

Home Buyer's & Seller's Guide

to the Title & Escrow Process in California

PRIORITY TITLE

"Where the Customer is our First Priority"

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Your Escrow Number _____

Your New Address _____

City/State/Zip _____



Title Contacts

Title Officer _____ Email _____

Assistant _____ Email _____

Company _____ Phone _____

Address _____

City/State/Zip _____

Title Order # _____

Escrow Contacts

Escrow Officer _____ Email _____

Escrow Assistant _____ Email _____

Address _____ Phone _____

City/State/Zip _____



Terms you should know

AMENDMENTS
A change—either to alter, add to, or correct—part of an agreement without changing the principal idea or essence.

APPRAISAL
An estimate of value of property resulting from analysis of facts about the property; an opinion of value.

ASSUMPTION
Taking over another person's financial obligation; taking title to a property with the Buyer assuming liability for paying an existing note secured by a deed of trust against the property.

BENEFICIARY
The recipient of benefits, often from a deed of trust; usually the lender.

CLOSE OF ESCROW
The date the documents are recorded and title passes from Seller to Buyer. On this date, the Buyer becomes the legal owner, and title insurance becomes effective.

CLOUD ON TITLE
A claim, encumbrance, or condition that impairs the title to real property until disproved or eliminated through such means as a quitclaim deed or a quiet title legal action.

COMPARABLE SALES
Sales that have similar characteristics as the subject property, used for analysis in the appraisal. Commonly called "comps."

DEED OF TRUST
An instrument used in many states in place of a mortgage.

DEED RESTRICTIONS
Limitations in the deed to a property that dictate certain uses that may or may not be made of the property.

EARNEST MONEY DEPOSIT
Down payment made by a purchaser of real estate as evidence of good faith; a deposit or partial payment.

EASEMENT
A right, privilege or interest limited to a specific purpose that one party has in the land of another.

HAZARD INSURANCE
Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyer often adds liability insurance and extended coverage for personal property.

IMPOUNDS
A trust type of account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums, required to protect their security.

LEGAL DESCRIPTION
A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire piece of land. It should so thoroughly identify a parcel of land that it cannot be confused with any other.

LIEN
A form of encumbrance that usually makes a specific property the security for the payment of a debt or discharge of an obligation. For example, judgments, taxes, mortgages, deeds of trust.

MORTGAGE
The instrument by which real property is pledged as security for repayment of a loan.

PITI
A payment that combines Principal, Interest, Taxes, and Insurance.

POWER OF ATTORNEY
A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an "Attorney-in-Fact."

PURCHASE AGREEMENT
The purchase contract between the Buyer and Seller. It is usually completed by the real estate agent and signed by the Buyer and Seller.

QUITCLAIM DEED
A deed operating as a release, intending 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 by the grantor.

RECORDING
Filing documents affecting real property with the County Recorder as a matter of public record.



Key professionals involved in your transaction

REALTOR®

A Realtor® is a licensed real estate agent and a member of the National Association of Realtors®, a real estate trade association. Realtors also belong to their state and local Association of Realtors.

REAL ESTATE AGENT

A real estate agent is licensed by the state to represent parties in the transfer of property. Every Realtor is a real estate agent, but not every real estate agent has the professional designation of a Realtor®.

LISTING AGENT

A key role of the listing agent or broker is to form a legal relationship with the homeowner to sell the property and place the property in the Multiple Listing Service.

BUYER'S AGENT

A key role of the buyer's agent or broker is to work with the buyer to locate a suitable property and negotiate a successful home purchase.

