

BUYER GUIDE TO TITLE & ESCROW IN CALIFORNIA.

TABLE OF CONTENTS

Advantages of Home Ownership.....	3
Finding the Right Agent.....	4
The Home Buyer Question & Answer Guide.....	5-7
Life of an Escrow.....	8
Life of a Title Search.....	9
The Role of the Title Company in Real Estate Transactios.....	10
Common Ways of Holding Title to Real Property.....	11-12
The Loan Process.....	13
What do We Pay.....	14
Tax Calendar Year.....	15
Moving Day Checklist.....	16
Glossary.....	18-20

A Place Of Your Own

Your home is your castle, as the old saying goes. A home is a place to call your own. Perhaps you are ready to settle down and want the feeling of permanence and involvement that comes with owning your own home. Perhaps you need more living space. Or maybe you want more freedom than you have in a rental unit to adapt your living space to your needs.

Financial Incentives

For many people, the motivation for home ownership is primarily financial. Owning your own home is a first-rate investment for a number of reasons:

- **Scheduled Savings** - When you buy a house, mortgage payments serve as a type of scheduled plan. Over time, you accumulate 'equity', an ownership interest in the property that you can often borrow against or convert into cash by selling the house.
- **Stable Housing Costs** - Rents typically increase year after year, the principal and interest portion of most mortgage payments remain unchanged throughout the entire payment period.
- **Increased Value** - Houses typically increase in value, or 'appreciate' over time. The increased value is as good as money in the bank to the home owner.
- **Tax Benefits**- Interest paid on a home mortgage is usually deductible- this is a tax advantage not available to renters.



FINDING THE RIGHT AGENT



Since the commission for the sale of the house is usually paid by the seller, buyers are able to get assistance and information from professional real estate agents at no cost. It is for this reason that the vast majority of home buyers employ the services of an agent. In addition, since most houses are listed by real estate agencies, it gives them the maximum number of available properties to consider. The relationship between a home buyer and their agent must be based on trust, mutual goals (to get you the house that best suits your needs) and understanding. To a large degree, the home buyer entrusts their agent to keep their interest first and foremost. It is important that you understand who the agent with whom you are working represents.

WHAT TO LOOK FOR IN AN AGENT

- An understanding of your needs .
- A willingness to work with you until your needs are fulfilled .
- A sense of professionalism .
- Someone who is dedicated to their profession .
- A familiarity with the area in which you have an interest .
- Professional designations: such as GRI (Graduate of the Realtors® Institute), or CRS (Certified Residential Specialist).
- Strong references from previous buyers .

QUESTIONS TO ASK AN AGENT

- How long have you been in real estate?
- Are you a full-time agent?
- Are you familiar with the area in which we want to look?
- How many home sales did you facilitate last year?
- What is the average selling price of the houses you sold last year?
- Do you normally work with sellers or buyers?
- How many buyers are you presently working with? How many sellers?
- Where do you feel your strengths lie?
- Please give me contact information for 3 buyers that you have recently worked with .

WHAT IS AN ESCROW?

Buyers and sellers of a piece of property establish terms and conditions for the transfer of ownership of the property. These terms and conditions are given to a third party known as the escrow holder. In turn, the escrow holder has the responsibility of seeing that terms of the escrow are carried out. The escrow is an independent neutral account and the vehicle by which the mutual instructions of all parties to the transaction are complied with.



HOW DOES THE ESCROW PROCESS WORK?

The escrow is a depository for all monies, instructions and documents necessary for the purchase of your home, including your funds for down payment and your lender's funds and documents for the new loan. Generally, the buyer deposits a down payment with the escrow holder and the seller deposits the deed and any other necessary documents with the escrow holder. Prior to the close of escrow the buyer deposits the balance of the funds required and agreed upon by the parties with the escrow holder. The buyer instructs the escrow holder to deliver the monies to the seller when the escrow holder:

- Forwards the deed to the title company for recording .
- Is notified by the title company that a policy of title insurance can be issued showing title to the property is vested in the name of the buyer.

The escrow holder thus acts for both parties and protects the interests of each within the authority of the escrow instructions. Escrow cannot be completed until the terms and conditions of the instructions have been satisfied and all parties have signed escrow documents. The escrow holder takes instructions based on the terms of the purchase agreement and the lender's requirements.

HOW DO I OPEN AN ESCROW?

Typically, your real estate agent will open the escrow for you. As soon as you execute your purchase agreement/joint escrow instructions, your agent will place your initial deposit into an escrow account with a closing company such as Pacific Coast Title Company. Escrow amendments will be drawn to define all the conditions which must occur before the transaction can be finalized. Your purchase agreement/joint escrow instructions represent your written statement to the escrow holder. They will also require that title insurance be provided for the protection of your new home.

HOW WILL I KNOW WHERE MY MONEY HAS GONE?

