HOME SELLER'S HANDBOOK

PLACER TITLE COMPANY
A MOTHER LODE COMPANY

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REFERENCES

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

For your convenience, we've provided the contact sheet below. Please fill it out. This is important reference information to the closing of your transaction with Placer Title. We look forward to working with you!

Escrow Number ______________________________

Escrow Address ______________________________

TITLE CONTACTS

Title Officer ______________________ Email ______________________

Title Assistant ______________________ Email ______________________

Phone ______________________ Fax ______________________

Address ______________________________

ESCROW CONTACTS

Escrow Officer ______________________ Email ______________________

Escrow Assistant ______________________ Email ______________________

Phone ______________________ Fax ______________________

Address ______________________________

ABOUT PLACER TITLE COMPANY

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 nearly 50 offices located throughout Northern and Central 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, Texas National Title, Premier Title Agency (Arizona), Premier Reverse Closings, and our National Lender Services Division — PTC/National Closing Solutions.

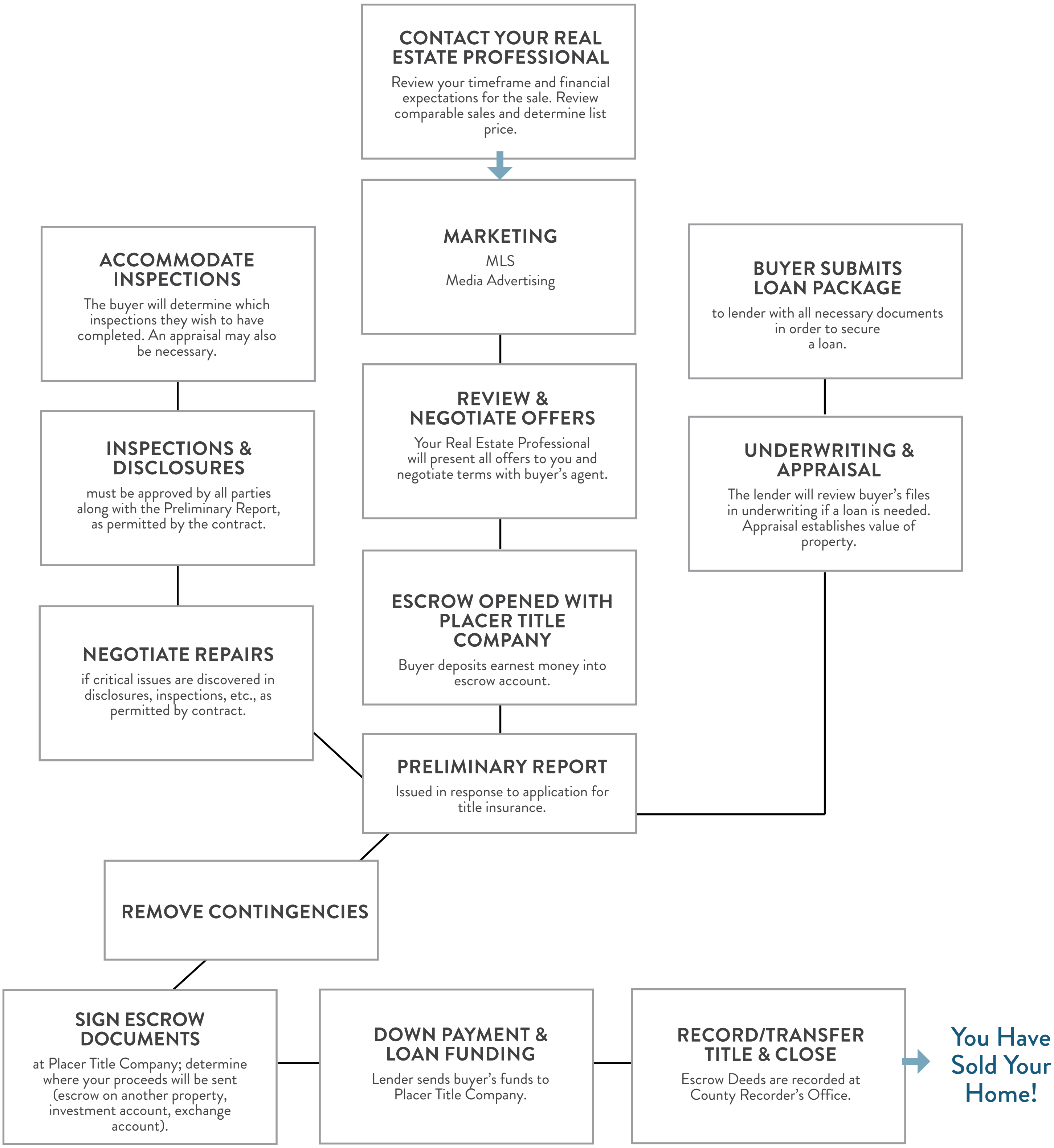
THE PTC STORY

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.

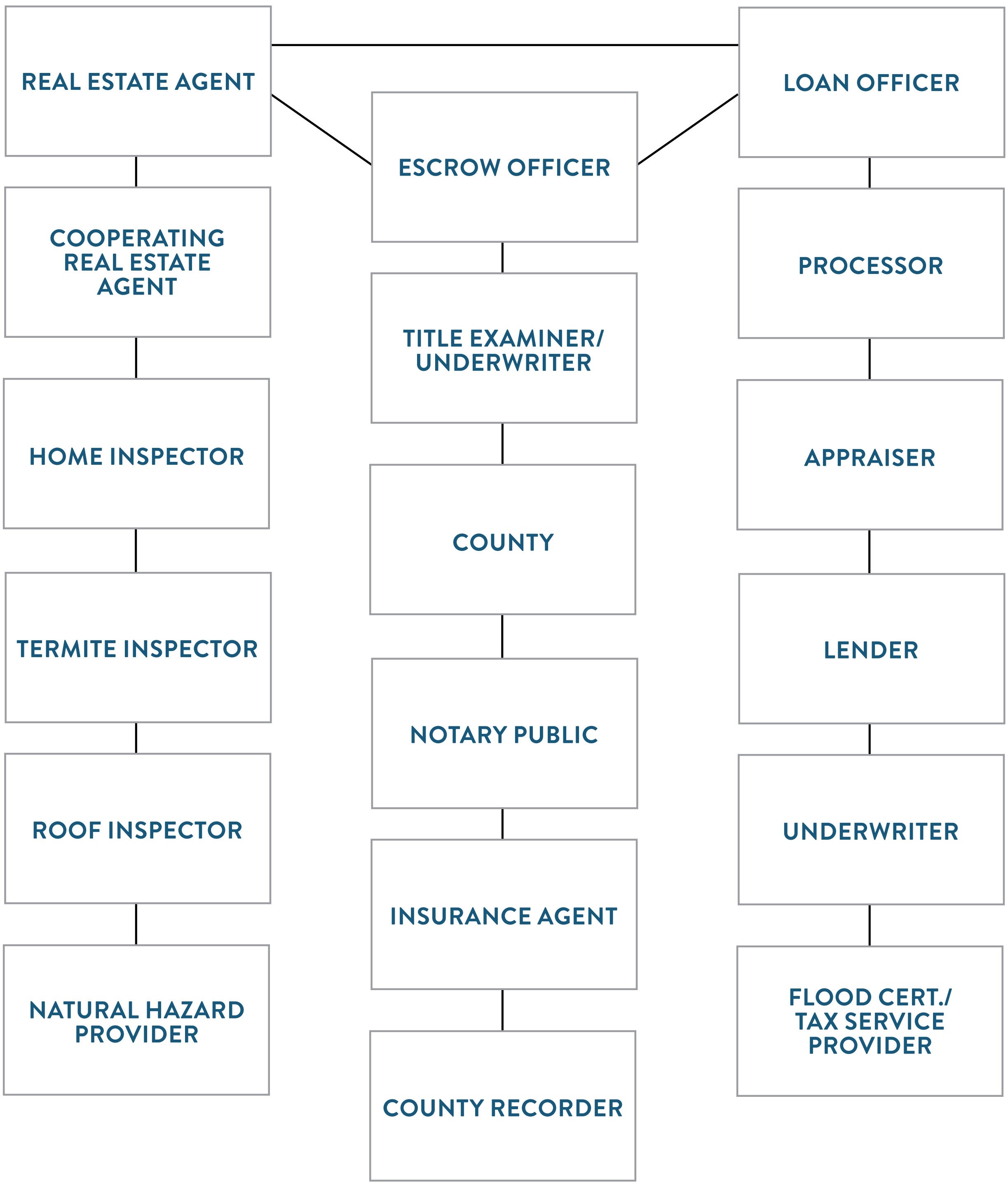
At Placer Title Company, our people are dedicated to the industry and are committed to giving exceptional service. Our staff's longevity, combined with the company's commitment to retaining long-term client relationships, has been the key to our success and is what makes us who we are today. Backed by the strength of MLHC, we have been able to diversify our business by creating Premier Reverse Closings and a National Lender Service Division — PTC/National Closing Solutions. Furthermore, we have expanded our title and escrow services by adding North Idaho Title, Montana Title and Escrow, Wyoming Title and Escrow, Texas National Title, and Premier Title Agency (Arizona) 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 nearly 50 Northern and Central California locations.