MULTIPLE LISTING SERVICE (MLS)

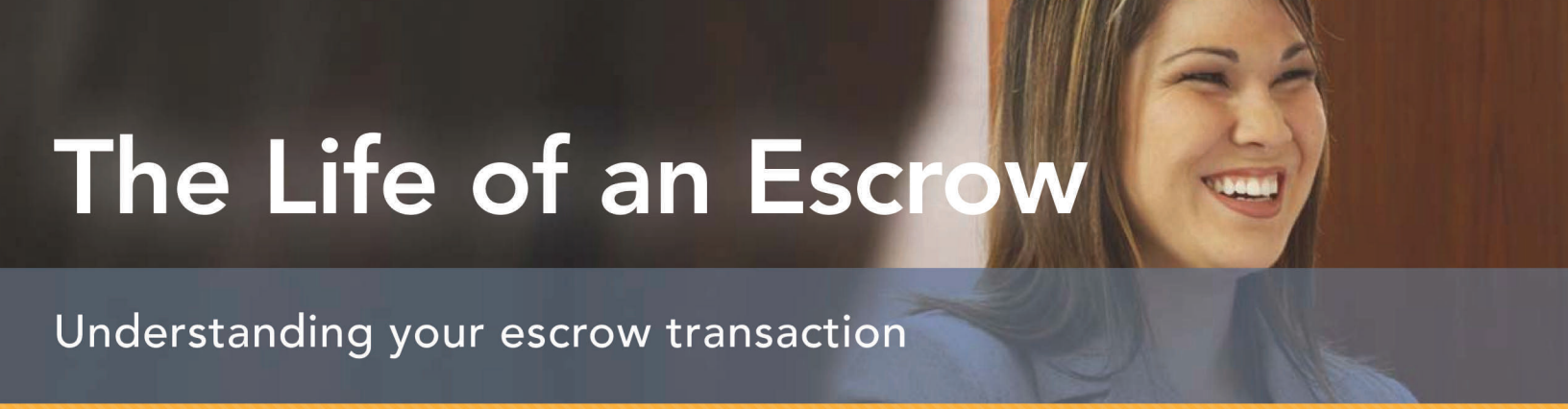
The MLS is a database of properties listed for sale by Realtors who are members of the local Association of Realtors. Information on an MLS property is available to thousands of Realtors.

TITLE COMPANY

These are the people who carry out the title search and examination, take any necessary corrective action, and provide the policy protection to secure clean title.

ESCROW OFFICER

An escrow officer leads the facilitation of your escrow, including escrow instructions preparation, document preparation, funds disbursement, and more.



The Life of an Escrow

Understanding your escrow transaction

START

BUYER SELECTS A REALTOR

BUYER GETS PRE-APPROVED BY LENDER IF NEW LOAN NEEDED

BUYER VIEWS HOMES WITH REAL ESTATE PROFESSIONAL

BUYER SELECTS HOME AND SUBMITS CONTRACT WITH LOAN STATUS REPORT (LSR)

INSPECTION REPORTS SENT TO APPLICABLE PARTY, REVIEWED AND NOTIFICATION SENT

VARIOUS INSPECTIONS ORDERED

PRELIMINARY REPORT RECEIVED AND APPROVED BY BUYER

APPRAISAL ORDERED BY & COMPLETED FOR LENDER

CLOSING DOCUMENTS COMPILED BY ESCROW COMPANY

LOAN DOCUMENTS PREPARED BY LENDER & SENT TO ESCROW

SEPARATE APPOINTMENTS SET: BUYER & SELLER SIGN DOCUMENTS

BUYER DEPOSITS REQUIRED FUNDS

DOCUMENTS RECORDED AND ESCROW CLOSED

LENDER "FUNDS LOAN" (SENDS FUNDS TO ESCROW)

