OLD REPUBLIC TITLE

HOMe-Book

EL DORADO COUNTY

Understanding Title & Escrow | Closing Costs
The Language of Real Estate
Includes Consumer Information on Closing Practices (TRID)

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Contact Information

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Home ownership is the American Dream and you are about to embark on an exciting process. Your home will be one of your largest assets and most likely will appreciate in value over the life of your ownership. There are a lot of decisions ahead of you. Please use this handbook as a guide to help you throughout this process.

Old Republic Title

WHY OLD REPUBLIC TITLE?

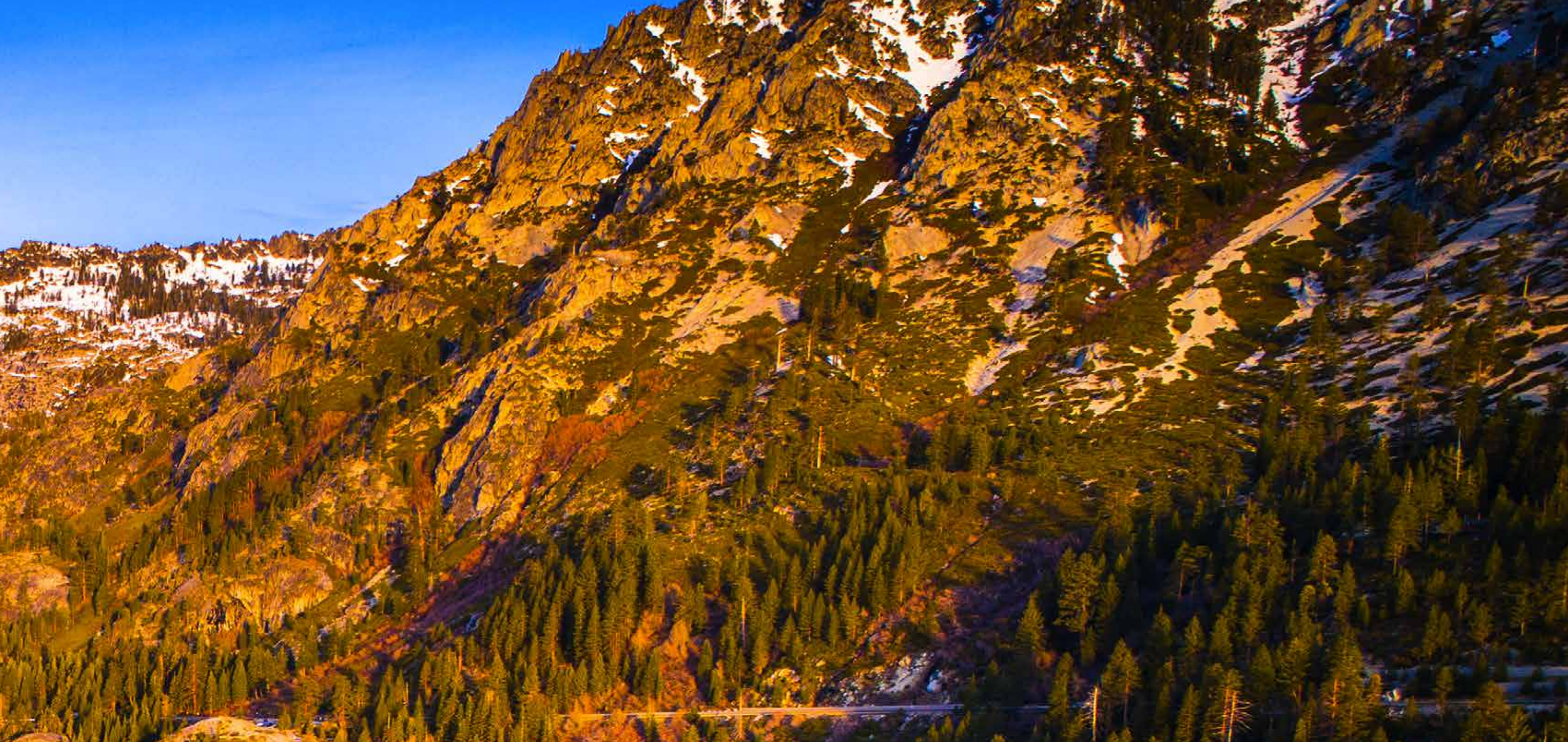
When you select a title insurer, you've chosen a company you can rely on as long as you or your heirs own a property. Old Republic Title's value doesn't just come from being in business for more than a century. It's much more than that.