Written evidence of your deposit is generally included in your copy of the purchase agreement/joint escrow instructions. Your funds will then be deposited in a separate escrow or trust account and processed through a local bank.

WHAT INFORMATION WILL I HAVE TO PROVIDE?

Confidential Statement of Identity- You will be asked to complete a Confidential Statement of Identity as part of the necessary paperwork. This is used to identify the specific person in the transaction through their date of birth, social security number, etc.

Lender Information - Provide the escrow holder with your lender contact information as soon as possible.

Hazard/Fire Information - Be sure to order your hazard/fire insurance once your loan is approved. Call your escrow holder with the agent's name and phone number so that they can make sure the policy complies with your lender's requirements.

Title to Home - Decide how you wish to hold title to your home. See the chart on page 11 for guidance. The escrow holder will need this information in order to prepare the grant deed. We suggest that you consult an attorney, tax advisor, or other qualified professional before you decide.



WHEN DO I SIGN THE LOAN DOCUMENTS?

Generally, your escrow instructions will be mailed to you for completion and signature. You will be contacted to set an appointment to sign the final loan papers. At this time, the escrow holder will also tell you the amount of money you will need (in addition to your loan funds) to purchase your new home. The lender will send your loan funds directly to the title company.

WHAT DO I NEED BEFORE MY APPOINTMENT TO SIGN LOAN DOCUMENTS?

Cashier's Check- Obtain a cashier's check made payable to your escrow/title company in the amount indicated to you by the escrow officer.

Lender's Requirements- Make sure you are aware of your lender's requirements and that you have satisfied these requirements before you come to the escrow company to sign your papers. Your loan officer or real estate agent can help you.

Identification -You will need a valid state identification card, driver's license, or passport in order for the notary public to verify your identity.

WHEN WILL I RECEIVE THE GRANT DEED?

The original deed to your home will be mailed directly to you at your new home by the county recorder's office. It may take several weeks, perhaps longer, depending on the county recorder's volume.

WHAT'S THE NEXT STEP AFTER I'VE SIGNED THE CLOSING DOCUMENTS?

The escrow holder will return the documents to the lender for final review. This review usually occurs within a few days. After the review is completed, the lender is ready to fund your loan and informs the escrow holder.

HOW LONG IS AN ESCROW?

The length of an escrow is determined by the terms of the purchase agreement/joint escrow instructions and can range from a few days to several months.

HOW DOES THE LOAN PROCESS WORK?

Your real estate agent can provide you with current financing information to help you in selecting a lender. The lender might be a bank, savings and loan, or a mortgage company. You will be required to complete a loan application, and provide personal and financial information.

WHAT HAPPENS AFTER I SUBMIT THE LOAN APPLICATION?

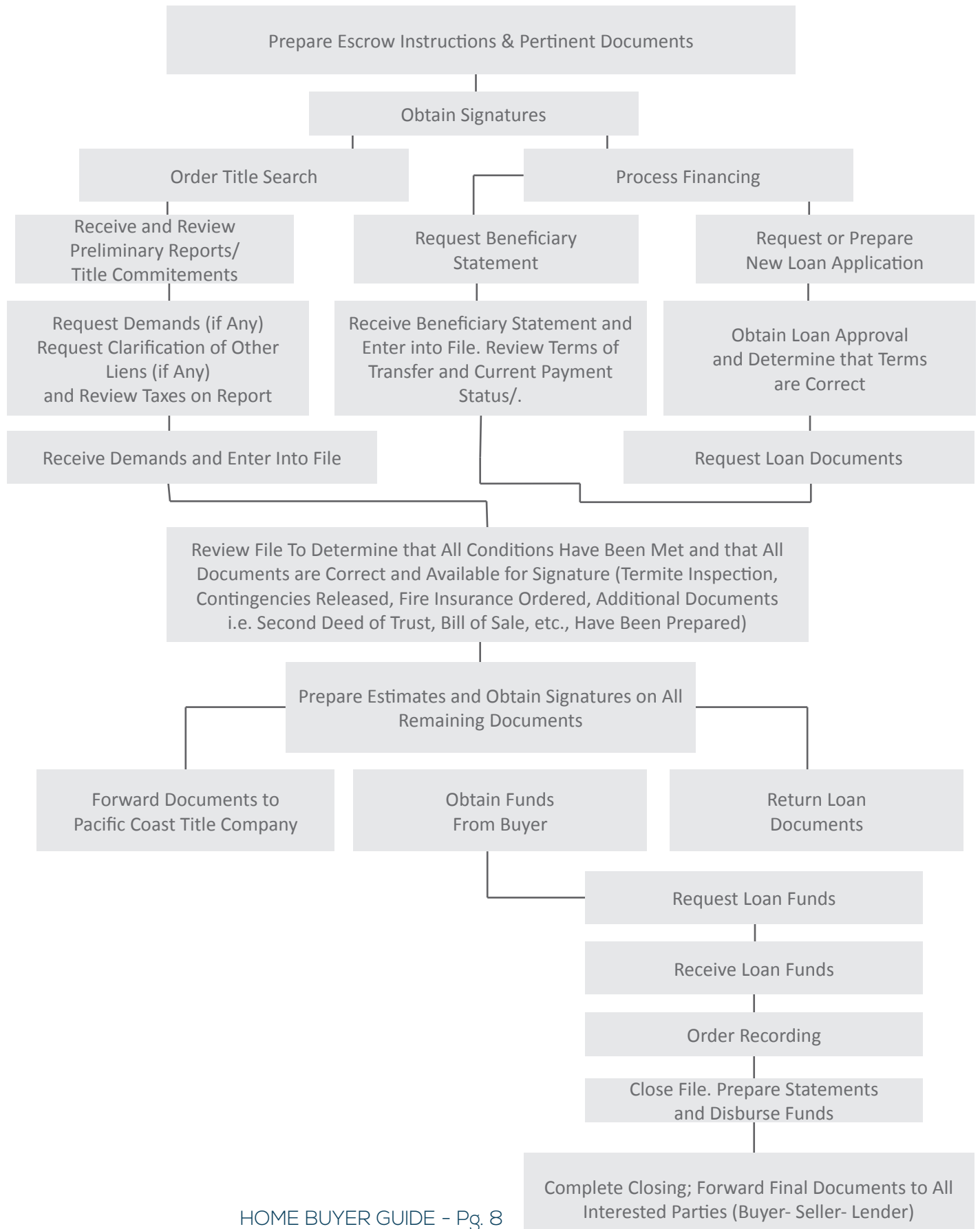
The lender will begin the qualification process, including verification of information submitted on the application and appraisal of the property. The lender will require that you obtain fire/hazard insurance if you are purchasing a detached home. A condo or townhouse may already have a master hazard policy, so check with your real estate agent. Also check with your insurance agent in regards to additional coverage for your personal property. The lender will also require that you obtain title insurance and may have other requirements that must be met before the close of escrow.

