

CALIFORNIA



HOME BUYERS & SELLERS HANDBOOK

For more information, please contact your local Old Republic Title representative, or visit our website at oldrepublictitle.com.



CONTACT INFORMATION

Title & Escrow

Name: _____

Company: Old Republic Title

Address: _____

City/State/Zip: _____

Phone _____

Fax _____

Email: _____

Contact Information

Name: _____

Company: _____

Address: _____

City/State/Zip: _____

Phone _____

Fax _____

Email: _____

Contact Information

Name: _____

Company: _____

Address: _____

City/State/Zip: _____

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Company: _____

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City/State/Zip: _____

Phone _____

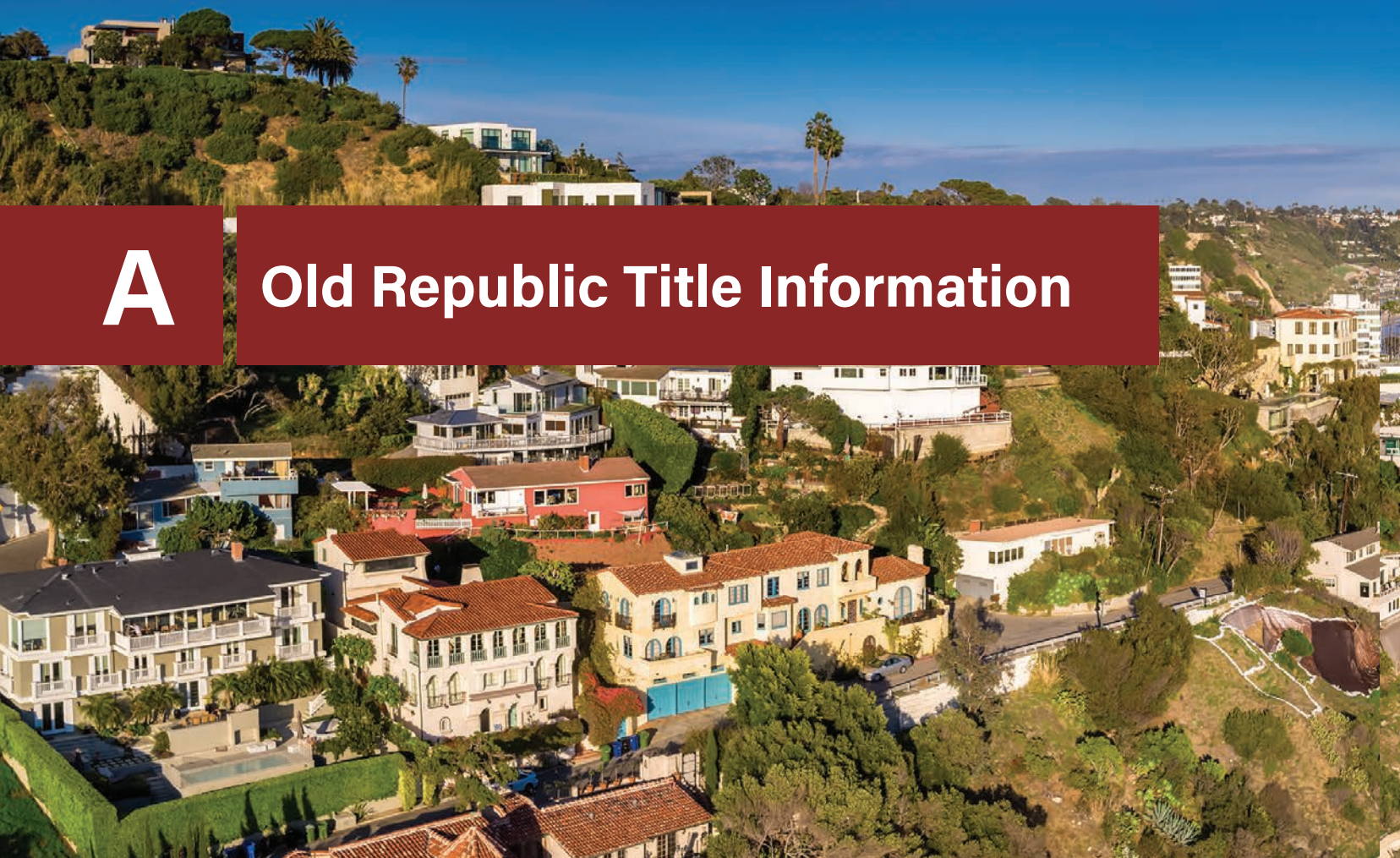
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Email: _____



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A

Old Republic Title Information

Success on Your Terms

Old Republic Title* and its underwriter Old Republic National Title Insurance Company, herein "Old Republic," provide title and escrow products and services for individuals, businesses and governments. Our services are highly comprehensive and flexible to respond to changing market environments and to ensure your transaction is settled according to the most current industry standards. We're committed to expediting the timely close of your real estate transaction by underwriting and managing each transaction with the highest levels of technical skill, client services and professional integrity.

Certainty Matters

When real estate ownership is transferred, the stakes are high and reputations are on the line. Our products and services protect our clients from judgments and liens, forged transfers, inconsistencies within a property's title or misapplication of fiduciary funds. This is what makes title examination and insurance policies – like those provided by Old Republic – invaluable.



Reputation at Work

Old Republic is a subsidiary of Old Republic International Corporation, a multi-lined insurance corporation, which is one of America's 50 largest shareholder-owned insurance businesses. The Old Republic Title Insurance Group** of companies have been issuing title insurance and providing peace of mind to its clients for over a century. We offer residential and commercial title insurance products as well as a variety of other title insurance related services through a national network of branch offices, subsidiaries and over 8,300 independent policy-issuing agents.

(*) ORTIG underwriters are: Old Republic National Title Insurance Company and American Guaranty Title Insurance Company.

(**) Includes, but is not limited to Old Republic Title Company, Old Republic Title Insurance Agency, Inc., Old Republic Title of Nevada, Old Republic Title, Ltd., Old Republic Title & Escrow of Hawaii, Ltd., Old Republic Title of Oregon.

B

BUYERS



COMMON WAYS TO HOLD TITLE - CALIFORNIA

How should I take ownership of the property I am buying?

The form of ownership taken (the vesting of title) will determine who may sign various documents involving the property and future rights of the parties to the transaction. These rights involve such matters as: real property taxes, income taxes, inheritance and gift taxes, transferability of title and exposure to creditor's claims. Also, how title is vested can have significant probate implications in the event of death.

Buyers may wish to consult legal counsel to determine the most advantageous form of ownership for their particular situation, especially in cases of multiple owners of a single property.