AFTER RECORDING, CONFIRMED ESCROW COMPANY DISBURSES FUNDS

BUYER RECEIVES KEYS FROM REAL ESTATE PROFESSIONAL

SELLER SELECTS A REALTOR

SELLER PREPARES HOUSE FOR SHOWING & SELLING

SELLER REVIEWS AND ACCEPTS CONTRACT FROM BUYER

ESCROW OPENED AND PRELIMINARY REPORT ORDERED

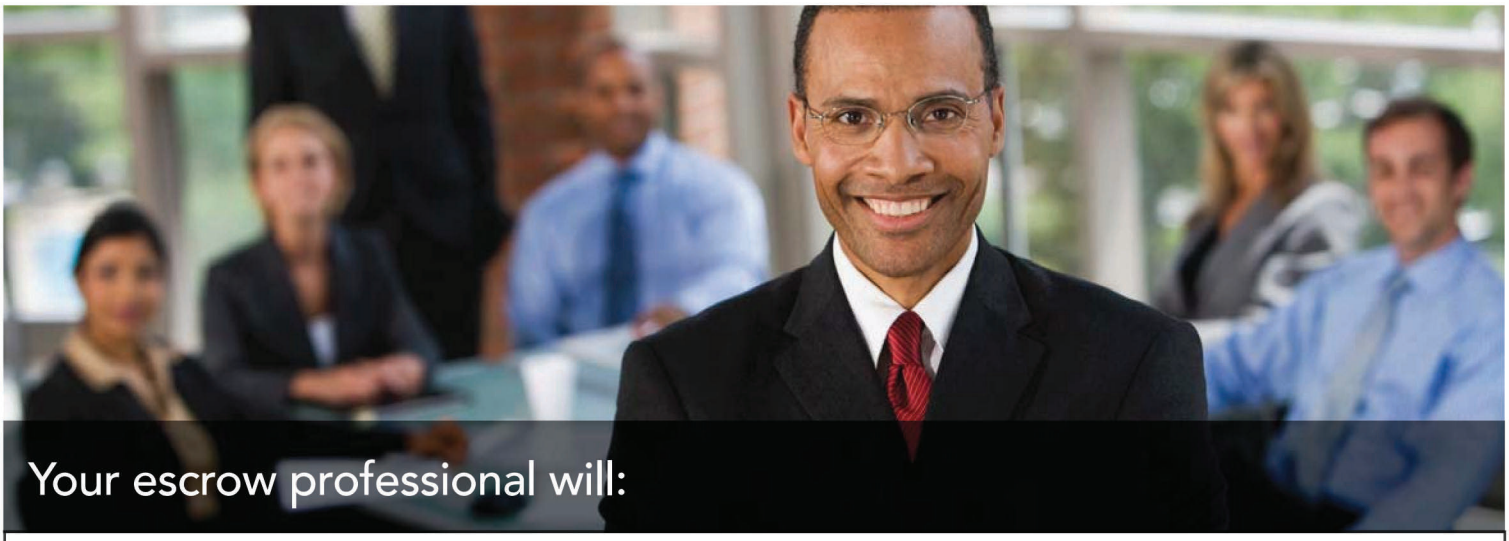
BUYER ADVISES ESCROW COMPANY OF HOME INSURANCE COMPANY

BUYER RECEIVES FINAL LOAN APPROVAL FROM LENDER

LOAN DOCUMENTS RETURNED TO LENDER FOR REVIEW

ESCROW COMPANY ENSURES ALL CONTRACT CONDITIONS HAVE BEEN MET

FINAL DOCUMENTS SENT TO INTERESTED PARTIES



Your escrow professional will:

- Open escrow and deposit your good faith funds in a separate escrow account
- Order a title search to determine ownership and status of the subject property
- Order a preliminary report and begin the process to delete or record items to provide clear title to the property
- Per contract, confirm that the lender has determined you, the Buyer, are qualified for a new loan
- Meet all deadlines as specified in the contract
- Request payoff information for the Seller's loans, other liens, homeowner's association fees, etc.
- Prorate fees, such as property taxes, per the contract, and prepare the settlement statement
- Set separate appointments allowing the Seller and you to sign documents and deposit funds
- Review documents ensuring all conditions and legal requirements are fulfilled; request funds from lender
- When all funds are deposited, record documents with the County Recorder's Office to transfer the subject property to you
- After the recordation is confirmed, close escrow and disburse funds, including Seller's proceeds, loan payoffs, etc.
- Prepare and send final documents to all parties involved

WHAT IS AN ESCROW?