WHEN THE LOAN IS APPROVED, WHAT'S NEXT?

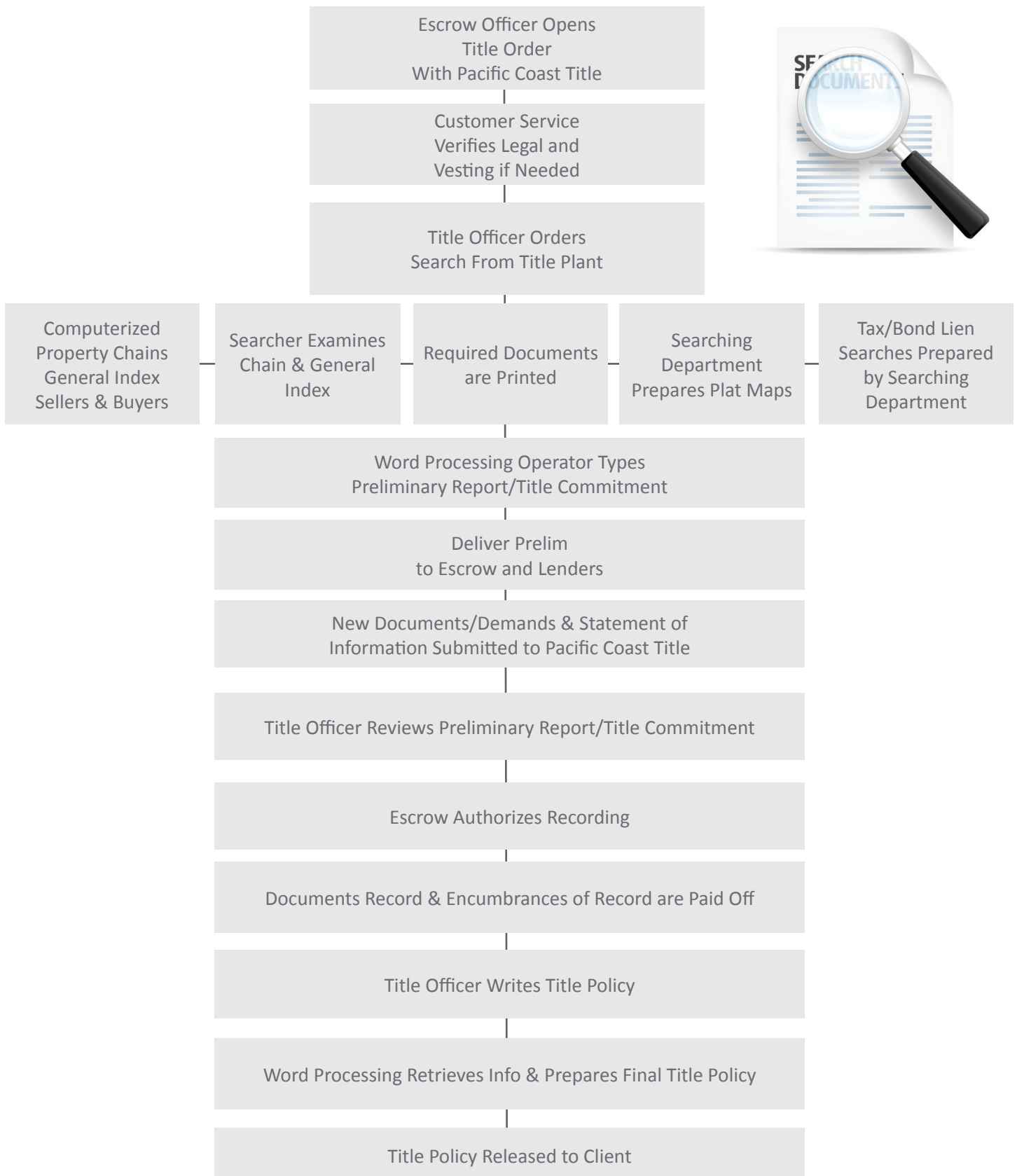
The close of escrow is the culmination of the transaction, and signifies the legal transfer of title from the seller to the buyer. Approximately three days before the scheduled close of escrow, the loan documents are executed by the buyer. The new lender usually requires 24-72 hours to review the final executed documents. After the review period the new lender wires the loan funds to the title company. Escrow collects the remainder of the buyer's down payment and closing costs at the time of document execution so that they are in a position to close escrow within the new lender's time frame. When loan funds are wired, the file is then set up to 'record'. This is the legal transfer of title from the seller to the buyer and usually occurs the day following the wiring of funds. Once title has been transferred to the buyer, the escrow holder will handle all the final accounting and issuance of official closing statements and any remaining proceeds to all parties the seller or buyer meeting a predetermined condition. the property. The price and terms of the purchase must be set forth for the option to be valid. The option may run for the length of the lease or only for a portion of the lease period.