Following is a brief list of common ways to hold title:

Sole Ownership - Sole ownership may be described as ownership by an individual or other entity capable of acquiring title. Examples of common vesting cases of sole ownership are:

1. A Single Man or Woman, an Unmarried Man or Woman or a Widow or Widower: A man or woman who is not legally married or in a domestic partnership. *For example: Bruce Buyer, a single man.*
2. A Married Man, Woman as His/ Her Sole and Separate Property: A married man or woman who wishes to acquire title in his or her name alone. The title company insuring title will require the spouse of the married man or woman acquiring title to specifically disclaim or relinquish his or her right, title and interest to the property. This establishes that both spouses want title to the property to be granted to one spouse as that spouse's sole and separate property. *For example: Bruce Buyer, a married man, as his sole and separate property.*
3. A Domestic Partner as His or Her Sole and Separate Property: A domestic partner who wishes to acquire title in his or her name alone. The title company insuring title will require the domestic partner of the person acquiring title to specifically disclaim or relinquish his or her right, title and interest to the property. This establishes that both domestic partners want title to the property to be granted to one partner as that person's sole and separate property. *For example: Bruce Buyer, a registered domestic partner, as his sole and separate property.*

Co-Ownership-Title to property owned by two or more persons may be vested in the following forms:

1. **Community Property:** A form of vesting title to property owned together by married persons or by domestic partners. Community property is distinguished from separate property, which is property acquired before marriage or before a domestic partnership by separate gift or bequest, after legal separation, or which is agreed in writing to be owned by one spouse or domestic partner.
In California, real property conveyed to a married person, or to a domestic partner is presumed to be community property, unless otherwise stated (i.e. property acquired as separate property by gift, bequest or agreement). Since all such property is owned equally, both parties must sign all agreements and documents transferring the property or using it as security for a loan. Each owner has the right to dispose of his/her one half of the community property by will. *For example: Bruce Buyer and Barbara Buyer, husband and wife, as community property, or Sally Smith and Jane Smith, registered domestic partners as community property. Another example for same sex couples: Sally Smith and Jane Smith, who are married to each other, as community property.*
2. **Community Property with Right of Survivorship:** A form of vesting title to property owned together by spouses or by domestic partners. This form of holding title shares many of the characteristics of community property but adds the benefit of the right of survivorship similar to title held in joint tenancy. There may be tax benefits for holding title in this manner. On the death of an owner, the decedent's interest ends and the survivor owns all interests in the property. *For example: Bruce Buyer and Barbara Buyer, husband and wife, as community property with right of survivorship, or John Buyer and Bill Buyer, husband and husband, as community property with right of survivorship. Another example for same sex couples: Sally Smith and Jane Smith, registered domestic partners, as community property with right of survivorship.*
3. **Joint Tenancy:** A form of vesting title to property owned by two or more persons, who may or may not be married or domestic partners, in equal interests, subject to the right of survivorship in the surviving joint tenant(s). Title must have been acquired at the same time, by the same conveyance, and the document must expressly declare the intention to create a joint tenancy estate. When a joint tenant dies, title to the property is automatically conveyed by operation of law to the surviving joint tenant(s). Therefore, joint tenancy property is not subject to disposition by will. *For example: Bruce Buyer, a married man and George Buyer, a single man, as joint tenants.*
Note: If a married person enters into a joint tenancy that does not include their spouse, the title company insuring title may require the spouse of the married man or woman acquiring title to specifically consent to the joint tenancy. The same rules will apply for same sex married couples and domestic partners.
4. **Tenancy in Common:** A form of vesting title to property owned by any two or more individuals in undivided fractional interests. These fractional interests may be unequal in quantity or duration and may arise at different times. Each tenant in common owns a share of the property, is entitled to a comparable portion of the income from the property and must bear an equivalent share of expenses. Each co-tenant may sell, lease or will to his/her heir that share of the property belonging to him/her. *For example: Bruce Buyer, a single man, as to an undivided 3/4 interest and Penny Purchaser, a single woman, as to an undivided 1/4 interest.*

Other Ways of Vesting Title include as:

- 1. A Corporation*:** A corporation is a legal entity, created under state law, consisting of one or more shareholders but regarded under law as having an existence and personality separate from such shareholders.
- 2. A Partnership*:** A partnership is an association of two or more persons who can carry on business for profit as co-owners, as governed by the Uniform Partnership Act. A partnership may hold title to real property in the name of the partnership.
- 3. Trustees of a Trust*:** A Trust is an arrangement whereby legal title to property is transferred by the grantor to a person called a trustee, to be held and managed by that person for the benefit of the people specified in the trust agreement, called the beneficiaries. A trust is generally not an entity that can hold title in its own name. Instead title is often vested in the trustee of the trust. For example: Bruce Buyer trustee of the Buyer Family Trust.
- 4. Limited Liability Companies (LLC)*:** This form of ownership is a legal entity and is similar to both the corporation and the partnership. The operating agreement will determine how the LLC functions and is taxed. Like the corporation its existence is separate from its owners.

*In cases of corporate, partnership, LLC or trust ownership - required documents may include corporate articles and bylaws, partnership agreements, LLC operating agreements and trust agreements and/or certificates.

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C

Escrow & Closing

WHAT IS ESCROW?

Making a very large purchase, such as a house, causes buyers, sellers and lenders to seek reassurance about all the security measures that are in place to protect the funds involved in the closing transaction. Transferring large sums of money and finalizing the details of your sale needs to be done safely and in compliance with the latest security and privacy standards. To help minimize risks during real estate transactions, the escrow/settlement process was developed to protect the buyer, seller and lender.

An escrow account is basically a temporary pass through account held by the escrow holder. The escrow holder is a neutral third party that holds funds and related documents in a secure manner while the parties work through the details of the real estate transaction. Escrow ensures the conditions of the real estate transaction have been met before the property and/or money change hands.

HOW DOES ESCROW WORK?

The escrow process starts when a party to a real estate transaction (seller, seller's agent, buyer or buyer's agent) opens the escrow after a written sale agreement is reached. Upon opening, the escrow holder should be provided with the terms of the sale and the information necessary to carry out tasks. The escrow holder's duties and the timing of key tasks vary between states.

While your real estate transaction is in escrow, your escrow officer and agent will work with you to make sure the right steps are taken at the right time. Tasks that the escrow holder may complete include:

- Coordinating communications between all parties in the transaction
- Preparing written escrow instructions
- Requesting a preliminary report or commitment
- Requesting a statement of identity (information) from the buyer or seller as needed
- Ordering demands or beneficiary statements
- Receiving bills from home warranty companies, as well as pest, roof, home and other inspection companies
- Preparing or securing the deed or other recordable documents
- Complying with lender's requirements
- Prorating taxes, interest, insurance and rents
- Receiving purchase funds required for closing
- Coordinating recording of deeds and any other necessary documents
- Closing escrow when all the instructions of the buyer, seller and lender have been carried out
- Disbursing funds as authorized, including charges for title insurance, recording fees, real estate commissions and loan payoffs
- Preparing final statements for the parties, which account for the disposition of all funds deposited in escrow

When all instructions in escrow have been carried out to the satisfaction of each party, the escrow is ready to be closed. With closing, the title to the property is transferred to the buyer, the sales proceeds are paid over to the seller, necessary documents are recorded and title insurance is issued. It is important to note that the escrow holder does not offer legal advice, negotiate the transaction or offer investment advice.

ESCROW PROCESS

Buyer/consumer must receive the Closing Disclosure (CD) at least three business days prior to the date the buyer/consumer is scheduled to sign the loan documents.

ESCROW OPENED

Escrow number issued, contract and deposit received by escrow.

Preliminary Report/Commitment prepared and distributed for review.

Additional terms and appropriate invoices from companies such as termite companies, homeowner associations, roofers, inspection companies, home warranty companies etc. forwarded to the Escrow Officer.

CLOSING DISCLOSURE SENT BY THE LENDER OR ESCROW OFFICER TO THE BUYER FOR REVIEW

Seller Closing Disclosure sent to the seller by the Escrow Officer. Estimated Settlement Statement sent to the respective buyer's and seller's agents.

Escrow receives loan documents and lender instructions for scheduling the signing.