At Old Republic Title, you'll find exceptional client service every step of the way. Through each stage of the process, you'll work with experienced title insurance professionals who strive to provide prompt delivery of our products and services.

How do we know you'll work with experienced professionals? We keep our standards high. Whether it's state or regional counsel, title officers, title searchers, underwriters or escrow officers, we recruit individuals with knowledge and skill in the title insurance and real estate industries—many of whom build long careers with Old Republic Title.

Our products and services are designed to protect our clients associated with a real estate transaction. Whether you're a homeowner, title agent, real estate professional, builder or lender, we provide solutions to meet your needs. We take the mystery out of the complex settlement process by providing advanced technology solutions that meet high compliance standards.

The value of our services is backed by financial strength that is unsurpassed in the title insurance industry. Since 1992, no other title insurer has had higher overall ratings than Old Republic Title. By carefully considering each financial step we take, we make every effort to ensure we'll be here to serve you for many years to come.



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 financial loss and hardship related to unknown 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. Old Republic minimizes the risks of real estate transactions by providing an insured statement about the ownership.

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.

(**) 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.

SERVICES WE PROVIDE

Our products and services have been developed to address four important aspects of the real estate transfer process: information, ownership, asset management and commitment. In each area, we have created the tools and resources needed to ensure the most risk-free and expedient closing possible.

1. Information Services

The best real estate closings begin with good information.

We own and subscribe to leading industry information services for the most current market information, including property profiles, farm reports and mortgage records. We have access to secure, Internet-based databases with millions of public real estate records and documents. We can prepare and deliver preliminary reports and commitments electronically to multiple locations.

We provide real estate professionals with the most current ownership information available through a variety of sources to assist them in selling property and locating the next opportunity. In addition, we provide a variety of real estate insurance products to national lenders ranging from full ALTA policies to limited coverage policies.

2. Title Services

Insured ownership is at the heart of every transaction.

We work to remove any recorded encumbrances which are inconsistent with the terms of the transaction. We offer traditional, fully-insured products like ALTA policies, as well as innovative products and insurance policies in the refinance, second mortgage and equity markets. We respond quickly to unique circumstances with flexible and creative approaches to title insurance.

3. Escrow Services

The careful management of assets ensures a smooth transaction.

We coordinate and process the entire real estate and mortgage closing procedure. Our services include: document gathering, preparation and delivery of the Closing Disclosure when required, loan funds disbursement, escrow withholding and document recording with the appropriate government authority; all done in accordance with our clients' instructions. We serve as a neutral third party working to benefit the entire transaction and the parties involved. Our escrow personnel are proficient at complying with complicated escrow instructions.

4. Client Services

At Old Republic Title, we focus on providing optimum client service and deploying technologies that meet the needs of real estate professionals, consumers and our clients. Our network of Property Information Departments provides a variety of products , including property profiles and FARMS. In addition, we subscribe to industry-leading information systems for the most current market data, information and public records and documents.

To further support the needs of those we serve, we also provide several convenient digital tools. Many of these tools allow clients to directly open title and/or escrow orders, update property information, calculate closing costs or search property details via their oldrepublictitle.com account, or through one of our applications.

FINANCIAL RATINGS

Since 1992, no other title insurer has had higher overall financial strength ratings than Old Republic Title.

In today's uncertain economy, it is important to choose an underwriter you trust.

- We set ourselves apart from the competition with unparalleled financial strength. Our statutory reserves and surplus are 21.4 times the 5-year average claim payments* — the strongest of all the national underwriters! This reflects the fact that we stand behind our policyholders.
- From 2008 through 2019, our market share has gone up 170%! Over that period, Old Republic Title has been the fastest growing national title insurance group in the nation.
- Our parent company, Old Republic International Corporation, is a multi-billion dollar insurance holding company with $20.4 billion in total assets and $5.1 billion in shareholders' equity**.

Since 1907, Old Republic Title has weathered challenging economic times, meeting obligations to policyholders no matter the conditions. With underwriting expertise, exceptional products and services, and a commitment to doing business with integrity, Old Republic Title is a name you can trust.

