seller pay Cloverdale \$1.10 Cotati \$1.90 Petaluma \$1.15 Rohnert Park \$1.10 Santa Rosa \$2.00 Sebastopol \$2.00
Stanislaus	Buyer-Seller 50/50	Seller pay	Seller pay \$1.10	None
Tehama	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
Trinity	Buyer-Seller 50/50	Buyer-Seller 50/50	Seller pay \$1.10	None
Yolo	Buyer-Seller 50/50 in Woodland Buyer pay in Davis Seller pay in West Sacramento	Seller pay in Woodland Buyer pay in Davis Seller pay in West Sacramento	Seller pay \$1.10	Seller pay Winters \$0.55 Woodland \$2.20
Yuba/Sutter	Seller pay	Seller pay	Seller pay \$1.10	None

Closing Costs are allocated between buyer and seller on the basis of tradition, but are subject to negotiation in the sale of the real property.

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>1st Installment 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>2nd Installment 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

What is it?

The Supplemental Real Property Tax Law was signed by the Governor of California in July of 1983 and is part of an ambitious drive to aid California's schools. It is expected to produce over \$300 million per year in revenue to aid California's schools.

Who does it Affect?

Supplemental property taxes only affect those individuals who are initiating new construction or buying property. Once the construction or purchase is complete, the new owner will receive the Supplemental Property Taxes bill, which will become a lien against the property.

All supplemental taxes are payable in two equal installments and are typically not prorated in escrow. Your lender's impound account does not provide for additional supplemental taxes as they are not pro-rated in escrow, unless there is an unpaid supplemental bill outstanding at the time escrow closes.

When will the Bill Come?

Once you have closed escrow on your property, the assessor may appraise the property. You can be billed in as few as three weeks or it could take more than six months. Timing will depend upon the individual county workload of the County Assessor, the County Controller/Auditor and the County Tax Collector. At that time, you will have the opportunity to discuss your valuation, apply for a Homeowner's Exemption, and be informed of your right to file an Assessment Appeal, which disputes the new tax valuation.

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.



Withholding on California Real Estate

What is Withholding?

Real Estate withholding is a prepayment of state income taxes for sellers of California real estate. The California Real Estate withholding law was implemented in January of 2003 and updated in January of 2007. Sellers subject to withholding by the Franchise Tax Board include all individuals (residents and non-residents). This withholding also applies to certain non-individuals with a last known street address outside California.

In California all transferees (buyers) are required to withhold $3\frac{1}{3}\%$ of the total sales price unless exempt by reasons listed below. The amount withheld will be held in trust for the State of California according to the law.

Reasons for Exemption from this Law

Effective in 2003 and updated in 2007, $3\frac{1}{3}\%$ of the total sales price is required to be withheld unless:

- 1 The property sales price is less than \$100,000;
- 2 The property is the principal residence of an individual transferor;
- 3 The transferor is an exempted non-individual which includes a corporation with a permanent place of business in California immediately after the transfer, a partnership or LLC (excepting single member LLCs), a tax exempt entity, insurance company, IRA or qualified pension plan, irrevocable trust with a California trustee, estate with a California decedent, or a bank, including a bank acting as a fiduciary for a trust;
- 4 The property is transferred to a corporate beneficiary by foreclosure or deed in lieu;
- 5 The property is transferred by an individual and will be replaced in a "Like-Kind" exchange pursuant to IRC Section §1031, but withholding is required as to any "boot";
- 6 An individual as an involuntary conversion transfers the property with the intent to acquire eligible replacement property;
- 7 An individual transferor certifies under penalty of perjury that the transaction will result in a loss for California income tax purposes; or
- 8 An election is made to withhold on the actual calculated gain of sale as follows: 9.3% individuals, 8.84% corporation or 10.84% bank and financials.

The new law only allows for reduced withholding requested for waivers from non-individuals. For answers to questions specific to your transaction, please contact your local Placer Title Company branch office.

Your Appointment to Sign Documents

Below is a list of items that you will need at your appointment to sign escrow papers.

Cashier's Check

Obtain a cashier's or certified check made payable to Placer Title Company in the amount indicated by your Escrow Officer. A personal check will delay the closing since Placer Title is required by law to verify good funds before disbursing funds from escrow.

Identification

There are several acceptable forms of identification that may be used during the escrow process. These include:

- A current driver's license
- Passport
- State of California Department of Motor Vehicles ID Card

One of these forms of identification must be presented at the signing of escrow for the signature to be notarized.

Lender's Requirements

You must satisfy your lender's requirements prior to closing.