SIGNING DATE IS SCHEDULED

Buyer and Seller to bring valid ID to the signing appointment. Buyer to bring funds to close.

Signed documents are returned to the lender and funds are requested to close.

Funds are received from the lender and documents sent to the County Recorder for recording.

Confirmation of recording is received, funds are disbursed, final settlement statement is prepared and final CD is sent to the buyer by the lender or Escrow Officer.

CONGRATULATIONS

Escrow is now closed. Keys are typically delivered by the agents to the new homeowner and the Owner's Title Policy is delivered by mail.

COMMON TERMS

Closing Disclosure - The five-page Closing Disclosure, also referred to as CD, must be provided to the consumer three business days before they sign their loan documents. The Closing Disclosure details all of the costs associated with their mortgage transaction.

Consummation - Consummation is not the same thing as closing or settlement. Consummation occurs when the consumer becomes legally obligated to the creditor on the loan, not, for example, when the consumer becomes contractually obligated to a seller on a real estate transaction.

Loan Estimate - A three-page Loan Estimate (LE) must be provided to the consumer no later than three business days after they submit a loan application for most mortgages. The Loan Estimate provides information about key features, costs and risks of the mortgage loan for which the consumer is applying.

Redisclosure - For covered transactions under the TILA-RESPA Integrated Disclosure (TRID) Rule and under very specific circumstances, the Loan Estimate and/or the Closing Disclosure may be revised and delivered to the consumer.

Three-Day Review Period - For transactions covered under the TRID Rule, the creditor is generally required to ensure that the consumer (borrower) receives the Closing Disclosure no later than three business days prior to the consummation of the loan.



TOP THINGS CONSUMERS SHOULD KNOW ABOUT THE CLOSING PROCESS?

1. Time is of the Essence

- To avoid delays or a postponement of your closing, be sure to respond to lender and escrow officer requests immediately.
- Work closely with your lender, real estate agent and escrow officer to avoid delays.

2. You Have a Choice

- When it comes to service providers associated with your closing, you have a choice. This includes the company that will close your transaction. In certain areas, the seller may pay for some closing costs and may be able to select the closing company.

3. Protecting your Information – Secured Emails

- As an additional security measure to protect your non-public personal information, you may receive secured emails from your lender and escrow officer.
- You will need to follow the instructions for retrieving that information (which require you to create an account) and make sure that you return any information through the secured email system.

4. Loan Estimate (LE)

- The Loan Estimate (LE) will be sent to you within three business days of your loan application. You may receive multiple copies of the LE if there are any changes in circumstance(s).
- The terms provided on the LE will also appear on the Closing Disclosure (CD). Lenders are required to explain any changes in fees on the CD.

5. Preparing for Closing

- Approximately 10 – 14 days before you are scheduled to sign your documents, you should be prepared to communicate with your lender, real estate agent and escrow officer. It will be important for you to provide your hazard (homeowners) insurance information.
- Wiring instructions will be subject to strict verifications to prevent fraud. Discuss this with your closing professionals well in advance. Wiring instructions rarely change over the course of a transaction.



6. Closing Disclosure (CD)

- The CD is designed to make it easy for you to understand the terms of your loan.
- The CD must be delivered to the buyer/consumer at least three business days prior to signing the final documents.
- If the CD is delivered via email, it is important to acknowledge receipt to avoid additional delays.
- The CD may also be mailed seven days in advance and does not require proof of receipt.
- This time allows you to share it with your agent, attorney and/or financial advisor, and ask questions or get clarification from your lender about the terms and conditions of your loan.

7. Lender's Title Insurance Policy

- Lenders typically require their borrowers to purchase a Lender's Title Insurance Policy for the purchase of a loan(s).
- The fees are usually based on the amount of the loan(s).
- A lender's policy protects only the lender's interests should a problem with the title arise.

8. Owner's Title Insurance Policy

- Research the value and importance of an Owner's Title Insurance Policy early on in the process of obtaining a loan and closing on the purchase of your home.
- Homebuyers often assume that the Lender's Title Insurance Policy protects them from challenges to their ownership rights in the property being acquired. This is not the case. Instead, the homebuyer's interests are protected by an Owner's Title Insurance Policy. This insurance coverage typically protects against adverse matters such as ownership challenges, errors and omissions in deeds, forgery and undisclosed heirs, among other things. It also provides coverage for the attorney's fees that arise where legal challenges to your property's ownership occur. The cost is typically based on the home's total purchase price, and is a one-time fee paid at closing.

9. Ask Questions

- This is one of the most important purchases of your life. Do not be afraid to ask questions of your lender, real estate agent and escrow officer.



D

Statement of Information

A GUIDE TO STATEMENTS OF INFORMATION

What's in a name? When a title company seeks to uncover matters affecting title to real property, the answer is, "Quite a bit."

Statements of Information provide title companies with the information they need to distinguish the buyers and sellers of real property from others with similar names. After identifying the true buyers and sellers, title companies may disregard the judgments, liens or other matters on the public records under similar names.

To help you better understand this sensitive subject, the California Land Association has answered some of the questions most commonly asked about Statements of Information.

What is a Statement of Information?

A Statement of Information is a form routinely requested from the buyer, seller and borrower in a transaction where title insurance is sought. The completed form provides the title company information needed to adequately examine documents so as to disregard matters which do not affect the property to be insured, matters which actually apply to some other person.

What does a Statement of Information do?

Every day documents affecting real property--liens, court decrees, bankruptcies--are recorded. Whenever a title company uncovers a recorded document in which the name is the same or similar to that of the buyer, seller or borrower in a title transaction, the title company must ask, "Does this document affect the parties we are insuring?" Because, if it does, it affects title to the property and would, therefore, be listed as an exception from coverage under the title policy. A properly completed Statement of Information will allow the title company to differentiate between parties with the same or similar names when searching documents recorded by name. This protects all parties involved and allows the title company to competently carry out its duties without unnecessary delay.



What types of information are requested in a Statement of Information?

The information requested is personal in nature, but not unnecessarily so. The information requested is essential to avoid delays in closing the transaction.

You, and if applicable, your spouse or registered domestic partner, will be asked to provide full name, social security number, year of birth, birthplace, and information of citizenship. If applicable, you will be asked the date and place of your marriage or registered domestic partnership.

Residence and employment information will be requested, as will information regarding previous marriages or registered domestic partnerships.

Will the information I supply be kept confidential?

The information you supply is completely confidential and only for title company use in completing the search of records necessary before a policy of title insurance can be issued.

What happens if a buyer, seller or borrower fails to provide the requested Statement of Information?

At best, failure to provide the requested Statement of Information will hinder the search and examination capabilities of the title company, causing delay in the production of your title policy.

At worst, failure to provide the information requested could prohibit the close of your escrow. Without a Statement of Information, it would be necessary for the title company to list as exceptions from coverage judgments, lines or other matters which may affect the property to be insured. Such exceptions would be unacceptable to most lenders, whose interest must also be insured.

Conclusion?

Title companies make every attempt in issuing a policy of title insurance to identify known risks affecting your property and to efficiently and correctly transfer title so as to protect your interests as a homebuyer. By properly completing a Statement of Information, you allow the title company to provide the service you need with the assurance of confidentiality.

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E

Title Insurance

WHAT IS TITLE INSURANCE AND HOW DOES IT WORK?