Strength & Stability for Over a Century

05/2020 | | * Based on combined Form 9 Annual Statements for all insurers within each family, as compiled by the ALTA. December 31, 2019 | ** As of 03/31/2020 | Old Republic Title's underwriters are Old Republic National Title Insurance Company and American Guaranty Title Insurance Company. Rating determinations made by rating agencies are subject to change from time-to-time. While the Company attempts to show accurate information, it cannot assure the reliability of ratings referred to herein and assumes no obligation to monitor the ratings of any rating agency, or to immediately incorporate any rating changes applicable to the Company.

Escrow

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

For loan applications taken after October 3, 2015, the buyer/consumer must receive the new 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's 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 received, funds are disbursed, final settlement statement is prepared and final Closing Disclosure is sent to the buyer by the lender or Escrow Officer.

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

‘KNOW BEFORE YOU OWE’ MORTGAGE DISCLOSURE 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.

BUYER'S CHECKLIST

A start to finish checklist on what you'll need to provide and what to expect throughout your escrow transaction.

Prior to Escrow Signing

Escrow Requirements

- Let your Escrow Officer know the best way to contact you (telephone numbers including home, cell or work and email)
- Fill out the information request form (provided by Escrow Officer)
- Decide how you would like to hold title to your new home. You may want to consult with a lawyer or a qualified professional before making this decision.
- Let your Escrow Officer know if funds are coming from the sale of an existing home.
- Upon receipt of your loan documents, your Escrow Officer will call you with the amount needed to close, which is required in the form of a wire transfer or cashier's check payable to Old Republic Title.

Hazard Insurance

- Obtain quotes and choose your agent and coverage.
- Give your Escrow Officer the agent's name and phone number (preferably 30 days prior to close of escrow).

Loan Approval

- Provide lender with all documents for the loan approval.
- Ensure names are spelled correctly on loan application and as you would like them to appear on your deed.
- Remind your loan agent that the Escrow Officer needs loan documents prior to your appointment date (24 hours in advance, if possible).

At Escrow Signing

- All individuals named on the Deed of Trust must be present at the signing. If this causes a conflict, please let your Escrow Officer know as soon as possible.
- All buyers must present valid identification in the form of a CURRENT driver's license, passport, Department of Motor Vehicles identification card, or other approved identification card that provides a photograph, description of the person, signature and an identifying number.

When do I get the keys?

After you sign all of the documents, the Escrow Officer will prepare them to record at the County Recorder's Office. If there is a lender involved, the Escrow Officer will work with the lender to fund the loan. When the funds are in escrow, the Escrow Officer will send the deed(s) to the County Recorder to be officially recorded. Once the deed has been recorded, the transfer of title has occurred and you now own the home.

Keys will be handed over by the sellers or the seller's agent to you or your agent and the recorded deed will be mailed to you from the County Recorder's Office usually within two to three weeks.

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 needed to close escrow: Your Escrow Officer
- Possession of keys to home: Your Real Estate Agent
- Loan requirements and financial matters: Your Lender or Mortgage Company
- Hazard insurance/agent questions regarding escrow instructions: Your Escrow Officer
- How to take title or ownership: Attorney or Legal Advisor

SELLER'S CHECKLIST

A start to finish checklist on what you'll need to provide and what to expect throughout your escrow transaction.

Prior to Escrow Signing

Escrow Requirements

- Let your Escrow Officer know the best way to contact you (telephone numbers including home, cell or work and email)
- Fill out the information request form, if required (provided by Escrow Officer)
- Fill out the information request form (provided by Escrow Officer). Be sure to provide complete and accurate account numbers, social security numbers and Homeowner's 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 the title is deceased.

Note: With the receipt of the buyers' loan documents, 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 sellers must present valid identification in the form of a CURRENT driver's license, passport, Department of Motor Vehicles identification card, or other approved identification card that provides 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.

After Escrow Signing

- Cancel your fire insurance (you may need to show a copy of your Settlement Statement, which will be provided to you in your closing papers).
- Notify utility companies.
- Submit your change of address to the U.S. Postal Service, Department of Motor Vehicles and Registrator of Voters.