LIFE OF AN ESCROW



LIFE OF A TITLE SEARCH



THE ROLE OF THE LITTLE TITLE COMPANY IN REAL ESTATE TRANSACTIONS

A Home designed to meet the individual needs of the family is a wonderful experience, but before the buyers actually get their dream home, they will run headlong into dozens of home ownership details.



The purchase of a home may prove to be the largest single financial investment many people may make in their lifetime; therefore, the importance of fully protecting such an investment cannot be overstressed.

A basic home ownership protection essential to the security of the home is safe, sound, reliable title insurance.

BUT WHAT IS TITLE INSURANCE?

It is the application of the principals of insurance to risks which are present in all real estate transactions. These risks are divided into two main categories: Hidden hazards which cannot be detected in the examination of title and human errors which will always be with us.

Examples of hidden hazards are FORGERY, INCOMPETENCE OF GRANTOR OR MORTGAGOR, UNKNOWN HEIRS, FRAUD, IMPERSONATION, etc.

Title insurance differs from other types of insurance by protecting against future losses rising out of events that have happened in the past. There are no annual premiums. One premium, based on the amount of the sale or mortgage, is paid when the policy is issued and is good for the life of the policy.

A mortgage policy, insuring the lender, stays in effect until the loan is paid off. And owner's policy, insuring the buyer, is good as long as the owner or owner's heirs own the property.

Initially, the title company will search and examine the public land records to investigate information surrounding title to the property. The facts revealed by the search will determine:

- That the seller is, in fact, the legal owner of the property.
- That the "estate" or degree of ownership being sold is currently and accurately vested in the seller.
- The presence of any unsatisfied mortgages; judgments or similar liens which must be satisfied before "clear title" can be conveyed.
- Existing restrictions, easements, rights of way or other rights granted to others who are not owners which may limit the right of ownership.
- Existing restrictions, easements, rights of way or other rights granted to other who are not owners which may limit the right of ownership.
- The status of property taxes and other public or private assessments.

These matters will be reflected in a preliminary report. The preliminary report is issued to the mortgage lender or purchaser before the closing.

As you can see, the title company is constantly involved in the sales transaction almost from the time the purchase agreement is signed, through and beyond the closing. Working mostly behind the scenes, but always in close coordination with agents, escrow, lenders, and legal counsel, the title company strives to carry out this complex procedure in an efficient and friendly manner.

Title insurance protection gives a home owner peace of mind by protecting the security of the home and the safety of the investment.