Fire & Hazard Insurance/Homeowner's Insurance

Your lender will require that the first year of fire and hazard insurance premiums be paid into escrow. If you are purchasing a townhouse, check with your Realtor® to see if your insurance is paid through homeowner's dues. Provide your Escrow Officer the insurance agent's name and phone number so a copy of the policy can be forwarded to the lender.

Title to Your Home

Decide how you wish to hold title to your new home. You may refer to the chart on the following page. Consult a lawyer, tax consultant or other qualified professional if you have questions.

Methods of Holding Title

	Community Property	Community Property w/Right of Survivorship	Joint Tenancy	Tenancy in Common	Partnerships	Trust Arrangements
Parties	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.
Division	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.
Title	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).
Possession	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.
Conveyance	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.
Death	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.
Successor Status	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.
Creditor's Rights	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.
Presumptions	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.

Understanding Title Insurance

The Title Process

Placer Title Company performs a thorough and vigorous search of public records to eliminate any risks that may affect the title to a property. When the title search is complete, Placer Title Company issues a **Preliminary Report**.

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. They are intended to provide you 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 your Title Insurance Policy that will cover against such problems.

Why do I Need Title Insurance?

Many homeowners assume that when they purchase a piece of property that possession of a deed to the property is all they need to prove ownership. This is not true. You and 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. A property owner's greatest protection is an Owner's Title Insurance Policy. Your lender will also seek protection with 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 you against loss under terms of the policy. Prior to closing, Placer Title Company carefully examines public records 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 acquired. Unrecorded liens may surface, missing heirs may claim the property, or taxes might have been unpaid. The Owner's Title Insurance Policy protects the new owner by providing legal and financial redress against you, the owner. It is important to purchase the Owner's Title Insurance Policy because the Mortgagee Policy only protects the lender.

What Protection will I Receive from my Title Policy?

A Title Insurance Policy pays for legal fees in defense of a claim against property covered under your policy. It also contains provisions for indemnification against losses that result from a claim. **The title insurance premium is paid at the close of escrow and no additional premiums are paid as long as you own the property.**

A Comparison of Title Policies

Coverage: Subject to your policy's exceptions, exclusions, conditions and stipulations.	CLTA & ALTA Owners w/Regional Exceptions	ALTA "R" w/ Regional Exceptions	CLTA Homeowner's Policy
1 Someone else owns an interest in your property	Yes	Yes	Yes
2 A document is not properly executed	Yes	Yes	Yes
3 Forgery, fraud or duress	Yes	Yes	Yes
4 Defective recording of any document	Yes	Yes	Yes
5 There are restrictive covenants	Yes	Yes	Yes
6 There is a lien on your title because there is:			
▶ a deed of trust	Yes	Yes	Yes
▶ a judgment, tax or special assessment	Yes	Yes	Yes
▶ a charge by homeowner's association	Yes	Yes	Yes
7 Title is unmarketable	Yes	Yes	Yes
8 Mechanic's lien protection	No	Yes	Yes
9 Forced removal of structure because it:			
▶ Extends onto other land or onto an easement	No	Yes	Yes
▶ Violates a restriction in Schedule B	No	Yes	Yes
▶ Violates an existing zoning law	No	Yes	Yes
10 Can't use land for a single family dwelling because the use violates a restriction in Schedule B or a zoning ordinance.	No	Yes	Yes
11 Pays rent for substitute land or facilities	No	Yes	Yes
12 Unrecorded lien by a homeowner's association	No	Yes	Yes
13 Unrecorded easements	No	Yes	Yes
14 Rights under unrecorded leases	No	Yes	Yes
15 Enhanced continuing coverage	No	No	Yes
16 Building permit violations	No	No	Yes
17 Compliance with Subdivision Map Act	No	No	Yes
18 Restrictive covenant violations	No	No	Yes
19 Forgery occurring after policy date	No	No	Yes
20 Encroachment occurring after policy date	No	No	Yes
21 Damage from minerals or water extraction occurring after policy date	No	No	Yes
22 Coverage continues after transfer to your Living Trust	No	No	Yes
23 Enhanced access, vehicular and pedestrian	No	No	Yes
24 Attached map not consistent with legal description	No	No	Yes
25 Potential increase in policy limit up to 150% due to inflation	No	No	Yes
26 Adverse possession occurring after policy date	No	No	Yes
27 Cloud on title occurring after policy date	No	No	Yes
28 Prescriptive easement occurring after policy date	No	No	Yes
29 Covenant violation resulting in reversion	No	No	Yes
30 Boundary, walls and fence encroachment	No	No	Yes
31 Violations of building setbacks	No	No	Yes

The additional coverage is subject to a deductible and a maximum indemnity liability, which may be less than the policy amount. For more details on all coverages, including the coverages outlined above, please refer to the terms of the policy itself. Copies are available from your local Placer Title Company office. The CLTA Homeowner's and the ALTA "R" are designed for issuance on certain subdivided residential properties and are not available for all properties. Check with your title representative for availability.