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 Escrow Officer
- Property Taxes: Your Lender or Mortgage Company
- Income (personal taxes): Certified Public Accountant (CPA)

TOP 10 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

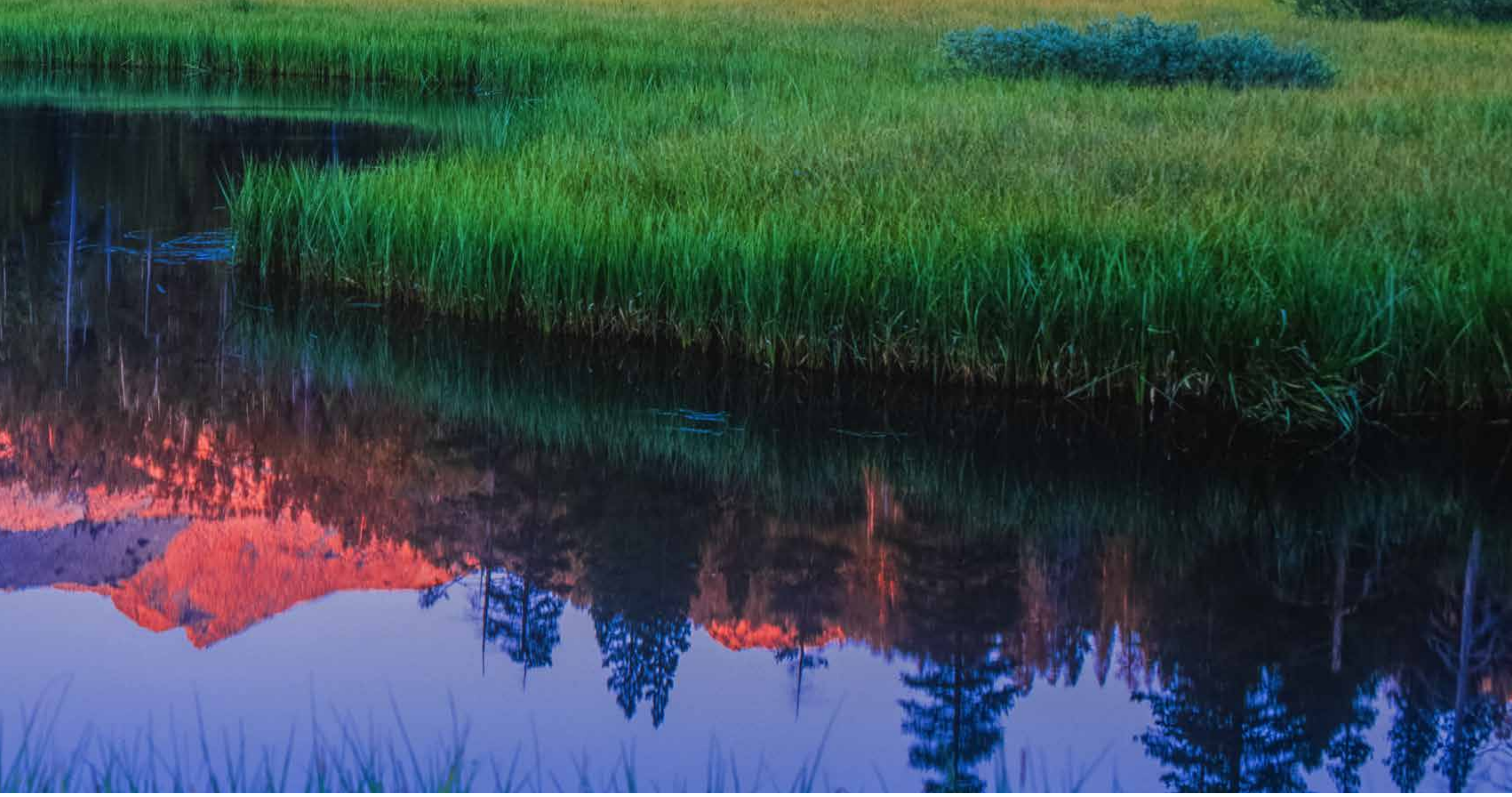
- When it comes to service providers associated with your closing, you have a choice. This includes the company that will close your transaction and most inspectors, just to name a few. In certain areas, the seller will pay for some closing costs and thus will be entitled to select the vendor(s).
- Talk to your lender, real estate agent and escrow officer to obtain additional information about the various service providers and fees.

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 will likely 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 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 insurance information.
- NOTE: Wiring instructions will be subject to strict verifications to prevent fraud. Discuss this with your closing professionals well in advance.

6. Closing Disclosure (CD)

- A closing statement called the Closing Disclosure (CD) will be used for most loan applications processed after October 3, 2015. The CD will be sent directly to you (buyer/consumer) and not your real estate agent.
- The CD is designed to make it easy for you to understand the terms of your loan.

7. Three-Day Review Period

- The Closing Disclosure (CD) must be delivered to the buyer/consumer at least three business days prior to signing the 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.