COMMON WAYS OF HOLDING TITLE TO REAL PROPERTY

	Community Property	Joint Tenancy	Tenancy in Common	Tenancy in Partnership	Title Holding Trust	Community Property w/Right of Survivorship	Registered Domestic Partners
Parties	Only Husband and wife.	Any Number of persons (can be husband and wife or registered domestic partners)	Any Number of persons (can be husband and wife or registered domestic partners)	Only partners (any number of partners)	Individuals groups of persons, or corporations, a living trust	Only husband and wife	Only partners that are registered with the Secretary of State's Domestic Partners Registry.
Division of Interest	Owners and managerial interests are equal (Except control of business is solely with managing spouse)	Ownership interest must be equal.	Ownership can be divided into any number of interests equal or unequal.	Ownership interest is in relation to interests in partnership	Ownership is a personal property interest and can be divided into any number of interests	Ownership and managerial interest are equal.	Ownership and managerial interest are equal (except control of business is solely with managing domestic partner)
Title	Title is in the "community". Each interest is separate but management is unified.	Equal right of possession	Each co-owner has a separate legal title to his/her undivided interest	Title is in partnership	Legal title is held by the trustee; beneficiary has equitable title	Title is in the "community". Management is unified	Title is in the "community." Each interest is separate but management is unified.
Possessions	Both co-owners have equal management control	Equal right of possession	Equal right of possession	Equal right of possession as specified in the trust provisions	Right of possession as specified in the trust provisions.	Both co-owners have equal management and control	Both co-owners have equal management and control
Conveyance	Personal property (except "necessaries") may be conveyed for valuable consideration without consent of other spouse; real property requires written consent of other spouse, and separate interest cannot be conveyed except upon death.	Conveyance by one co-owner without the others breaks the joint tenancy	Each co-owners interest may be conveyed separately by its owner	Any authorized partner may convey whole partnership property for partnership purposes.	Designated parties within the trust agreement authorize the trustee to convey property. Also a beneficiary's interest in the trust may be transferred.	Right of survivorship may be terminated pursuant to the same procedures by which a joint tenancy may be severed	Personal property (except "necessaries") may be conveyed for valuable consideration without consent of other spouse; real property requires written consent of other spouse, and separate interest cannot be conveyed except upon death.

THE ROLE OF THE LITTLE TITLE COMPANY IN REAL ESTATE TRANSACTIONS

	Community Property	Joint Tenancy	Tenancy in Common	Tenancy in Partnership	Title Holding Trust	Community Property w/Right of Survivorship	Registered Domestic Partners
Death	On co-owner's death, 1/2 belongs to survivor in severalty. 1/2 goes by will to descendant's devisee or by succession to survivor	On co-owner's death, his/her interest ends and cannot be disposed of by will. Survivor owns the property by survivorship	On co-owner's death, his/her interest passes by will to devisee or heirs. No survivorship rights	On partner's death, his/her partnership interest passes to the surviving partner pending liquidation of the partnership. Share of deceased partner then goes to his/her estate	Successor beneficiaries may be named in the trust agreement, eliminating the need for probate	Upon death of spouse, his/her interest passes to the surviving spouse, without Administration, subject to the same procedures as property held in joint tenancy	On co-owner's death, 1/2 belongs to survivor in severalty. 1/2 goes by will to descendant's devisee or by succession to survivor
Successor's Status	If passing by will, tenancy in common between devisee and survivor results	Last survivor owns property	Devisee or heirs become tenants in common	Heirs or devisees have rights in partnership interest but not specific property	Defined by the trust agreement, generally the successor becomes the beneficiary and the trust continues	Surviving spouse owns property	If passing by will, tenancy in common between devisee and survivor results
Creditor's Rights	Property of the community is liable for debts of either spouse, which are made before or after marriage. Whole property may be sold on execution sale to satisfy creditor.	Co-owner's interest may be sold on execution sale to satisfy his/her creditor. Joint tenancy is broken. Creditor becomes a tenant in common	Co-owner's interest may be sold on execution sale to satisfy his/her creditor. Creditor becomes a tenant in common	Partner's interest may be sold separately by "Charging Order" by his/her personal creditor, or his/her share of profits may be obtained by a personal creditor. Whole property may be sold on execution sale to satisfy partnership creditor	Creditor may seek an order for execution sale of the beneficial interest or may seek an order that the trust estate be liquidated and the proceeds distributed	Property of community is liable for debts of either which are made before or after marriage; whole property may be sold on execution sale to satisfy creditor	Property of community is liable for debts of either partner, which are made before or after registration as domestic partners. Whole property may be sold on execution sale to satisfy creditor

THE LOAN PROCESS



PREQUALIFICATION

Application interview
Lender obtains all pertinent documentation

ORDER DOCUMENTS

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

LOAN SUBMISSION

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

DOCUMENTATION

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

LOAN APPROVAL

Parties are notified of approval and prior to documentation condition

DOCUMENTS ARE DRAWN

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

FUNDING

Lender reviews the loan package/ Funds are transferred by wire

RECORDING OF DOCUMENTS

Pacific Coast Title records the deed of trust at the county recorder's office.
Escrow is now officially closed

WHAT DO WE PAY?