To put it simply, title insurance is a way to protect yourself from financial loss and related legal expenses in the event there is a defect in title to your property that is covered by the policy. Title insurance differs from other types of insurance in that it focuses on risk prevention, rather than risk assumption. With title insurance, title examiners review the history of your property and seek to eliminate title issues before the purchase occurs. Title insurance also differs in that it comes with no monthly payment. It's just a one-time premium paid at closing.

Do I need title insurance?

Absolutely. Title insurance is a way to protect what is likely your largest investment — your home. An Owner's Policy provides peace of mind that your title company will stand behind you if a covered title issue or defect arises after you have bought your home.

What does title insurance cover?

Any number of title issues may arise, even after the most meticulous search of public records. These hidden defects are dangerous because you might not learn about them for months, or even years, after purchase. Some common examples of risks covered by your Owner's Policy include defects in title caused by:

- Improper execution of documents
- Mistakes in recording or indexing legal documents
- Forgeries and fraud
- Undisclosed or missing heirs
- Unpaid taxes and assessments
- Unpaid judgments and liens
- Unreleased mortgages
- Mental incompetence of grantors on the deed
- Impersonation of the true owners of the land by fraudulent persons
- Refusal of a potential purchaser to accept title based on the condition of the title

How much does title insurance cost?

The one-time premium that you'll pay for a title insurance policy varies by state, but generally is related to the value of your property.

What is owner's title insurance?

An Owner's Policy of Title Insurance is designed to protect you from covered title defects that existed prior to the issue date of your policy. If a valid claim is filed, your Owner's Policy, subject to its terms and conditions, will cover financial loss up to the face amount of your policy. There are two types of owner's title insurance policies: the Owner's Standard Policy and Homeowner's Policy. See page 22 for more details.

What is lender's title insurance?

A Lender's Policy of Title Insurance provides no coverage to the homeowner. A Lender's Policy ensures that your lender has a valid, enforceable lien on your property. Most lenders require borrowers to purchase this type of insurance policy to protect their investment.



7 REASONS WHY EVERY HOMEBUYER NEEDS OWNER'S TITLE INSURANCE

Buying a home is an exciting and emotional time for many people. To help you buy your home with more confidence, make sure you get owner's title insurance. Here's why it's so important to you.

1. Protects Your Largest Investment

A home is probably the single largest investment you'll make in your life. You insure everything else that's valuable to you—your life, car, personal property, health, pets, jewelry, etc.—so why not your largest investment? For a one-time fee, owner's title insurance protects your property rights for as long as you or your heirs own the home.

2. Reduces Your Risk

If you're buying a home, there are many hidden issues that may pop up after purchasing it. Getting an owner's title insurance policy protects you from legal title discrepancies. Don't think it will happen to you? Think again. Here are just some of the many situations that you'll be protected from if you have owner's title insurance

Unforeseeable title claims, such as:

- **Forgery:** making a false document
 - -- For example, the seller misrepresents the identity of the person selling the property.
- **Fraud:** deception to achieve unfair gain
 - -- For example, someone steals your identity and either sells your house without your knowledge or consent, or takes out a second mortgage on the property and walks away with the money.
- **Clerical error:** inconsistent paperwork and historical records.
 - -- For example, an unforeseeable discrepancy in the property or fence line causes confusion in ownership rights.

Unexpected title claims, such as:

- Outstanding mortgages and judgments, or liens against the property because the seller didn't pay required taxes
- Pending legal action against the property that could affect your ownership
- An unknown heir of a previous owner who is claiming ownership of the property

3. You Can't Beat the Value

Owner's title insurance is a one-time fee that's very low relative to the value it provides. It typically costs around 0.5% of a home's purchase price.

4. Covers Your Heirs

As long as you or your heirs own your home, owner's title insurance protects your property rights.

5. Nothing Compares

Home insurance and warranties protect only the inside of the home. Getting owner's title insurance ensures your family's property rights stay protected.

6. 8 in 10 Homebuyers Agree

Each year, more than 80% of America's homebuyers choose to get owner's title insurance.

7. Peace of Mind

If you're buying a home, owner's title insurance lets you rest assured, with the knowledge that you won't be stuck with certain existing debts or legal problems once you've closed on your new home.

More Homebuyer Tips & Information

The American Land Title Association helps educate homebuyers like you about title insurance so you can protect your property rights. Check out www.homeclosing101.org to learn more about title insurance and the home closing process.

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F

Preliminary Report



PRELIMINARY REPORTS - SOME BASICS

After months of searching, you've finally found it, your perfect dream home. But is it perfect? Will you be purchasing more than just a beautiful home? Will you also be acquiring liens placed on the property by prior owners? Have documents been recorded that will restrict your use of the property?

The preliminary report will provide you with the opportunity, prior to purchase, to review matters affecting your property which will be excluded from coverage under your title insurance policy unless removed or eliminated before your purchase.

What is a Preliminary Report?

A preliminary report is 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.

What role does a Preliminary Report play in the real estate process?

A preliminary report contains the conditions under which the title company will issue a particular type of title insurance policy.

The preliminary report lists, in advance of purchase, title defects, liens and encumbrances which would be excluded from coverage if the requested title insurance policy were to be issued as of the date of the preliminary report. The report may then be reviewed and discussed by the parties to a real estate transaction and their agents.

Thus, a preliminary report provides the opportunity to seek the removal of items referenced in the report which are objectionable to the buyer prior to purchase.

When and how is the Preliminary Report produced?

Shortly after escrow is opened, an order will be placed with the title company which will then begin the process involved in producing the report.

This process calls for the assembly and review of certain recorded matters relative to both the property and the parties to the transaction. Examples of recorded matters include a deed of trust recorded against the property or a lien recorded against the buyer or seller for an unpaid court award or unpaid taxes.

These recorded matters are listed numerically as "exceptions" in the preliminary report. They will remain exceptions from title insurance coverage unless eliminated or released prior to the transfer of title.

What should I look for when reading my Preliminary Report?

A. You will be interested, primarily, in the extent of your ownership rights. This means you will want to review the ownership interest in the property you will be buying and the description of the property, as well as any claims, restrictions or interests of other people involving the property.

The report will note in a statement of vesting the degree, quantity, nature and extent of the owner's interest in the real property. The most common form of interest is "fee simple" or "fee" which is the highest type of interest an owner can have in land.

Liens, restrictions and interests of others which are being excluded from coverage will be listed numerically as "exceptions" in the preliminary report. These may be claims by creditors who have liens or liens for payment of taxes or assessments. There may also be recorded restrictions which have been placed in a prior deed or contained in what are termed CC&Rs--covenants, conditions and restrictions. Finally, interests of third parties are not uncommon and may include easements given by a prior owner which limit your use of the property. When you buy property you may not wish to have these claims or restrictions on your property. Instead, you may want to clear the unwanted items prior to purchase.

In addition to the limitations noted above, a printed list of standard exceptions and exclusions listing items not covered by your title insurance policy may be attached as an exhibit item to your report. Unlike the numbered exclusions, which are specific to the property you are buying, these are standard exceptions and exclusions appearing in title insurance policies. The review of this section is important, as it sets forth matters which will not be covered under your title insurance policy, but which you may wish to investigate, such as governmental laws or regulations governing building and zoning.

Will the Preliminary Report disclose the complete condition of the title to a property?

No. It is important to note that the preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land, but merely report the current ownership and matters that the title company will exclude from coverage if a title insurance policy should later be issued.

Is a Preliminary Report the same thing as title insurance?