8. Lender's Title Insurance Policy

- Lenders typically require their borrowers to purchase a Lender's Title Insurance Policy for the purchase 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.

9. 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. Its cost is typically based on the home's total purchase price, and is a one-time fee paid at closing.

10. 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.

Consumers are given more time to consider their options because the Closing Disclosure (CD) form is now provided three days before signing documents.

SHOWSTOPPERS

In our business, the show is the closing, and we want to help your customers have the smoothest closing possible. While not every problem can be anticipated, there are red flags you should watch for in your transactions. Being proactive to these potential showstoppers will help ensure a successful closing and bring you referrals. If you determine that your buyer or seller is affected by any of the following, call Old Republic Title immediately.

- Trusts
- Bankruptcy
- Foreclosure
- Divorce or separation
- Recent marriage of seller or buyer
- Death of property owners
- Power of attorney
- Easements/encroachments/shared driveways
- Foreign sellers
- Liens or judgments against property owners
- Guardianship or incompetence of seller
- Sellers or buyers that will not be present at closing

BEWARE OF WIRE FRAUD

According to the Federal Bureau of Investigation (FBI), U.S. victims of email account compromise reported losses of $10.1 billion between October 2013 and July 2019.

The FBI's Internet Crime Complaint Center (IC3) receives, on average, 900 complaints a day.

Cybercriminals are sending **fraudulent wiring instructions** to real estate agents, title companies and clients, so it's important to remain vigilant.

How to Protect Yourself

- Be wary of free, web-based email accounts; they are easily hacked.
- Always verify changes in payment instructions and confirm requests for transfer of funds.
- Carefully evaluate any requests for secrecy or pressure to take action quickly.
- Call, don't email. Confirm all wiring instructions by phone before transferring funds. Use the phone number from the title company's website or a business card.
- Be suspicious. It's not common for title companies to change wiring instructions and payment information.
- Confirm it all. Ask your bank to confirm not just the account numbers but also the name on the account before sending a wire.
- Verify immediately. You should call the title company or real estate agent to confirm receipt of funds. If you wired funds into the wrong account, reporting it to authorities within 24 hours gives you the best chance of recovering the money.
- Forward, don't reply. When responding to an email, hit forward instead of reply and then start typing in the person's email address. Criminals use email addresses that are very similar to legitimate business email addresses. By manually entering a good email address, you make it easier to connect with a real professional instead of a fraudster posing as one.

If you think you might be a victim:

1. Using a previously known phone number, call the supposed sender of the email to authenticate the change request — NEVER call the number in this email.
2. If you suspect fraud, immediately notify the financial institutions and escrow agent involved in the transaction.
3. Contact your local law enforcement authorities, and file a complaint with the FBI's Internet Crime Complaint Center.

07/2020

MIMECAST SECURE MESSAGING

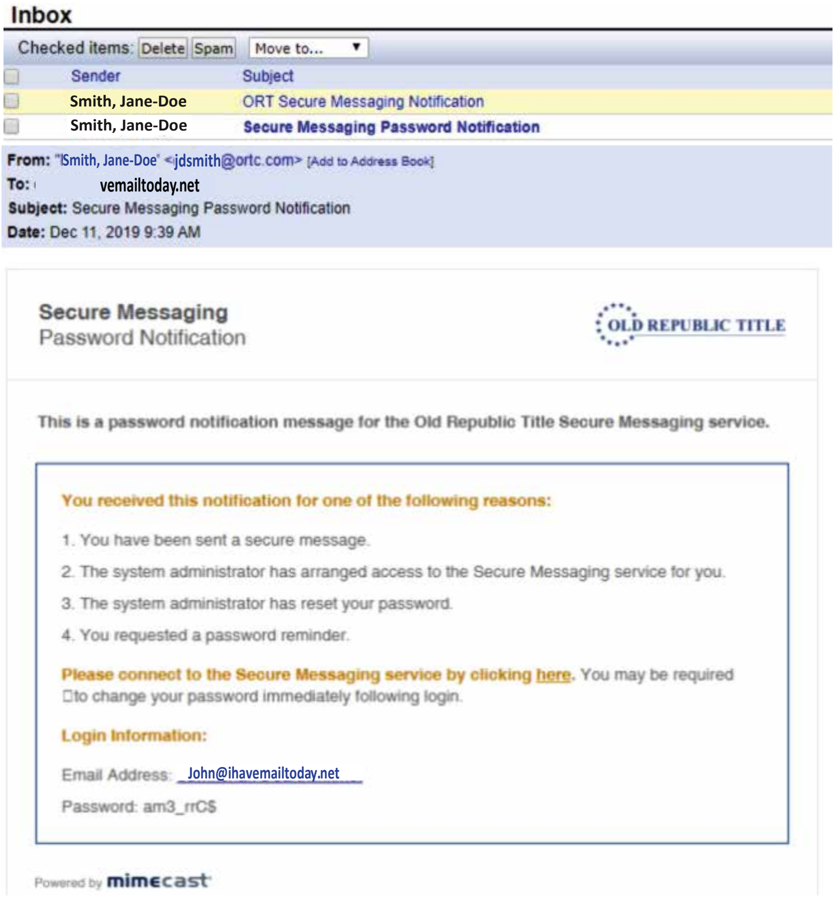
Old Republic Title is now using Mimecast Secure Messaging for email encryption. The Secure Messaging Portal allows recipients to read, reply and forward secure messages. To access an encrypted message using Mimecast, follow the instructions below.