THE SELLING PROCESS



PROFESSIONALS IN THE TRANSACTION



LIFE OF AN ESCROW

ROLE OF A REAL ESTATE PROFESSIONAL	ROLE OF AN ESCROW OFFICER
The offer and acceptance	
Opens escrow at Placer Title Company	
	Accepts "good faith" deposit and orders Preliminary Report
Originates new financing. Advises escrow 30 days prior to close	Coordinates with title department concerning any apparent title problems
Orders inspections (e.g., pest, contractors, etc.)	Requests demands from beneficiaries and other lien holders
Advises Escrow Holder of loan approval and fire insurance agent	
	Receives demands, inspections and other documents to extinguish obligations of the seller
	Receives new loan documents, fire insurance and secondary financing requirements
	Verifies terms with listing and selling agents
	Prepares escrow instructions and all remaining escrow documents relating to transaction
Obtains signatures of principals (or arrange for same)	
	Receives fully executed instructions, documents, and buyer funds, and reviews to determine all escrow conditions have been met
	Requests loan funds and verifies any checks deposited for buyer's account
	Updates title information and records pertinent documents. Proceeds to close
	Close escrow

WHAT IS 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 transaction are met.

THE ESCROW HOLDER'S DUTIES

- 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 Information as part of the paperwork. Because many people have similar names, the Statement of Information 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.

UNDERSTANDING TITLE INSURANCE

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 Policy protects the new owner by providing legal and financial redress. It is important to purchase an Owner's Policy because the Loan Policy only protects the lender.

WHY DO I NEED TITLE INSURANCE?

A property owner's greatest protection is an Owner's Insurance Policy. 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.

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. Unlike other forms of insurance, title insurance is paid for by a one-time fee at closing. The policy remains in force as long as you or your heirs retain interest in the property.

Below are a few instances where your title insurance policy would protect you from claims against your property. More examples are available on the following page:

- Forged deeds, mortgages, satisfactions, or releases.
- Deed from partnership, unauthorized under partnership agreement.
- Deed challenged as being given under fraud, undue influence, or duress.
- Deed executed under falsified power of attorney.
- Ineffective release of prior satisfied mortgage due to bankruptcy of creditor prior to recording of release (avoiding powers in bankruptcy).
- Ineffective release of prior mortgage or lien, as fraudulently obtained by predecessor in title.
- Undisclosed but recorded federal or state tax lien.
- Undisclosed but recorded judgment or spousal/ child support lien.
- Right of access wiped out by foreclosure on neighboring land.

A COMPARISON OF TITLE POLICIES

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

Some additional coverage is subject to a deductible and maximum dollar limits of liability. 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 ALTA/CLTA Homeowner's Policy is designed for issuance on certain subdivided residential properties and are not available for all properties. Check with your title representative for availability.

CLOSING COSTS

Below are some typical closing costs you may incur during the home selling 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.

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.

POSSIBLE CLOSING COSTS

HOME WARRANTY

A home warranty plan covers items related to the mechanical, electrical and plumbing aspects of the home. Some appliances may be covered as well.