THE SELLER

CAN GENERALLY BE EXPECTED TO PAY FOR:

- Title insurance premium -owner's policy
- Real estate commission
- Documentary transfer tax (e.g. \$1.00/\$1,000 of sales price--may vary by area/state)
- Any city transfer/conveyance tax (recording tax)
- Payoff of all loans in seller's name (or existing loan balance if being assumed by buyer)
- Interest accrued to lender being paid off
- Statement fees
- Reconveyance fees and any prepayment penalties
- Termite inspection - according to contract (can be paid either buyer or seller)
- Termite work (according to contract)
- Home warranty (according to contract)
- Seller's portion of escrow fee
- Any judgments, tax liens, etc. against seller
- Tax proration (for any taxes unpaid at the time of title transfer)
- Any unpaid home owner's dues (can be paid by either buyer or seller)
- Recording charges to clear all documents of record against seller
- Any bonds or assessments (according to contract)



THE BUYER

CAN GENERALLY BE EXPECTED TO PAY FOR:

- Title insurance premium -for lender's coverage
- Interest on new loan (from date of funding to 30 days prior to first payment due)
- Assumption/change of records fee for takeover of existing loan
- Recording charges for all documents in buyer's name
- Termite inspection- according to contract (can be paid for either buyer or seller)
- Tax proration (from date of acquisition)
- Beneficiary statement fee for assumption of existing loan
- All new loan charges (except those required by lender for seller to pay)
- Buyer's portion of escrow fee
- Notary fees
- Home owner's transfer fee
- Any unpaid home owner's dues (can be paid by either buyer or seller)
- Inspection fees (roofing, property inspection, geological, etc.)
- Home warranty (according to contract) City transfer/conveyance tax (according to contract)
- Fire insurance premium for first year

TAX CALENDAR YEAR

Computing Delinquent Penalties (cent'd from Dec. 10)	January	Feb 1.	2nd Installment due
	February	Mar 1.	Assessment date
	March	Mar 1.	Taxes on Unsecured Roll Due
April to June 30 One or both Installments delinquent-ADD 10% + \$10.00 Cost	April	Apr. 10	2nd Installment delinquent
		Apr. 15	Last day to file home owner, Veterans and Senior Citizens exemptions
	June	Jun. 8	Publication date for delinquent taxes
July 01 on One or both Installments delinquent ADD 10%- Penalty ADD \$10- Cost ADD \$15.00 Redemption Charge ADD 1 1/2 % Per Month	July	Jul. 1	Beginning of fiscal year to July 01 of following year
		Jul. 1	Real property upon which taxes are delinquent will be referred to as "tax Jul 1 defaulted property" as disclosed by an annual published notice of the tax collector
		Jul. 1	Owners to be informed of new values
		Jul. 1	Assessment Appeals Board
		Jul. 30	Last day to advise owners of new values
	August	Aug.	Sale numbers assigned for delinquent taxes
	September	Sep.	Tax rates set
	October	Oct.	Tax bills mailed
	November	Nov. 1	1st Installment due
	December	Dec. 10	1st Installment delinquent

8 WEEKS BEFORE THE MOVE

- Contact a professional mover or truck rental and get estimates;
- make early reservation.
- Decide what furniture stays and what furniture goes .
- Use up things that can't be moved (frozen food & flammable household aerosol cleaning supplies).

5 WEEKS BEFORE THE MOVE

- Inventory your possessions and determine what will be sold or donated.
- Get copies of records from doctors, dentists, lawyers, accountants, etc. Transfer children's school records.
- Get change of address kit from post office and start filling out the cards.

4 WEEKS BEFORE THE MOVE

- Hold a garage sale, then arrange for necessary storage .
- Clean or repair any furniture, curtains, or carpet.

3 WEEKS BEFORE THE MOVE

- Assemble packing materials, dolly, scissors, packing tape, bubble wrap, newspaper, rope, boxes, etc .
- Begin packing items that won't be needed between now and the move.
- Arrange cancellation of utilities at the current address and have them installed at the new home .
- Make travel and hotel reservations .
- Get car license, registration and insurance in order .

2 WEEKS BEFORE THE MOVE

- Transfer all medical prescriptions to the pharmacy in your new location .
- Return library books and videos; pick up all dry cleaning .
- Finish major packing, labeling boxes by contents and room destination .

2-3 DAYS BEFORE THE MOVE

- Defrost refrigerator.
- Have cash in hand .
- Pack a weekend bag in case of delay .
- Pack a "first day handy items" box: scissors, utility knife, coffee cups, kettle, paper plates & towels, coffee, beverages, soap, pencil, paper, local phone book, bath towels, toilet paper, toiletries kit.

MOVING DAY

- Pick up rental truck early .
- Inspect basement, attic and garage .
- Turn off water, lock all doors and windows .
- List every item loaded onto the truck to use for a checklist as they come off .



GLOSSARY OF TERMS

ACCELERATION CLAUSE: This clause in a note and trust deed permits the payee or beneficiary to declare the entire unpaid balance immediately due and payable when a given condition occurs. Such a condition can be the sale of the land. This clause is sometimes called an “alienation clause”.