Definitely not. A preliminary report is an offer to insure, it is not a report of a complete history of recorded documents relating to the property. A preliminary report is a statement of terms and conditions of the offer to issue a title insurance policy, not a representation as to the condition of title.

These distinctions are important for the following reasons: first, no contract or liability exists until the title insurance policy is issued; second, the title insurance policy is issued to a particular insured person and others cannot claim the benefit of the policy.

Can I be protected against title risks prior to the close of the real estate transaction?

Yes, you can. Title companies can protect your interest through the issuance of "binders" and "commitments."

A binder is an agreement to issue insurance giving temporary coverage until such time as a formal policy is issued. A commitment is a title insurer's contractual obligation to insure title to real property once its stated requirements have been met.

Discuss with your title insurer the best means to protect your interests.

How do I go about clearing unwanted liens and encumbrances?

You will wish to carefully review the preliminary report. Should the title to the property be clouded, you and your agents will work with the seller and the seller's agents to clear the unwanted liens and encumbrances prior to taking title.

Who can I turn to for further information regarding Preliminary Reports?

Your real estate agent and your attorney, should you choose to use one, will help explain the preliminary report to you. Your escrow and title company can also be helpful sources.

CONCLUSION: In a business which is directed at risk elimination, the efforts leading to the production of the preliminary report, which is designed to facilitate the issuance of a policy of title insurance, is perhaps the most important function undertaken.

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G

Closing Costs

The buyer and seller will pay “closing” or settlement costs, an accumulation of separate charges paid to different entities for the professional services associated with the buying and selling of property.

Some closing costs might include real estate commissions, appraisal fees, loan fees, escrow charges, advance payments like property taxes (city and county), hazard insurance, title insurance, pest inspections, etc.

Keep in mind that your closing funds should be wired or provided in the form of a cashier’s check made payable to Old Republic Title.

Examples of Additional Closing Costs:

- Title insurance premiums
- Escrow and notary fees
- Documentation preparation fee
- Recording charges for all documents in buyer’s name
- Interest on new loan from date of funding to 30 days prior to first payment
- Inspection fees (property, roof, geological)
- All new loan charges (except those required by lender for seller to pay)
- Tax proration from date of acquisition
- Assumption/change of record fees for take over of existing loan
- Beneficiary statement fee for assumption of existing loan
- Homeowners association transfer fee
- Home warranty (according to contract)
- Any city transfer tax/conveyance tax (per custom)*
- Real estate commission
- Documentation preparation fee for transferred deed
- Fire insurance premium for first year impounds, if applicable
- 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 work (according to contract)
- Natural hazard disclosure report
- Any judgments, delinquent taxes, tax liens, etc. against seller
- Tax proration (for any unpaid taxes)
- Recording charges to clear all documents of record against seller
- Any bonds or assessments
- Any unpaid homeowner’s dues, homeowner’s document and demand fees
- Documentary transfer tax

(*Based on City/County of where property is located. Check with your Real Estate Professional.)

COMMON PROPERTY TAXES

City Transfer Tax

Tax paid to the local government as a percentage of the property’s value. The amount of the tax is usually based on a percentage of the property’s selling price, but the exact amount is determined by the city where the property is located.

County Transfer Tax

Tax paid to the county or local government as a percentage of the property’s value. The amount of the tax is usually based on a percentage of the property’s selling price, but the exact amount is determined by the county where the property is located.

Mello-Roos (California-Only)

It is possible that the property you are buying is in a “Mello-Roos District” and that a special tax will apply. Mello-Roos is the common name for the 1982 Community Facilities District Act. This Act authorizes local governments and developers to create Community Facilities Districts (“CFDs”) for the purpose of selling tax exempt bonds to fund public improvements (such as streets, water, sewage and drainage, electricity, infrastructure, schools, parks and police protection). Property owners that participate in a CFD pay a special tax to repay the bonds.

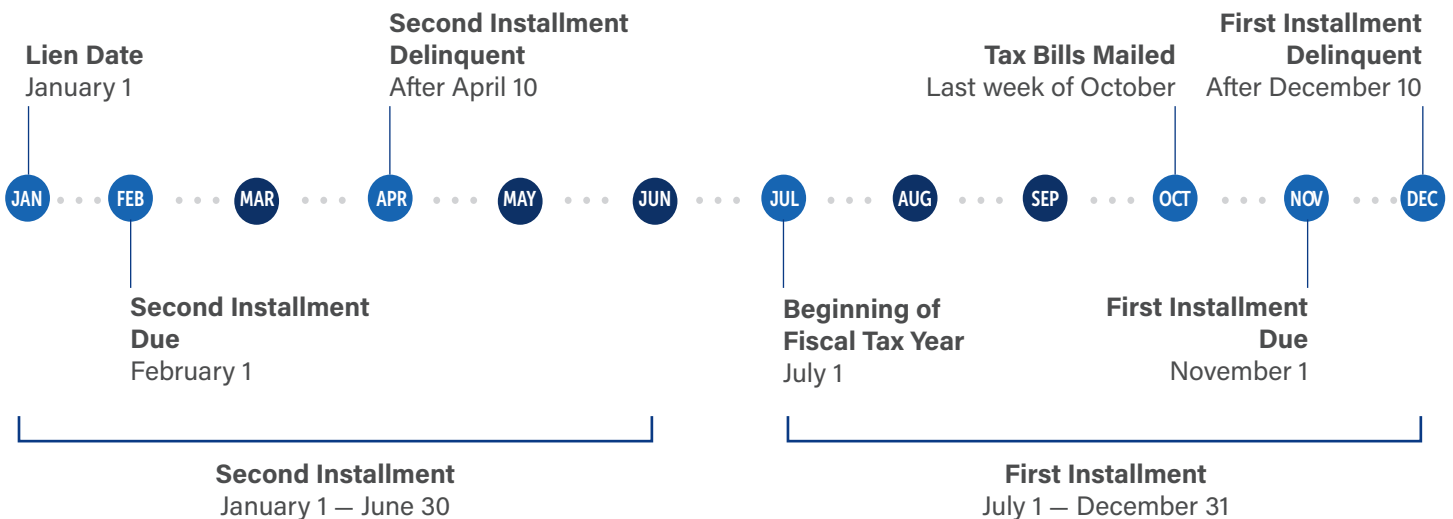
The Mello-Roos tax stays in effect until the bonds are paid off. Sometimes after the bonds are paid off, a CFD will continue to charge a reduced fee to maintain the improvements. This tax is typically included in the annual county property tax bill, and is subject to the same penalties that apply to regular property taxes. If the Mello-Roos tax is not paid, the District may exercise its legal right to foreclose and sell the property.

Under Proposition 13, Mello-Roos taxes are not based on the value of the property. Instead, they are apportioned by taking into account property characteristics (e.g., the use of the property, square footage of the structure, and lot size). The District submits the tax charges to the County, who adds them to your annual Property Tax Bill. Charges for this tax vary, but they do not exceed the maximum amount specified when the CFD was created. When there is a new purchase of a house in a subdivision, the maximum of the tax will be specified in the public report.

Supplemental Tax (applicable in select States)

For an in-depth breakdown of Supplemental Tax, visit **Section H, Understanding Supplemental Property Taxes** (page 23).