The escrow is the process of having a neutral party manage the exchange of money for property. The escrow holder is known as an escrow or settlement officer or agent. The Buyer deposits funds and the Seller deposits a deed with the escrow officer along with all of the other documents required to remove all "contingencies" (conditions and approvals) in the purchase agreement. The escrow officer will follow a frequently traveled path to close the escrow, using their highly honed navigation skills. The path is fraught with typical, atypical, and sometimes unique hurdles. Your escrow officer will look to you, the agents, and the Seller for help in overcoming the hurdles necessary to close escrow on the date you and your Seller agree upon.

HOW IS AN ESCROW OPENED?

Once a purchase agreement is ratified, the agent representing the party who will pay the fee selects an escrow holder and the Buyer's earnest money deposit and contract are submitted. From this point, the escrow holder will follow the mutual written instructions of the Buyer and Seller, maintaining a neutral stance to ensure that neither party has an unfair advantage over the other. The escrow holder also follows the instructions of the Buyer's new lender, the Seller's existing lender, and both agents. The escrow holder ensures the transparency of the transaction, while carefully maintaining the privacy of the consumers.



Understanding Title Insurance

The title industry and title insurance in brief

Prior to the development of the title industry in the late 1800s, a homebuyer received a grantor's warranty, attorney's title opinion, or abstractor's certificate as assurance of home ownership. The buyer relied on the financial integrity of the grantor, attorney, or abstractor for protection. Today, title insurance companies are regulated by state statute. They are required to post financial guarantees to ensure that any claims will be paid in a timely fashion. They also must maintain their own "title plants" which house duplicates of recorded deeds, mortgages, plats, and other pertinent county property records.

▾ WHAT IS TITLE INSURANCE?

Title insurance provides coverage for certain losses due to defects in the title that occurred prior to your ownership. The Seller can give only those rights that previously have been received with "good title." Title insurance protects against defects such as prior fraud or forgery that might go undetected until after closing and possibly jeopardize your ownership and investment.

▾ WHY IS TITLE INSURANCE NEEDED?

Title insurance assures Buyers that they are acquiring marketable title from the Seller. It is designed to reduce risk or loss caused by defects in title from the past. A Loan Policy of Title Insurance protects the interest of the mortgage lender, while an Owner's Policy protects the equity of you, the Buyer, for as long as you or your heirs own the property.

▾ WHEN IS THE PREMIUM DUE?

You pay for your Owner's title insurance policy only once, at the close of escrow. Who pays for the Owner's Policy and Loan Policy varies depending on local customs. The Owner's Policy has a perpetual term and provides coverage for as long as you are in a position to suffer a loss.



The importance of title protection

There are many title issues that could cause you to lose your property or your mortgage investment. Even the most careful search of public records may not disclose the most dangerous threat: hidden risks. These issues may not be uncovered until years later. Without title insurance from a reputable and financially solvent company, your ownership of your home could be jeopardized. With the proper insurance, your covered rights will be defended in court. Here are some examples of issues that may occur.

- Deeds by persons supposedly single, but secretly married
- Deeds delivered after death of grantor/grantee, without consent of grantor
- Deeds in lieu of foreclosure given under duress
- Marital rights of spouse purportedly, but not legally, divorced
- Impersonation of the true owner of the land
- Deeds by minors
- Deeds by persons of unsound mind
- Deeds to or from defunct corporations
- Defective acknowledgements by notaries
- Duress in execution of instruments
- Erroneous reports furnished by tax officials
- Forged deeds, releases, etc.
- Misrepresentation of will
- Mistakes in recording legal documents
- Surviving children omitted from will
- Administration of estate of persons absent but not deceased
- Birth or adoption of children after date of will
- Claims of creditors against property sold by heirs or devisees
- Deed of community property recited to be separate property
- Deeds by foreign parties

How title insurance differs from other forms of insurance

Unlike other forms of insurance, title insurance works to prevent your losses. Your one-time fee pays for the labor-intensive work of finding and resolving title issues that could threaten your homeownership. By curing problems up front, you have the peace of mind that your title risk is effectively reduced. In contrast, insurance based on loss assumption (such as auto or property and casualty insurance) requires little upfront work because claims cannot be predicted or prevented, and premium funds are needed only in the event of an accident or other covered issue. These types of insurance also require annual coverage payments, unlike title insurance which is paid for only once upon the purchase of your home or establishment of a new mortgage.