3 Easy Steps

When a new encrypted message is sent from Old Republic Title, the recipient (you) will receive two emails.

1. Received e-mail from Old Republic Title - Please connect to the Secure Messaging service by clicking the link "here" - https://ort.login-us.mimecast.com

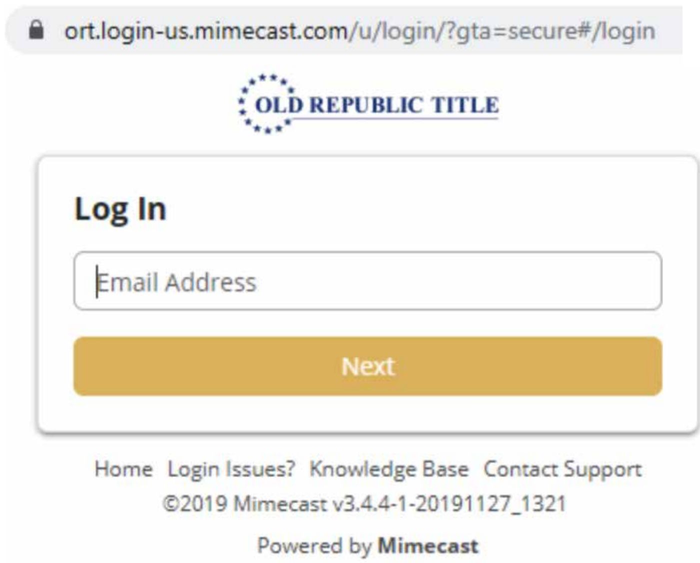
https: //... you are currently viewing your email (personal or company)



2. Log In - For new Mimecast users, copy-and-paste the **password provided** from the Secure Messaging Password Notification email, and click Log In.

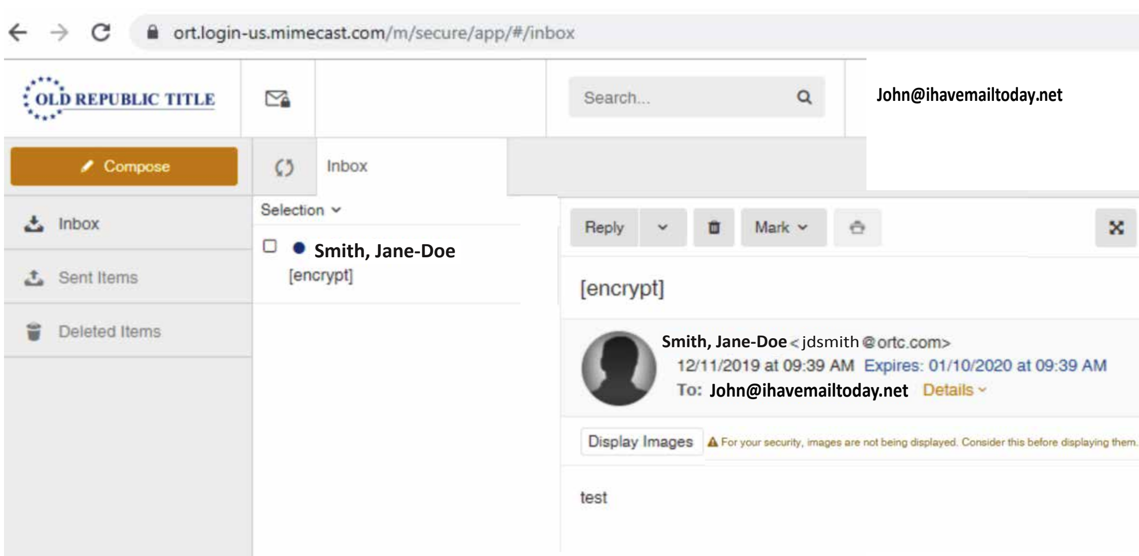
For existing Mimecast users, simply type your password to access the inbox. (Or click Forgot your password.)