PROPERTY TAX CALENDAR



A GUIDE TO CLOSINGS COSTS

County	Escrow Charges	Title Fees Owner's Policy	Documentary Transfer Tax \$1.10 per \$1,000 or \$0.55 per \$500
Alameda ★	Buyer Pays	Buyer Pays	Seller Pays
Alpine	Buyer - Seller 50%	Buyer Pays	Seller Pays
Amador	Buyer - Seller 50%	Buyer Pays	Seller Pays
Butte	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Calavera	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Colusa ★	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Contra Costa ★	Buyer Pays	Buyer Pays	Seller Pays
Del Norte	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
El Dorado ★	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Fresno ★	Buyer - Seller 50%	Seller Pays	Seller Pays
Glenn ★	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Humboldt	Buyer - Seller 50%	Seller Pays	Seller Pays
Imperial	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Inyo	Buyer - Seller 50%	Seller Pays	Seller Pays
Kern ★	Buyer - Seller 50%	Seller Pays	Seller Pays Split: Ridgecrest
Kings	Buyer - Seller 50%	Seller Pays	Seller Pays
Lake	Buyer Pays	Buyer Pays	Seller Pays
Lassen	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Los Angeles ★	Buyer - Seller 50%	Seller Pays	Seller Pays
Madera ★	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Marin ★	Buyer Pays	Buyer Pays	Seller Pays
Mariposa	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Mendocino	Buyer Pays	Buyer Pays	Seller Pays
Merced ★	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Modoc	Buyer - Seller 50%	Seller Pays	Seller Pays
Mono	Buyer - Seller 50%	Seller Pays	Seller Pays
Monterey ★	Buyer - Seller 50%	Seller Pays	Seller Pays
Napa ★	Buyer Pays	Buyer Pays	Seller Pays
Nevada	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Orange County ★	Buyer - Seller 50%	Seller Pays	Seller Pays
Placer ★	Buyer - Seller 50%	Seller Pays	Seller Pays
Plumas	Buyer - Seller 50%	Seller Pays	Seller Pays
Riverside ★	Buyer - Seller 50%	Seller Pays	Seller Pays
Sacramento ★	Buyer - Seller 50%	Seller Pays	Seller Pays
San Benito ★	Seller Pays	Seller Pays	Seller Pays
San Bernardino★	Buyer - Seller 50%	Seller Pays	Seller Pays
San Diego ★	Buyer - Seller 50%	Seller Pays	Seller Pays
San Francisco ★	Buyer Pays	Buyer Pays	Included in the City Transfer Tax
San Joaquin ★	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
San Luis Obispo ★	Buyer - Seller 50%	Seller Pays	Seller Pays
San Mateo ★	Buyer Pays	Buyer Pays	Seller Pays
Santa Barbara	Buyer - Seller 50%	Seller Pays	Seller Pays
Santa Clara ★	Seller Pays	Seller Pays	Seller Pays
Santa Cruz ★	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Shasta	Buyer - Seller 50%		Seller Pays
Sierra	Buyer - Seller 50%		Seller Pays
Siskiyou	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Solano ★	Buyer Pays	Buyer Pays	Seller Pays
Sonoma ★	Buyer Pays	Buyer Pays	Seller Pays
Stanislaus ★	Buyer - Seller 50%	Seller Pays except Turlock 50/50	Seller Pays
Sutter ★	Seller Pays	Buyer - Seller 50%	Seller Pays
Tehama	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Trinity	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Tulare	Buyer - Seller 50%	Seller Pays	Seller Pays
Tuolumne	Buyer - Seller 50%	Buyer - Seller 50%	Seller Pays
Ventura ★	Buyer - Seller 50% <small>*Approved unless notified otherwise</small>	Seller Pays	Seller Pays
Yolo ★	Buyer - Davis Seller - All Other	Buyer - Davis Seller - All Other	Seller Pays
Yuba ★	Buyer - Seller 50%	Seller Pays	Seller Pays

County	City Transfer Tax Amount per \$1,000
Alameda	<p>Buyer - Seller 50%</p> <p>Albany = \$15.00</p> <p>Alameda = \$12.00</p> <p>Emeryville</p> <p>Less than \$1,000,000 = \$12.00</p> <p>\$1,000,001 to \$2,000,000 = \$15.00</p> <p>\$2,000,001 or more = \$25.00</p> <p>Berkeley</p> <p>up to \$1,600,000 = \$15.00</p> <p>\$1,600,001 or more = \$25.00</p> <p>Oakland</p> <p>up to \$300,000 = \$10.00</p> <p>\$300,001 to \$2,000,000 = \$15.00</p> <p>\$2,000,001 to \$5,000,000 = \$17.50</p> <p>\$5,000,001 or more = \$25.00"</p> <p>Hayward = \$8.50</p> <p>Piedmont = \$13.00</p> <p>San Leandro = \$11.00</p>
Contra Costa	<p>Buyer - Seller 50%</p> <p>El Cerrito = \$12.00</p> <p>Richmond</p> <p>up to \$999,999.99 = \$7.00</p> <p>\$1,000,000 to \$3,000,000 = \$12.50</p> <p>\$3,000,001 to \$10,000,000 = \$25.00</p> <p>\$10,000,001 or more = \$30.00</p>
Marin	Seller Pays San Rafael = \$2.00
Sacramento	Buyer - Seller Pays Sacramento = \$2.75
San Francisco	<p>Sellers Pay</p> <p>Through \$250,000 = \$5.00</p> <p>\$250,001 to \$999,999 = \$6.80</p> <p>\$1,000,000 to \$4,999,999 = \$7.50</p> <p>\$5,000,000 to \$9,999,999 = \$22.50</p> <p>\$10,000,000 to \$24,999,999 = \$55.00</p> <p>\$25,000,000 or more = \$60.00</p>
San Mateo	Buyer-Seller 50% Hillsborough = \$0.30 San Mateo = \$5.00
Santa Clara	<p>Buyer-Seller 50%</p> <p>Palo Alto = \$3.30</p> <p>Mountain View = \$3.30</p> <p>San Jose</p> <p>\$2,000,000 to \$5,000,000 x 0.75% = \$7.50</p> <p>\$5,000,001 to \$10,000,000 x 1.00% = \$10.00</p> <p>\$10,000,001 and above x 1.50% = \$15.00</p> <p><i>Please keep in mind this tax is in addition to the current City transfer tax of \$3.30/\$1,000 for San Jose</i></p>
Solano	Seller Pays Vallejo = \$3.30
Sonoma	Seller Pays Santa Rosa = \$2.00 Petaluma = \$2.00

Los Angeles County - Additional City Transfer Tax Information		
City	City Code	Tax Rate
Culver City	20	0.45% on amounts of \$1,499,999 or less 1.5% on amounts from \$1,500,000 to \$2,999,999 ; 3% on amounts from \$3,000,000 to \$9,999,999; 4% on amounts \$10,000,000 and above. <i>See www.culvercity.org/rppt for tax calculator and details</i>
Los Angeles (Effective 4/1/23)	44	0.45% on sales above \$100 but not exceeding \$5,150,000; or 4.45% on sales above \$5,150,000 but below \$10,300,000; or 5.95% on sales \$10,300,000 and above
Pomona	57	\$2.20 (Per \$1,000)
Redondo Beach	59	\$2.20 (Per \$1,000)
Santa Monica (Effective 3/1/23)	68	\$3.00 (Per \$1,000) on amounts \$4,999,999 or less \$6.00 (Per \$1,000) on amounts \$5,000,000 thru \$7,999,999 \$56.00 (Per \$1,000) on amounts \$8,000,000 and above
For more information: www.lavote.gov/home/records/property-document-recording/documentary-transfer-taxes		

Old Republic Title office located = ★
Additional City Transfer Tax Information =

Transfer Tax varies by city. All of the closing costs above are allocated between the Buyer and Seller based on custom only and may be subject to negotiation in the sale of Real Property. These closing costs are deemed reliable, but are subject to change without notice.