Prior to the sale of the property, a seller may choose to purchase a home warranty plan to cover the cost of any repairs incurred during the listing period. The buyer may be able to assume the warranty after the sale of the home. Alternatively, the seller may opt to purchase the home warranty plan for the buyer.

Most home warranty plans can be paid for at the close of escrow by providing a copy of the invoice to the Esrow Officer.

THE APPRAISAL PROCESS

If the buyer is obtaining a new loan to purchase the home, the buyer's lender will require an appraisal to be conducted to evaluate the fair market value of the property. A licensed appraiser will collect data on homes similar to yours in the area that have sold in the last six months.

The appraiser will also schedule an appointment to visit the home. He/she will take measurements, sketch a floor plan, take interior and exterior photos of the home and analyze the home's condition, its improvements and amenities.

The appraiser will then provide the buyer's lender a report of his findings a few days after his visit. You will be notified if the buyer's lender requires you to conduct repairs prior to the buyer receiving the loan. Should repairs be required, the appraiser will return after the repairs are completed to review the work. A re-inspection fee may be charged.

DISCLOSURE REPORT

California law requires sellers to disclose certain types of "hazard zones" to potential buyers. The Natural Hazard Disclosure Statement reveals one or more of the following hazard zones to potential buyers:

- A Special Flood Hazard Zone as designated by the Federal Emergency Management Agency (FEMA)
- A Dam Failure Inundation Zone
- A Very High Fire Hazard Severity Zone
- A Wildland Area That May Contain Substantial Forest Fire Risks
- An Earthquake Fault Zone
- A Seismic Hazard Zone

It is in the seller's best interest to have the disclosure report available as soon as possible. California law permits potential buyers three days to cancel a transaction after the disclosure report has been submitted for the buyer's review. Consult your Real Estate Professional should any issues arise.

PAYOFF TERMS

As a full-service title and escrow company, Placer Title facilitates the handling of all monies in a real estate transaction. Below are commonly used terms regarding this portion of the process.

LOAN PAYOFF PREFIGURES

A loan payoff is the receipt of funds from the buyer and the payment of any seller obligations in a real estate transaction. During the course of the transaction (usually early on) Placer Title will ask the realtor and/or customer to provide us an estimated payoff for their loans against the property. Some escrow staff may even contact the banks directly for this information, but this information and figures are only valid through the date given. Payoff amounts given early on in an escrow are called “prefigures.” As the close of escrow approaches, the final payoff figures will be set forth in a “payoff demand.”

PAYOFF DEMANDS

At Placer Title Company, a payoff demand must be specific to the property that is in escrow. Final demands must be submitted in written or electronic format from the lender (company or person) that issued it. An Escrow Officer or their Assistants will request an updated demand if required. Demands often have very specific timeframes in which to pay, and it is the Escrow Officer’s responsibility to keep track of those timeframes.

GOOD FUNDS

Placer Title Company is required to follow the disbursement schedule of the “Good Funds Law” guidelines established by applicable state and federal law (California Insurance Code § 12413.1; Code of Federal Regulations 12 CFR § 229), as well as their underwriters, as follows:

1. Escrow may disburse funds the **same day** as deposited if funds are received via wire transfer (receipt of wire is verified with receiving bank).
2. Escrow may disburse funds the **next business day** after deposit if funds are received and deposited via cashier’s checks or certified check (escrow may request the bank’s phone number to verify the issuance of the check.)
3. Escrow may disburse funds the **2 or more business days** after deposit if funds are received via official check. Note: official checks are not cashier’s checks and are reviewed for which bank the check is drawn on, which determines the length of time it may be held before disbursement.
4. Escrow may disburse funds the **5 to 8 business days** after deposit if funds are received via a personal check from any source. The variable in days is based on clearance of the check and bank location and may require a longer hold depending on the circumstances of its deposit.
5. ACH (Automated Clearing House) transfers of funds are **not** considered good funds and will not be accepted by Placer Title. ACH funds can be recalled by the sender of the funds, and thus do not meet the legal requirements for good funds.

NOTE: Customers depositing multiple cashier’s checks or bank drafts to close an escrow in which the aggregate total of the checks is greater than $10,000, may be required to sign and complete an IRS Form 8300 acknowledging possible IRS cash reporting.