https://ort.login-us.mimecast.com/u/login/?gta=apps#/login



3. View Secure Email from Old Republic Title Mimecast website - After logging in, the Secure Messaging Portal Inbox is displayed. Click the desired message, and the content will appear on the right panel. Use the Reply button or dropdown to respond as needed.

https://ort.login-us.mimecast.com/m/secure/app/#/inbox



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?

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.

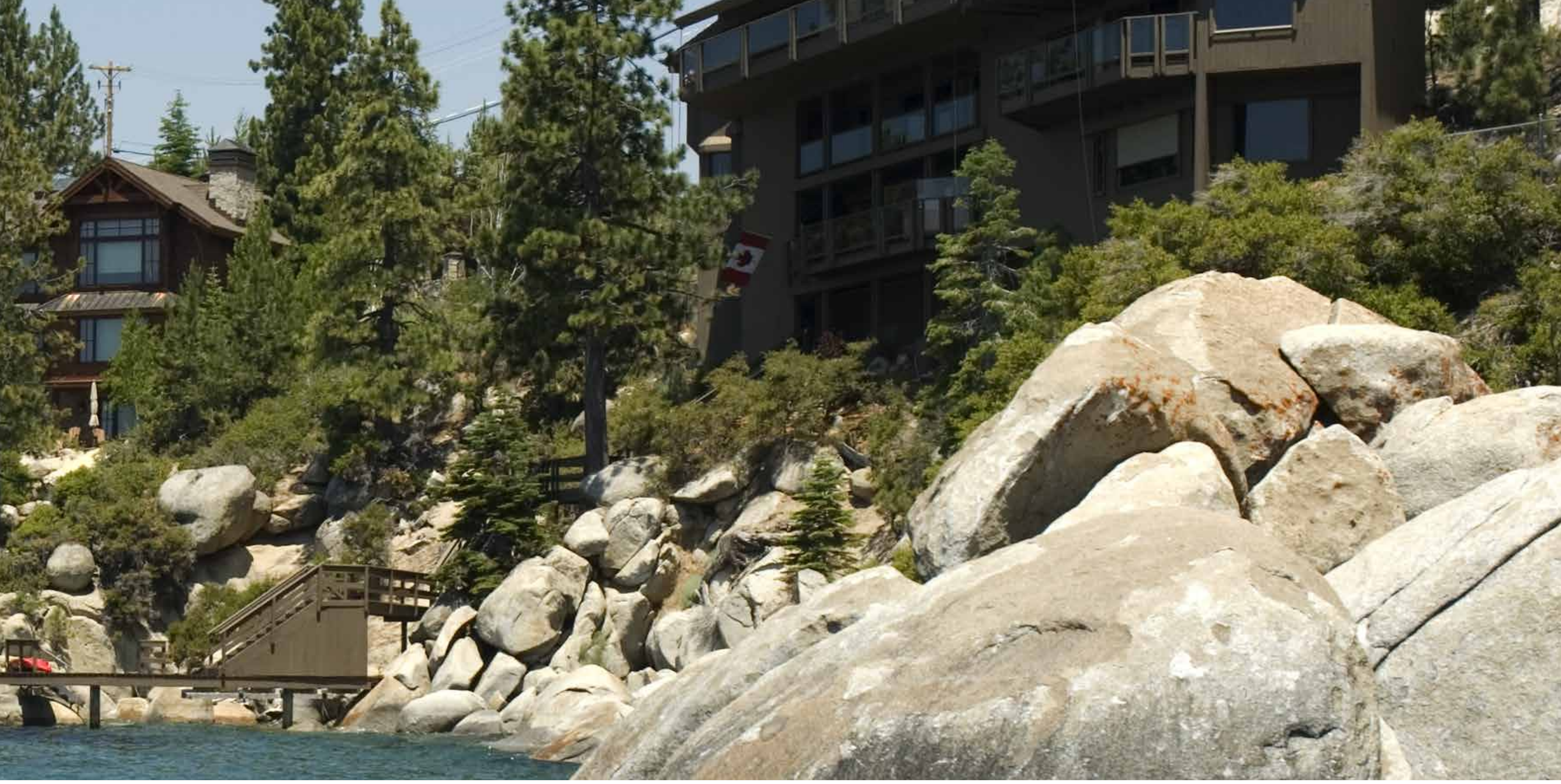
The report will note in a statement of vesting the degree, quantity, nature and extent of the owner's interest in the real property. The most common form of interest is "fee simple" or "fee" which is the highest type of interest an owner can have in land.