AD VALOREM: Literally, “according to value.” This term is usually used in reference to real property taxes which are assessed according to value, i.e., ad valorem.

ALL INCLUSIVE TRUST DEED (AITO/WRAP-AROUND): A junior Deed of Trust securing a promissory note, the face amount of which is the sum of the liability secured by prior Trust Deeds plus the cash or equity advanced by the AITD lender.

AMORTIZATION: Provision for the payment of a debt as to both principal and interest in equal installments over a period of time.

APPRAISAL: An opinion as to the fair market value of land and the improvements on it.

ASSESSED VALUE: The value placed on land and improvements as a basis for taxation. This is typically accomplished by the county assessor’s office, and the assessed values for real estate taxes are approximately one quarter of market value.

ASSESSMENTS: Special and local levies upon property in the immediate vicinity of improvement. Assessments can be imposed by such entities as flood control districts, street lighting districts and air pollution control districts which serve an area.

ASSIGNEE: One to whom a transfer of interest is made. For example, the assignee of a Deed of Trust or contract.

ASSIGNMENT: The transfer, in writing, of a person’s interest to another person or entity in an asset, such as an assignment of stock, a Deed of Trust or contract.

ASSIGNOR: One who makes an assignment. For example, the assignor of a Deed of Trust or contract.

ASSUMPTION: An agreement by one party to pay an obligation previously owned by another. For example, the assumption of an existing Trust Deed by a new owner may occur when property is sold.

ATTORNEY IN FACT: One who holds a power of attorney from another allowing him to act on behalf of the grantor.

BENEFICIARY: In Trust Deed, the lender is designated as the beneficiary; he obtains the benefit of the security.

BENEFICIARY’S STATEMENT: A report from the lender, usually in writing, setting forth the terms and conditions of a loan already of record, such as amounts still owed, interest rate, monthly payments, etc.

BILL OF SALE: A document that attests to the transfer of ownership of personal property.

BORROWER: One who obtains a loan and owes money to a lender.

BUYER: One who purchases or acquires property.

COLLECTION SERVICE: A service performed by a neutral third party in receiving and disbursing loan payment as instructed by the parties concerned.

CONDEMNATION: The exercise of the power of eminent domain by which property is taken for public use upon payment of just compensation. Condemnation can also refer to the condemning of unsafe structures.

CONDOMINIUM: A multi-family or other structure in which units are individually owned and in which owners of individual units also own an undivided interest in common areas.

CONTINGENT: Dependent upon conditions or events specified but not yet accomplished. Property may be sold contingent upon the seller or buyer meeting a predetermined condition of the property. The price and terms of the purchase must be set forth for the option to be valid. The option may run for the length of the lease or only for a portion of the lease period.

GLOSSARY OF TERMS

CONVEYANCE: A written document that transfers title to an asset from one person to another. A deed and an assignment.

COUNTY ASSESSOR: One who sets value of property for taxation purposes.

DEED: A written document which conveys ownership of land from one person to another.

DEED OF TRUST: A document executed by the owner of land by which the land is given as security for the payment of a note or other performance of an obligation. In California and some other states the Deed of Trust is usually used in place of a mortgage.

DEFAULT: Failure to perform a duty or to pay an obligation.

DEFICIENCY JUDGMENT: A personal judgment in a judicial foreclosure action for the remaining amount due after a sale of the security.

DEMAND/BENEFICIARY'S DEMAND: A statement from a lender showing the amount due on a loan.

EARNEST MONEY: An amount of money given as part of the purchase price of property to bind the agreement between buyer and seller.

EASEMENT: A right or interest in the land of another, such as a right to cross over another person's property to reach yours.

EMINENT DOMAIN: A right or power of a governmental body to take property.

ENCUMBRANCE: A lien affecting the land and improvements, such as a mortgage or trust deed.

EQUITY: Market value of property, less any encumbrance or other liens on it .

ESCROW: According to section 17003 of the State of California Financial Code: " ... any transaction wherein one person, for the purpose of effecting the sale, transfer, encumbering, or leasing of real or personal property to another person, delivers any written instrument, money, evidence of title to real or personal property, or other thing of value to a third person to be held by such person until the happening of a specified event or the performance of a prescribed condition, when it is then to be delivered by such third person to the grantee, grantor, promisee, promisor, obligee, obligor, bailee, bailor, or any agent or employee of any of the latter."

EXCEPTION: An interest in real property which is excluded from the conveyance and remains in the grantor or which had been excluded in a prior conveyance.

FIRE INSURANCE: Insurance against loss or damage by fire to specific property.

FORECLOSURE: A proceeding to enforce a lien by the sale of the property in order to satisfy the debt.

GRANTEE: The buyer of a deed.

GRANTOR: The seller of a deed.