CALIFORNIA PROPOSITION 19

Proposition 19 (2020) amended the California Constitution by adding sections that provide further expansion and qualifications regarding limitations on property tax increases for **persons over 55, the severely disabled, victims of wildfires or other natural disasters (collectively referred to as “eligible homeowners”)** and **transfers of certain inherited properties.**

These changes may affect your next escrow, if eligible. Additional forms may be required if you plan to transfer your tax basis for an eligible transaction.

Eligible Homeowners

Effective April 1, 2021, location restrictions will be removed allowing eligible homeowners to:

- **Move Anywhere in the State** - The taxable value of a primary residence may be transferred to a replacement primary residence anywhere within the state, as long as it is within two years of the sale of the original primary residence.
- **Purchase a More Expensive Home** - A home of greater market value may be purchased without incurring a substantial increase in taxable value. The property tax bill would still go up but not by as much as it would for other homebuyers.
- **Increase the Use of the Transfer** - Homeowners who are over 55 or severely disabled could transfer the property’s taxable value up to three times in their lifetime.

Inherited Properties

Effective February 16, 2021, the following qualifications will apply to inherited properties:

- **Continued Use as Primary Residence or Family Farm** - The reassessment exemption on inherited properties would apply only if the property is used by the child (or grandchild under certain circumstances) as their primary residence, or if the property is a family farm. Properties used for other purposes would not qualify for the exemption.
- **Increase for High Value Inherited Homes and Farms** - If the current market value of an inherited property exceeds the parent’s taxable value by more than \$1 million, then the child taxable value shall be assessed as the current market value less \$1 million*.

*The State Board of Equalization shall adjust the \$1 million amount of inflation beginning on February 16, 2023 and every two years thereafter.



An aerial photograph of a coastal town, likely San Francisco, showing a mix of residential buildings, green hills, and a body of water. In the background, a suspension bridge is visible against a clear sky. The foreground shows a road and several buildings along the waterfront.

H

Understanding Supplemental Property Taxes

They have been with us since July of 1983, but you and your neighbors still may not know what they are, what they do, and how they affect you and your property. To help you better understand this confusing subject, the California Land Title Association has answered some of the questions most commonly asked about supplemental real property taxes. To learn how supplemental taxes are reassessed and calculated in your area, visit your local taxing jurisdiction.

When did this tax come into effect?

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

How will Supplemental Property Taxes affect me?

If you don't plan on buying new property or undertaking new construction, this new tax will not affect you at all. But, if you do wish to do either of the two, you will be required to pay a supplemental property tax which will become a lien against your property as of the date of ownership change or the date of completion of new construction. Caveat! Different counties may have additional events that could trigger the issuance of a supplemental tax bill.

When and how will I be billed?

"When" is not easy to predict. You could be billed in as few as three weeks, or it could take over six months. "When" will depend on the individual county and the workload of the County Assessor, the County Controller/Auditor and the County Tax Collector. The assessor will appraise your property and advise you of the new supplemental assessment amount. At that time you will have the opportunity to discuss your valuation, apply for a Homeowner's Exemption and be informed of your right to file an Assessment Appeal. The County will then calculate the amount of the supplemental tax and the tax collector will mail you a supplemental tax bill. The supplemental tax bill will identify, among other things, the following information: the amount of the supplemental tax and the date on which the taxes will become delinquent.

Can I pay my Supplemental Tax Bill in installments?

All supplemental taxes on the secured roll are payable in two equal installments. The taxes are due on the date the bill is mailed and are delinquent on specified dates depending on the month the bill is mailed as follows:

(1) If the bill is mailed within the months of July through October, the first installment shall become delinquent on December 10 of the same year. The second installment shall become delinquent on April 10 of the next year.

(2) If the bill is mailed within the months of November through June, the first installment shall become delinquent on the last day of the month following the month in which the bill is mailed. The second installment shall become delinquent on the last day of the fourth calendar month following the date the first installment is delinquent.

How will the amount of my bill be determined?

There is a formula used to determine your tax bill. The total supplemental assessment will be prorated based on the number of months remaining until the end of the tax year, June 30.

Can you give me an idea of how the proration factor works?

The supplemental tax becomes effective on the first day of the month following the month in which the change of ownership or completion of new construction actually occurred. If the effective date is July 1, then there will be no supplemental assessment on the current tax roll and the entire supplemental assessment will be made to the tax roll being prepared which will then reflect the full cash value. In the event the effective date is not on July 1, then the table of factors represented on the following panel is used to compute the supplemental assessment on the current tax roll.

If the effective date is:	The Proration Factor is:
August 1	.92
September 1	.83
October 1	.75
November 1	.67
December 1	.58
January 1	.50

If the effective date is:	The Proration Factor is:
February 1	.42
March 1	.33
April 1	.25
May 1	.17
June 1	.08

EXAMPLE: The County Auditor finds that the supplemental property taxes on your new home would be \$1,000 for a full year. The change of ownership took place on September 15 with the effective date being October 1: the supplemental property taxes would, therefore, be subject to a proration factor of .75 and your supplemental tax would be \$750.

Will my taxes be prorated in escrow?

No, unlike your ordinary annual taxes, the supplemental tax is a one time tax which dates from the date you take ownership of your property or complete the construction until the end of the tax year on June 30. The obligation for this tax is entirely that of the property.

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Living Trusts - Some Basics

Estate planners often recommend “Living Trusts” as a viable option when contemplating the manner in which to hold title to real property. When a property is held in a Living Trust, title companies have particular requirements to facilitate the transaction. While not comprehensive, following are answers to many commonly asked questions. If you have questions that are not answered below, your title company representative may be able to assist you, however, one may wish to seek legal counsel.

Who are the parties to a Trust?

A typical trust is the Family Trust in which the Husband and Wife are the Trustees and, with their children, the Beneficiaries. Those who establish the trust and transfer their property into it are known as Trustors or Settlers. The settlor’s usually appoint themselves as Trustees and they are the

primary beneficiaries during their lifetime. After their passing, their children and grandchildren usually become the primary beneficiaries if the trust is to survive, or the beneficiaries receive distributions directly from the trust if it is to close out.

What is a Living Trust?

Sometimes called an Inter-vivos Trust, the Living Trust is created during the lifetime of the Settlers (as opposed to being created by their Wills after death) and usually terminates after they die and the body of the Trust is distributed to their beneficiaries.

Can a Trust hold title to Real Property?

No. The Trustee holds the property on behalf of the Trust.



Is a Trust the best way to hold my property?

Only your attorney or accountant can answer the question; some common reasons for holding property in a Trust are to minimize or postpone death taxes, to avoid a time consuming probate, and to shield property from attack by certain unsecured creditors.

What tax can I avoid by putting my property in trust?

Married persons can usually exempt a significant part of their assets from taxation and may postpone taxes after the first of them to die passes. You should check with your attorney or accountant before taking any action.

Can I homestead property which is held in a Trust?

Yes, if the property otherwise qualifies.

Can a Trustee borrow money against the property?