PAYOFF TERMS

TAXES

At the close of escrow, the Escrow Holder will pay and prorate taxes on real property based on the latest available tax figures.

REFUNDS

Refunds will be issued to Placer Title Company. It usually takes 2-6 weeks to process from the time the escrow is closed. Placer Title will then cut a check to the party in which the refund is entitled to.

SHORTAGES

Placer Title Company or your lender may notify you that there is a lack of necessary funds to cover the outstanding demands. All shortages must be covered prior to the close of escrow.

DISBURSEMENT CHECKS

Placer Title Company follows the instructions of each demand. If the demand calls for a check to be cut, the Escrow Officer will abide by the request. Disbursement checks can also be cut from the instructions of invoices in the escrow file as well (e.g., home warranty, property inspections, broker demands, etc.).

WIRE TRANSFERS

Placer Title can receive and disburse funds via wire transfer. The Escrow Officer will wire funds per the instructions provided to escrow.

OUT OF COUNTY TRANSACTIONS

Placer Title can receive and disburse funds through any of our offices in Northern and Central California.

CALIFORNIA PROPERTY TAX GUIDE

Property taxes could affect expenses when closing escrow. See below on how this can impact your transaction.

Lien Date
Jan 1st

2nd Installment Due
Feb 1st

2nd Installment Delinquent
Apr 10th

Apr 15th, Last Day to File for Homeowners Exemption - 100%
File by Dec 1st for 80%

Beginning of Fiscal Tax Year
Jul 1st

Tax Bill Mailed for Current Fiscal Year
Last Week of Oct

1st Installment Due Nov 1st

1st Installment Delinquent
Dec 10th

*

Jan Feb Mar Apr May Jun — ***2nd Installment January 1-June 30***

Jul Aug Sept Oct Nov Dec — ***1st Installment July 1-December 31***

*Tax amounts will be prorated through escrow based on closing date and next installment due

NOTES
1. Owner must own and occupy property on the 1st of March to be eligible for applicable exemptions.
2. Penalties for delinquency are 10% on the date of delinquency plus $10.00 costs for delinquent 2nd Installment. Thereafter, 1.5% per month of original tax amount until paid.
3. Property may be sold at public auction after 5 years of delinquency.

Tax Impound Reserve Schedule

Closing Month	1st Payment	Pay 1st in Escrow	Pay 2nd in Escrow	Number of Months Required By Lender to Impound
January	March			6
February	April		Yes	1
March	May		Yes	2
April	June		Yes	3
May	July			4
June	August			5
July	September			6
August	October			7
September	November			9
October	December	Yes		4
November	January	Yes		5
December	February	Yes		6

The number of months shown above are estimates and may vary according to individual lender requirements.

WITHHOLDING

WHAT IS WITHHOLDING?

Real estate withholding is a prepayment of state income taxes for sellers of California real property. Real estate withholding is not an additional tax on the sale of real estate, but a prepayment of the income tax due on the gain from the sale of real property. Withholding is required on sales or transfers of California real property when the sales price exceeds $100,000 and does not qualify for an exemption.

In California, all transferees (buyers) are required to withhold 3 1/3% of the total sales price unless exempt by reasons listed below. To document the exemption, the real estate escrow person obtains a completed and signed under penalty of perjury California FTB form 593.

Below are the exemptions listed on the FTB form 593 which would determine whether you qualify for a full or partial withholding exemption.

CERTIFICATIONS WHICH FULLY EXEMPT THE SALE FROM WITHHOLDING:

- The property qualifies as the seller's principal residence under Internal Revenue Code (IRC) Section 121.
- The seller last used the property as the seller's principal residence under IRC Section 121 without regard to the two-year time period.
- The seller has a loss or zero gain for California (CA) income tax purposes on this sale. The seller will need to complete Part VI, Computation of the FTB form 593.
- The property is compulsorily or involuntarily converted, and the seller intends to acquire property that will qualify for nonrecognition of gain under IRC Section 1033.
- The transfer qualifies for nonrecognition treatment under IRC Section 351 or IRC Section 721.
- The seller is a corporation (or a limited liability company (LLC) classified as a corporation, qualified through the CA Secretary of State or has a permanent place of business in CA.
- The seller is a CA partnership, or a partnership qualified to do business in CA (or an LLC classified as a partnership for income tax purposes that is not a single member LLC disregarded for income tax purposes).
- The seller is a tax-exempt entity under California or federal law.
- The seller is an insurance company, individual retirement account, qualified pension/profit sharing plan, or charitable remainder trust.