Helpful Reminders & Sources of Assistance

Paying Off Your Existing Loans

Unless the buyers assume an existing loan on the property, all loans must be paid off at the close of escrow. The seller must furnish complete debt information to the Escrow Officer and Realtor®. The seller must be prepared to provide the name, the loan number, and address and phone number of each lender. The Escrow Officer will need this information to order a loan payoff demand and subsequently pay off the loan or other encumbrances.

Homeowner's Association information may also be required if you are selling a condominium, townhouse or property located in a planned unit development. All of this information will help assure a timely closing of the escrow.

Transferring Escrow Funds

If you wish to transfer or wire transfer funds to another escrow, bank or investment account, arrangements must be made in advance with your Escrow Officer.

Power of Attorney

In the event that you wish to use a Power of Attorney, arrangements must be made one to two weeks in advance with the Escrow Officer. If Placer Title does not draft the Power of Attorney, our legal staff must approve it. These arrangements should be made as early as possible.

Identification

Please bring appropriate identification with you to Placer Title Company so the Notary Public can verify your identity. There are several acceptable forms of identification that may be used. These include:

- ▶ A current driver's license
- ▶ Passport
- ▶ State of California Department of Motor Vehicles ID Card

Tax Deferred §1031 Exchange

If the property you are selling is an investment property and the proceeds from the sale are going to be used to purchase other "Like-Kind" investment real estate, you should consider a tax-deferred exchange. Exchanging is an Internal Revenue Service (IRS) recognized approach to the deferral of capital gains taxes. The IRS recognizes the use of an Accommodator or Qualified Intermediary throughout your transaction as a Safe Harbor.

To accurately approach an exchange, become familiar with the rules and regulations underlying such a tax-deferred or tax free transaction. We suggest you see your tax lawyer or tax professional. For further information contact NCS Exchange Professionals at (866) 873-1031 or on the internet at www.NCS1031.com.

Personal Moving Reminder Checklist

Before Your Move...

- Post Office: Give forwarding address
- Change accounts, credit cards
- Subscriptions: Notice requires several weeks
- Friends and relatives

Bank

- Transfer funds, arrange check-cashing in a new city
- Obtain cashier's check necessary for closing real estate transactions; be sure to ask your bank if this check is drawn on a California institution

- Arrange credit references

Insurance

- Notify company of new location for coverages: Life, Health, Fire and Auto

Utility Companies

- Gas, light, water, telephone, fuel
- Get refunds on any deposits made

Delivery Service

- Laundry, newspaper, milk: changeover of services

Medical Histories

- Ask doctor and dentist for referrals; transfer needed prescription, eyeglasses, X-rays. Obtain birth records, medical records, etc.

Church, Club, Civic Organizations

- Transfer memberships; get letters of introduction

Pets

- Ask about regulations for licenses, vaccinations, tags, etc.

More Helpful Dos...

- Empty freezer; plan use of foods
- Defrost freezer and clean refrigerator; place charcoal to dispel odors
- Have appliances serviced for moving
- Remember arrangements for TV and antenna
- Clean rugs or clothing before moving; have them moving wrapped
- Check with your Moving Counselor: insurance coverage, packing and unpacking labor, arrival day, various shipping papers, method and time of expected payment
- Plan for special care needs of infants

The Big Day...

- Carry enough cash or traveler's checks to cover cost of moving services and expenses until you make banking connections in new city
- Carry jewelry and documents yourself, or use registered mail
- Plan for transporting pets; they are poor traveling companions if unhappy

- Carry traveler's checks for quick available funds
- Let close friend or relative know route and schedule you will travel, including overnight stops; use them as message headquarters
- Double check closets, drawers, shelves to be sure they are empty
- Leave all old keys needed by new tenant or owner with Realtor® or neighbor

Then... At Your New Home

- Check on service of telephone, gas electricity, and water
- Check pilot light on stove, hot water heater, incinerator, and furnace
- Have appliances checked
- Ask Mailman for mail he may be holding for your arrival
- Have new address recorded on driver's license
- Visit city offices and register for voting
- Register car within five days after arrival in state or a penalty may have to be paid when getting new license
- Register family in your new place of worship
- Register children in school
- Arrange for medical services: doctor, dentist, etc.

Glossary

These definitions are to acquaint the homebuyer 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.

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.

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.

Glossary

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.

Private Mortgage Insurance (PMI) – 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.

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.



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