Eagle Owner's Policy

The benefits of Eagle Owner's Policy versus the Standard ALTA Owner's Policy

The EAGLE Owner's Policy provides expanded title coverage for owners of one-to-four family residences, including condominiums. The post-policy coverages automatically included in the EAGLE Owner's Policy offer the highest levels of protection available to our California homeowners.

Eagle Owner's Policy benefits you won't get with a Standard ALTA Owner's Policy

- Post-policy Forgery
- Post-policy Encroachments
- Post-policy Cloud on Title
- Post-policy Adverse Possession
  - Coverage extended to homeowner when someone claims to have the insured's title arising out of someone else's continued use and occupancy
- Post-Policy Easement by Prescription
  - Coverage if another claims right to use a part of the insured's land as an easement because of continuous use over time
- Building Permit and Zoning Violation
  - Coverage for losses up to $25,000, after a small deductible, for building permit violations and forced remediation of zoning violations, and up to the full policy amount for forced removal of structures due to zoning violations
- Expanded Access
  - Expanded to include both vehicular and pedestrian access to and from land, based upon legal right
- Encroachment of Improvements onto Easements and Set-backs
- Subdivision Violation
  - Homeowners are covered up to $10,000, after a small deductible, for protection against subdivision violations prior to purchase
- Restrictive Covenant Violations
  - Coverage provided for violations of restrictive covenants, occuring before homeowner acquired land if the homeowner is forced to correct or remove the violation or if the homeowner's title is lost or taken because of the violation
- Structural Damage for Mineral Abstraction or Easement Use
- Living Trust Coverage
  - Coverage includes not only the trustees of a trust, but the beneficiaries as well
- Encroachment of Boundary Walls and Fences
  - Protection of up to $5,000, after a small deductible, for encroachments onto a neighbor's land, onto an easement, or over a building set-back line



Vesting

Ways to hold title

	TENANCY IN COMMON	JOINT TENANCY	COMMUNITY PROPERTY	COMMUNITY PROPERTY with Right of Survivorship
Parties	Two or more persons[1] (may be spouses or domestic partners[2])	Two or more persons[1] (may be spouses or domestic partners[2])	Spouses or domestic partners	Spouses or domestic partners
Division	Ownership can be divided into any number of interests, equal or unequal	Ownership interests must be equal	Ownership interests must be equal	Ownership interests must be equal
Creation	One or more conveyances (law presumes interests are equal if not otherwise specified)	Single conveyances (creating identical interests); vesting must specify joint tenancy	Presumption from marriage or domestic partnership or can be designated in deed	Single conveyance and spouses or domestic partners must indicate consent which can be on deed
Possession and control	Equal	Equal	Equal	Equal
Transferability	Each co-owner may transfer or mortgage their interest separately[3]	Each co-owner may transfer his/her interest separately but tenancy in common results[3&4]	Both spouses or domestic partners must consent to transfer or mortgage	Both spouses or domestic partners must consent to transfer or mortgage
Liens against one owner	Unless married or domestic partners, co-owner's interest not subject to liens of other debtor/owner but forced sale can occur[4]	Co-owner's interest not subject to liens of other debtor/owner but forced sale can occur if prior to co-owner's/debtor's death	Entire property may be subject to forced sale to satisfy debt of either spouse or domestic partner	Entire property subject to forced sale to satisfy debt of either spouse or domestic partner
Death of co-owner	Decedent's interest passes to his/her devisees or heirs by will or intestacy	Decedent's interest automatically passes to surviving joint tentant ("Right of survivorship")	Decedent's 1/2 interest passes to surviving spouse or domestic partner unless otherwise devised by will	Decedent's 1/2 interest automatically passes to surviving spouse or domestic partner due to right of survivorship
Possible advantages/ disadvantages	Co-owners interests may be separately transferable[3]	Right of survivorship (avoids probate); may have tax disadvantages for spouses	Qualified survivorship rights; mutual consent required for transfer; surviving spouse or domestic partner[2] may have tax advantage	Right of survivorship; mutual consent required for transfer; surviving spouse or domestic partner[2] may have tax advantage