A Trustee can take any action permitted by the terms of the Trust, and the typical Trust Agreement does give the Trustee the authority to borrow and encumber real property. However, not all lenders will lend on a property held in trust, so check with your lender first.

Can Someone else hold title for me "in trust?"

Some people who do not wish their names to show as titleholders make private arrangements with a third party Trustee; however, such an arrangement may not be advisable because the Trustee of record is the only one who is empowered to convey, or borrow against, the property, and a Title Insurer cannot protect you from a Trustee who is not acting in accordance with your wishes despite the existence of a private agreement you have with the Trustee.

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J

Probate - Some Basics



Everyone has a will or plan, whether created or by default. Even if you have not made out a will or a trust, you still have a plan – a plan dictated by the laws of the state where you reside upon your death. Making a will is not a way to avoid “probate”, the court procedure that changes the legal ownership of your property after your death. Probate makes sure it is your last valid will, appoints the executor named in your will and supervises the executor’s work. You can do several things now that can help your executor and family later, hopefully much later on.

I AM IN POSSESSION OF A WILL THAT DISTRIBUTES THE DECEDENT’S ESTATE TO ME, ISN’T THIS ALL I NEED?

No. The will must be admitted to probate and the estate of the decedent must be “probated.”

WHAT DOES “PROBATE” ACTUALLY MEAN?

Generally, probate is a court proceeding that administers the estate of an individual.

WHAT IS THE PURPOSE OF “ESTATE ADMINISTRATION”?

Generally, there are five purposes, many of which have subsets to them:

1. To determine that the decedent is in fact dead,
2. To establish the validity of the will,
3. To identify the heirs and devisees of the decedent,
4. To settle any claims that creditors may have against the estate of the decedent, and
5. To distribute the property.

WHO IS THE PUBLIC ADMINISTRATOR?

Generally speaking, a public administrator is a person or entity appointed by the State to act when there is no will or relatives.

WHAT IS THE DIFFERENCE BETWEEN “TESTATE” AND “INTESTATE”?

When one is said to have died “Testate,” it means he or she died leaving a will. If one is said to have died “Intestate,” it means he or she died without leaving a will.

WHAT IS THE DIFFERENCE BETWEEN AN EXECUTOR AND AN ADMINISTRATOR?

An “executor” carries out the directions and requests set forth in the decedent’s will. An “administrator” is appointed by the court to manage the estate of a decedent who dies intestate.

WHAT ARE THE STEPS TO A NORMAL UNCONTESTED PROBATE?

Very generally speaking they are as follows:

1. Death of the decedent.
2. The will is delivered to the executor or Court Clerk.
3. A petition is filed for the Probate of Will or Letters of Administration.
4. A hearing is held on the petition.
5. Letters of Administration are issued by the Court.
6. Notice to creditors is given.
7. Inventory and appraisal of the estate is made by an independent probate appraiser.
8. File Federal estate tax return. Return states “No Tax Due” or specifies an amount due.
9. Final accounting and petition for distribution.
10. Final decree of distribution.
11. Discharge of personal representative.

WHILE REAL PROPERTY IS “IN PROBATE” CAN IT BE SOLD?

Yes. Without getting into too much detail it can be sold either at private sale in which the executor of the estate negotiates a transaction with a buyer or at public sale in which the property is sold at public auction.

IF THERE IS NO WILL, HOW IS THE PROPERTY OF THE ESTATE DISTRIBUTED?

Sections 6400 through 6414 of the California Probate Code addresses intestate succession and the distributions. The method and manner of intestate distributions is quite complex and therefore one should specifically discuss intestate distributions with his or her legal advisor.

It is always advisable to consult a knowledgeable Probate attorney.

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FIRPTA



FIRPTA WITHHOLDING RULE

Under the Foreign Investment in Real Property Tax Act (FIRPTA) of 1980, a foreign person who sells a real property interest located in the U.S. is subject to a tax withholding at disposition. This regulation requires the buyer in such a transaction to withhold 10-15% of the “amount realized” from the sale and remit it to the Internal Revenue Service (IRS) unless one or more exemptions apply to the seller or the transaction.

Although the requirement to withhold and remit funds to the IRS falls on the buyer, typically the closing agent does withhold and remit funds or prepare exemption affidavit forms to be delivered to the IRS at the time of closing. The seller’s real estate agent plays an important role in encouraging the seller to consult with their tax professional early in the transaction process to address any potential issues that may delay their closing. Some tax professionals may recommend submitting an early tax return application for any excess withholding. This is particularly important as the IRS has reported that refunds filed after withholding may take up to 12 months to process.

Property	Amount Realized	Withholding Rate
Not acquired to be buyer’s residence	Any amount	15%
Acquired to be buyer’s residence	Up to \$300,000	0%
	Over \$300,000 and up to \$1,000,000	10%
	Over \$1,000,000	15%

If a foreign person is selling a U.S. real property interest, a withholding is required as noted above, unless one or more of the following exceptions apply (this is not a complete list of exceptions):

- Buyer acquires the real property as a personal residence and the sales price does not exceed \$300,000
- Seller provides a Non-Foreign Affidavit
- Seller provides a Withholding Certificate from the IRS which excuses the withholding
- The amount realized by the seller is zero
- The property is acquired by the United States, a U.S. state or possession, a political subdivision, or the District of Columbia

This content is provided solely for informational and educational purposes and does not purport to offer tax advice or legal advice of any kind. A complete understanding of FIRPTA is critical to determining the buyer’s tax withholding and reporting obligations. Questions concerning the applicability of the provisions of any state or federal tax legislation should be directed to a licensed and qualified tax professional.

SELLER'S CHECKLIST

Prior to Escrow Signing

- Let your Escrow Officer know the best way to contact you (telephone numbers including home, cell or work and email).
- Fill out Statement of Information form, if required (provided by Escrow Officer).
- Fill out Information Request form (provided by Escrow Officer). Be sure to provide complete and accurate account numbers, social security numbers and Homeowners Association (HOA) information if any. This information is needed to help avoid delays in obtaining payoff demands.
- Let your Escrow Officer know if the property being sold is NOT your primary residence.
- Advise your Escrow Officer if someone on title is deceased.
- Notify your Escrow Officer if you will be out of town during the escrow period.
- If applicable, complete Seller's Affidavit of Non-Foreign Status.

*Note: With the receipt of the buyers' loan document your Escrow Officer will contact you to set up the signing appointment.

At Escrow Signing

- All individuals vested in title must be present at the signing. If this causes a conflict please let your Escrow Officer know as soon as possible.
- All must present valid identification in the form of a CURRENT Driver's License, Passport, Department of Motor Vehicles Identification Card, or approved identification card provided it has a photograph, description of the person, signature and an identifying number.
- If your sales proceeds will be wired into an account, you will need to provide the name of the institution, routing number, and account number. Beware of wire fraud. Wire instructions rarely change.

Side Note

If uncertain who to turn to for answers, below are the best sources for most common questions:

- **Details of your purchase agreement** - Your Real Estate Agent
- **Final Amount you will net at closing** - Your ORTC Escrow Officer
- **Property Taxes** - Your Lender or Mortgage Company
- **Income (Personal Taxes)** - Certified Public Accountant (CPA)

Seller's Checklist

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Old Republic Title strongly recommends that consumers confer with their title insurer as underwriting requirements vary among companies and further, obtain guidance and advice from qualified professionals, including attorneys specializing in Real Property, Trusts and/or Title Insurance to get more detailed, and current, information as to any particular situation affecting them.



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