IMPOUND ACCOUNT: An account held in trust by the lender in which the borrower is required to place monthly deposits for taxes, insurance and other purposes.

LAND SALE CONTRACT: An agreement to sell and purchase wherein legal title is withheld from the purchaser until such time as the required payments to the seller have been completed.

LEASE OPTION (LEASE WITH OPTION TO PURCHASE): A lease containing an option giving the lessee the right to purchase the property. The price and terms of the purchase must be set forth for the option to be valid. The option may run for the length of the lease or only for a portion of the lease period.

GLOSSARY OF TERMS

LENDER: One who lends money to borrowers.

LESSEE: The tenant under a lease.

LESSOR: The landlord under a lease.

LEGAL DESCRIPTION: Description of real property, as used in legal documents in contrast to a street address by which the property is commonly known. Legal descriptions usually refer to recorded maps, surveys, or other public documents.

LIEN: A security interest in real or personal property which places the holder in a position prior to the rights of the general creditors of the owner. Examples include trust deeds, mortgages, special assessments, recorded judgments, mechanics' lien, taxes, etc.

LIS PENDENS: A notice recorded in the official records of a county to indicate that a lawsuit is pending affecting the lands described in the notice.

MARKET VALUE: The price that real property would reasonably be expected to bring were it to be offered for sale with a reasonable sales effort over a reasonable period of time.

METES AND BOUNDS: A term used in describing the boundary lines of land setting forth all the boundary lines together with their terminal points and angles.

MORTGAGE: A written document executed by the owner of land by which the land is given as security for the payment of a debt or performance of an obligation (rarely used in California).

NOTE: Written evidence of a debt by a borrower that includes a promise of payment in accordance with specified terms. A valuable document which must not be lost even when paid in full. In real property transactions, a note is usually secured by a Deed of Trust.

NOTICE OF COMPLETION: A notice which should be recorded to indicate completion of work of improvement to real property. A valid notice of completion limits the time for filing valid Mechanics' liens.

NOTICE OF DEFAULT: Recorded notice that a default has occurred under a Deed of Trust and/or note.

OFFSET STATEMENT: A statement furnished to an escrow from an owner of land subject to an encumbrance (note) as to the balance due. Not to be confused with a beneficiary's statement. This can also be provided by a tenant regarding his rights of possession.

OPEN END DEED OF TRUST: A Deed of Trust which secures additional notes for funds that a lender may advance to a trustor, subsequent to the execution of the original loan.

PAYEE: One who receives payments.

PAYOR: One who makes payments.

POWER OF ATTORNEY: A written authorization to an agent to perform specified acts on behalf of his principal. This may be granted as either a general or a limited power.

PRELIMINARY REPORT (also known as a Title Commitment): A report from a title company of the present condition of title made prior to the issuance of a title policy.

PREPAYMENT PENALTY: An agreement to pay a penalty for the payment of a note before it actually becomes due.

GLOSSARY OF TERMS

PRORATION: The allocation of property taxes, interest, insurance premiums, rental income, etc., between buyer and seller proportionate to time of use.

QUIT CLAIM DEED: A deed which conveys whatever right, title, or interest the grantor may have in property at the time of conveyance. There is no guarantee implied in a quit claim deed.

REAL PROPERTY: Land or improvements permanently affixed to land.

RECONVEYANCE: The document that is evidence that the Deed of Trust affecting real property has been paid in full and that the lender and the trustee no longer have any interest in the property.

RECORDATION: Filing for record in the office of the county recorder, a very necessary process in dealing with real property.

REQUEST FOR NOTICE OF DEFAULT: A recorded request for notification of a recorded notice of default on a Deed of Trust.

RESERVATION: Right reserved by the grantor in conveying property, or a right which had previously been reserved.

RESTRICTIONS: This is often referred to as covenants, conditions, and restrictions (CC&Rs) in regard to a piece of property, setting limitations on its use.

RIGHT OF WAY: The right of another to cross over, under or through a parcel of land.

SELLER: One who sells property to another.

SHORT PAY (SHORT SALE): A short sale is the sale of real property where the fair market sale price is less than the loan balance.

SUBJECT TO: Usually referred to as the condition of title that exists at the time of acquisition by the buyer, such as subject to a Deed of Trust or record.

SUBORDINATION AGREEMENT: An agreement by which a prior lien is made inferior to an otherwise junior lien.

TAX COLLECTOR: One who collects the taxes on the property.

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

TITLE INSURANCE: Insurance against loss or damage resulting from defects in title to a particular parcel of real property.

TRUST DEED: See Deed of Trust.

TRUSTOR (IN A DEED OF TRUST): The borrower under a Deed of Trust.

VENDEE: One who is purchasing property under a land sale contract.

VENDOR: One who is selling property under a land sale contract.

VESTING: The manner in which the owner of real property holds title. For example, John Jones, a single man.

ZONING: Local government regulations relating to the use of property.