1. "Persons" includes a natural person as well as a validly formed corporation, limited partnership, limited liability company or general partnership. Trust property is vested in the trustee (usually a natural person or corporation).
2. For domestic partners meeting California statutory requirements, benefits are same as community property except certain tax benefits may not be available. Note: Two unrelated persons who are either (a) same sex, or (b) opposite sex if they meet age or disability requirements, may be domestic partners provided that they are not then married or in a domestic partnership and comply with other statutory requirements.
3. Transfers by married persons or domestic partners may require a quitclaim deed from spouse/partner for title insurance purposes.
4. If co-owners are married or domestic partners, property may be subject to legal presumption of "community property" requiring consent of both spouses/partners to convey or encumber title notwithstanding vesting as "joint tenancy."



What happens next for the Buyer?

IDENTITY STATEMENT

You will be asked to fill out an Identity Statement that enables our title department to distinguish you from others with identical names during our search of County records. It also provides basic information that will be useful to your escrow officer.

HOME LOAN

Unless you are paying cash, assuming a loan, or the seller is financing, you will need to apply for a home loan if you have not already done so. Apply as soon as possible to comply with the purchase contract and to avoid delaying the closing.

RESPONSE TO SELLER'S NOTICES

If directed by the contract, you may receive the following items which require a response from you:

- Seller's property disclosure statement listing any existing problems known to the seller
- Information pertaining to the Homeowners Association (HOA) or Planned Unit Development (PUD), such as Covenants, Conditions and Restrictions (CC&Rs), if applicable
- Flood hazard disclosure if the property is in a flood area
- Independent inspections, such as termite and septic, and any repairs as required

PRELIMINARY REPORT

You will receive a copy of the preliminary report when we complete the title search. If you have questions about the preliminary report, contact your real estate agent or your escrow officer.

CONSIDER THIS

One escrow transaction could involve over 20 individuals, including real estate professionals, Buyer, Seller, attorney, escrow officer, escrow technician, title officer, loan officer, loan processor, loan underwriter, home inspector, termite inspector, insurance agent, home warranty representative, contractor, roofer, plumber, pool service, and so on. And often one transaction depends on another.

When you consider the number of people involved, you can imagine the opportunities for delays and mishaps. While your experienced real estate professional, escrow, and title team can't prevent unforeseen problems from arising, they can help to ensure as smooth a closing as possible.

Your Preliminary Report

The information below is to help you understand the contents of the preliminary report you will receive from Priority Title Company.

Schedule A

This is the information submitted to our title department by the escrow officer. It contains the basic information given to us by the Buyer or real estate professional, such as the legal description of the property, sale price, loan amount, lender, name, and marital status of Buyer and Seller.

Schedule B

The schedule B "exceptions" are items which are tied to the subject property. These may include Covenants, Conditions, and Restrictions (CC&Rs); easements; Homeowners Association by-laws; leases; and other items which will remain of record and transfer with the property. They are referred to as "exceptions" because the Buyer will receive a clear title "except" the Buyer's rights will be subject to conditions in the CC&Rs, recorded easements, etc. The Buyer is asked to sign a receipt for the schedule B documents which states the Buyer has read and accepts the contents.

Requirements

These are items that Priority Title Company needs to delete and/or record in order to provide a clear title to the property. Items that need to be addressed include:

- Current property-tax status
- Any assessments that are owed, such as those for a Homeowners Association
- Any encumbrances (or liens) on the property

Sometimes items show up against a property because another person has a name similar to an involved party. This is one reason we ask for an Identity Statement, to determine if items are inaccurate and can be deleted.