WITHHOLDING

CERTIFICATIONS THAT MAY PARTIALLY OR FULLY EXEMPT THE SALE FROM WITHHOLDING:

- The transfer qualifies as either a simultaneous or deferred like-kind exchange under IRC Section 1031.
- The transfer of this property is an installment sale where the buyer must withhold on the principal portion of each installment payment. A copy of the promissory note will need to be attached, and the buyer will complete Part V Buyer/Transferee Information which is located on Side 2 of the form.

ALTERNATIVE WITHHOLDING:

An election is made to withhold on the actual calculated gain of sale as follows:

- 12.3% Individuals, non-California Partnerships, and Trusts; 13.8% S corporations; 15.8% Financial S corporations; 8.84 Corporations; 10.84% Bank and Financial Corporations.

ADDITIONAL INFORMATION

FTB Form 593 may be used to estimate the amount of your gain or loss for withholding purposes and to calculate an optional gain on sale withholding amount. This form and information is for the seller's calculation and should be held by the seller as applicable for 5 years. See guidelines provided from Franchise Tax Board as to completion of this form.

For answers to questions on tax withholding, you are urged to contact the State of California Franchise Tax Board at 888.792.4900 or consult with your Tax Advisor/CPA.

ESCROW DELAYS

There are many situations or title issues that can arise during the escrow process that may cause your transaction to be delayed or have unexpected costs. Below is a list of the most common situations that cause problems originating from the seller. Remember to always advise your Escrow Officer and/or loan officer as soon as you are aware of any of these issues.

- Sellers leaving town without establishing a power of attorney, reviewed and approved by the title insurer.
- Failure to submit lien holder information on existing loans to escrow.
- Homeowner Association information and fees not provided to the Escrow Officer upfront.
- Homeowner Association pre-paid doc fee not paid in a timely manner.
- Escrow Officer not made aware of recent construction on the property.
- Escrow Officer not made aware of various statuses (e.g., marriage, registered domestic partnership, separation, sole and separate property, death of joint tenant, properties held in a trust, bankruptcy, out-of-state or out-of -country seller, 1031 exchange, easements, etc.).
- Seller is incapacitated.
- Deceased seller without a Tax ID number.
- Foreign seller without a Tax ID number.
- Seller chooses to pay reduced withholding tax to State of California.
- Escrow Officer not notified when judgments arise during escrow period.
- Escrow not notified that the sale of the property includes a mobile home that will need to be transferred.
- All liens on the Preliminary Report have not been paid off or pay-off information not provided to Escrow Officer.
- Acceptable forms of identification, including current Driver's License, passport, or California DMV Identification Card, not provided at signing.
- Name on identification different from name in which title is held.
- Arrangements to transfer or wire funds to another escrow, bank or investment account, not made in advance with Escrow Officer.

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 Real Estate Professional. 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 may wish to 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 and advise your Escrow Officer early in your transaction.

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 Professional 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 Disclosure – This form provides disclosures to help consumers understand all of the costs of the transaction. The Closing Disclosure must be provided to consumers three business days before they close on the loan.

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.

GLOSSARY

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.

Contingency Clause – A contract term that calls for a condition to be met or action to be performed as a prerequisite for the other obligations and rights under the contract to become binding (e.g. the sale of the purchaser's home). A contingency becomes part of a binding sales contract when both parties (i.e., the seller and the buyer) agree to the terms and sign the contract.

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.

GLOSSARY

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.

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 Estimate - This document provides disclosures to help consumers understand the key features, costs and risks of the mortgage loan. The Loan Estimate must be provided to consumers no later than three business days after they submit a loan application.

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.

GLOSSARY

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.

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 real estate closing form required by the Real Estate Settlement Procedures Act (RESPA) in order to account for all funds received, all disbursements made, and all expenses and all credits at close. The form is more commonly known as a HUD-1.

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.

NOTES

PLACER TITLE COMPANY
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