Note

This information is provided by the County Recorder's Office and is not intended as legal advice. It specifies the proper size, margins, and print type to be used on documents to be recorded.



What to avoid during the closing process

Avoid changing jobs

A job change may result in your loan being denied, particularly if you are taking a lower-paying position or moving into a different field. Don't think you're safe because you've received approval earlier in the process, as the lender may call your employer to re-verify your employment just prior to funding the loan.

Avoid switching banks or moving your money to another institution

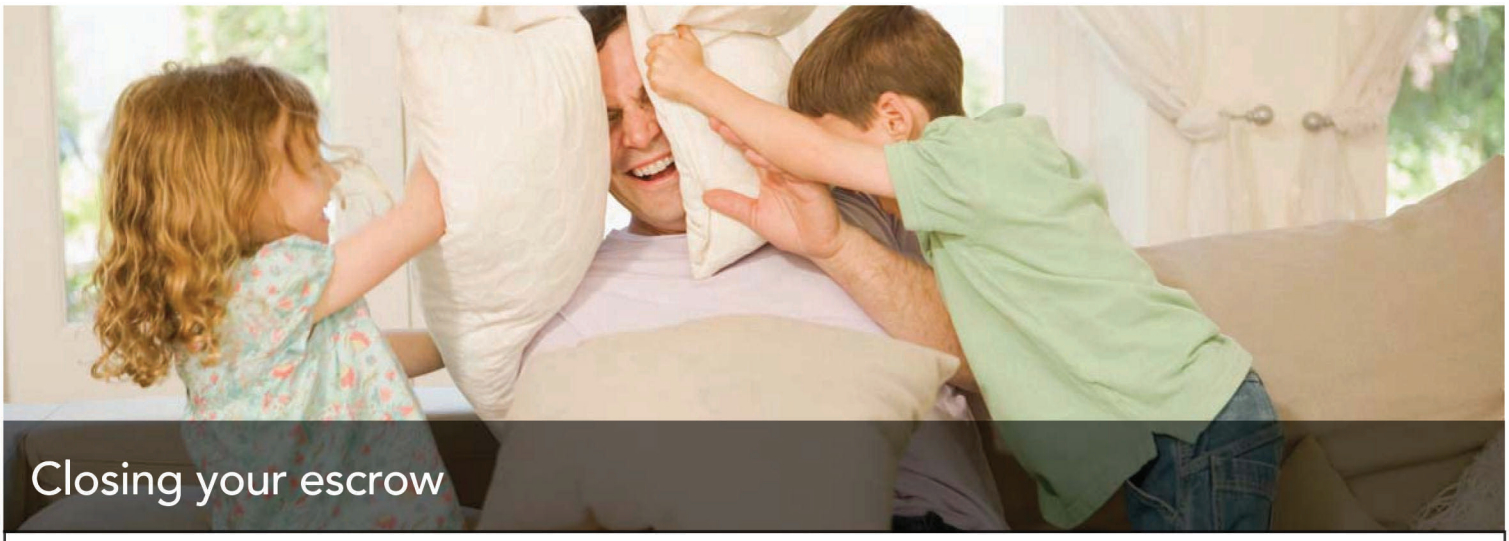
After the lender has verified your funds at one or more institutions, the money should remain there until needed for the purchase.

Avoid paying off existing accounts unless your lender requests it

If your Loan Officer advises you to pay off certain bills in order to qualify for the loan, follow that advice. Otherwise, leave your accounts as they are until your escrow closes.

Avoid making any large purchases

A major purchase that requires a withdrawal from your verified funds or increases your debt can result in your not qualifying for the loan. A lender may check your credit or re-verify funds at the last minute, so avoid purchases that could impact your loan approval.



Closing your escrow

THE CLOSING OR SIGNING APPOINTMENT

- The escrow holder will contact you or your agent to schedule a closing or signing appointment. In some states, this is the "close of escrow." In some others, the close of escrow is either the day the documents record or that funds are disbursed. Ask your escrow holder if you would like clarification about your state's laws.
- You will have a chance to review the settlement statement and supporting documentation. This is your opportunity to ask questions and clarify terms. You should review the settlement statement carefully and report discrepancies to the escrow officer. This includes any payments that may have been missed. You are responsible for all charges incurred even if overlooked by the escrow holder, so it's better to bring these to their attention before closing.
- The escrow company is obligated by law to have the designated amount of money before releasing any funds. If you have questions or foresee a problem, let your escrow officer know immediately.

DON'T FORGET YOUR IDENTIFICATION

- You will need valid identification with your photo I.D. on it when you sign documents that need to be notarized (such as a deed). A driver's license is preferred. You will also be asked to provide your social security number for tax reporting purposes, and a forwarding address.

WHAT HAPPENS NEXT?

- If the Buyer is obtaining a new loan, the Buyer's signed loan documents will be returned to the lender for review. The escrow company will ensure that all contact conditions have been met and will ask the lender to "fund the loan." If Buyer's loan documents are satisfactory, the lender will send the check directly to the escrow company. When the loan funds are received, the escrow company will verify that all necessary funds are in. Escrow funds will be disbursed to the Seller and other appropriate payees. Then, you'll receive the keys to your home!

After the closing

We recommend you keep all records pertaining to your home together in a safe place, including all purchase documents, insurance, maintenance, and improvements.

RECORDED DEED

- The original deed to your home will be mailed directly to you by the County recorder, generally within four to six weeks.

TITLE INSURANCE POLICY

- Priority Title Company will mail your policy to you in about two to three weeks.

PROPERTY TAXES

- You may not receive a tax statement for the current year on the home you buy; however, it is your obligation to make sure the taxes are paid when due. Check with your mortgage company to find out if taxes are included with your payment. For more information on your property taxes, visit your County Auditor/Controller's Web site.

CLOSING COSTS: WHAT BUYERS & SELLERS TYPICALLY PAY FOR

Closing Costs are fees and expenses, over and above the price of the property, incurred by the buyer and/or the seller in the property ownership transfer. Examples are title searches, closing services, loan fees and deed filing fees. Also called settlement costs. There are two sides (buyer and seller) to the equation when determining closing costs. Below is a simple customary closing cost list. Keep in mind these are typical, but should not be considered hard fast rules, feel free to consult your real estate agent for more detail.

Seller Normally Pays for:



- One-half of the escrow fee (according to contract)
- Work orders (according to contract)
- Owner's title insurance premiums
- Real estate commission
- Any judgments, tax liens, etc. against the seller
- Any unpaid Homeowner Association dues
- Home Warranty (according to contract)
- Any bonds or assessments (according to contract)
- Any loan fees required by buyer's lender (according to contract)
- Recording charges to clear all documents of record against seller
- Payoff of all loans in seller's name (or existing loan balance being assumed by buyer)
- Interest accrued to lender being paid off, reconveyance fees and any prepayment penalties
- Excise Tax (% based on county and sale price)



Buyer Normally Pays for:

- One-half of the escrow fee (according to contract)
- Lender's title policy premiums (ALTA)
- Document preparation (if applicable)
- Tax pro-ration (from date of acquisition)
- Recording charges for all documents in buyer's names
- Home Owner's insurance premium for first year
- Home Warranty (according to contract)
- Inspection fees (according to contract): roofing, property, geological, pest, etc.
- All new loan charges (except those required by lender for seller to pay)
- Interim interest on new loan from date of funding to first payment date

Better Closing Experience...

From open to close, our team is dedicated to creating a superior client experience by providing clear communication, personalized service, and consistency with every escrow transaction.

Direct your next transaction to Priority Title and let our resources, services, and team of specialists make your closing a success!

PRIORITY TITLE

"Where The Customer is Our First Priority"

SERVICING ALL OF SOUTHERN CALIFORNIA

Santa Barbara County
805-754-2808

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