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.

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. You can use our **Rate Calculator** to estimate how much your title insurance policy may cost.

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.

32 COVERED RISKS FOR THE HOMEOWNER'S POLICY

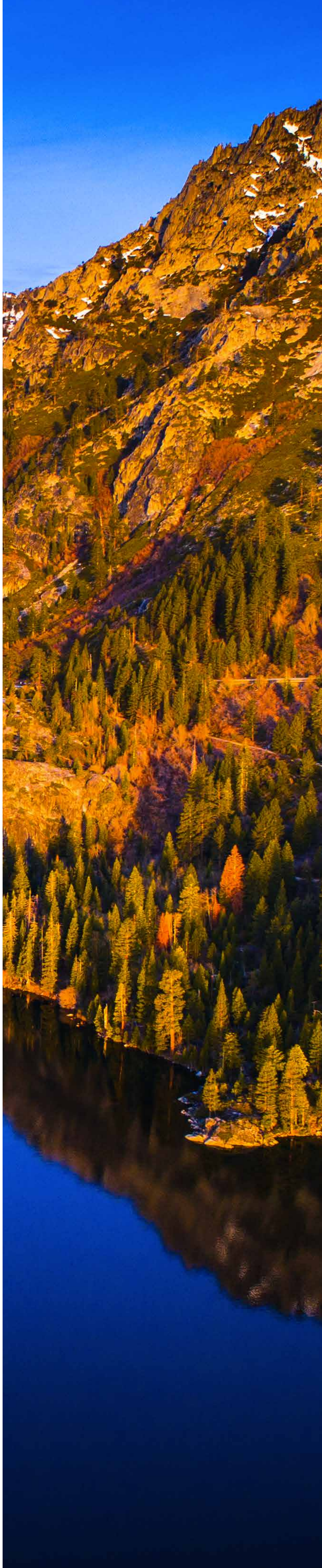
1. Someone else owns an interest in your title.
2. Someone else has rights affecting your title because of leases, contracts, or options.
3. Someone else claims to have rights affecting your title because of forgery or impersonation.
4. Someone else has an easement on the land.
5. Someone else has a right to limit your use of the land.
6. Your title is defective. Some of the defects are:
   - someone else's failure to have authorized a transfer or conveyance of your title.
   - someone else's failure to create a valid document by electronic means.
   - a document upon which your title is based is invalid because it was not properly signed, sealed, acknowledged, delivered or recorded.
   - a document upon which your title is based was signed using a falsified, expired, or otherwise invalid power of attorney.
   - a document upon which your title is based was not properly filed, recorded, or indexed in the public records.
   - a defective judicial or administrative proceeding.
7. Any of Covered Risks 1 through 6 occurring after the policy date.
8. Someone else has a lien on your title, including a:
   - lien of real estate taxes or assessments imposed on your title by a government authority that are due or payable, but unpaid;
   - mortgage;
   - judgment, state or federal tax lien;
   - charge by a homeowner's or condominium association; or
   - lien, occurring before or after the policy date, for labor and material furnished before the policy date.
9. Someone else has an encumbrance on your title.
10. Someone else claims to have rights affecting your title because of fraud, duress, incompetency or incapacity.
11. You do not have actual vehicular and pedestrian access to and from the land, based upon a legal right.
12. You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the land, even if the covenant, condition or restriction is excepted in Schedule B. However, you are not covered for any violation that relates to:
    - any obligation to perform maintenance or repair on the land; or
    - environmental protection of any kind, including hazardous or toxic conditions or substances

unless there is a notice recorded in the public records, describing any part of the land, claiming a violation exists. Our liability for this covered risk is limited to the extent of the violation state in the notice.

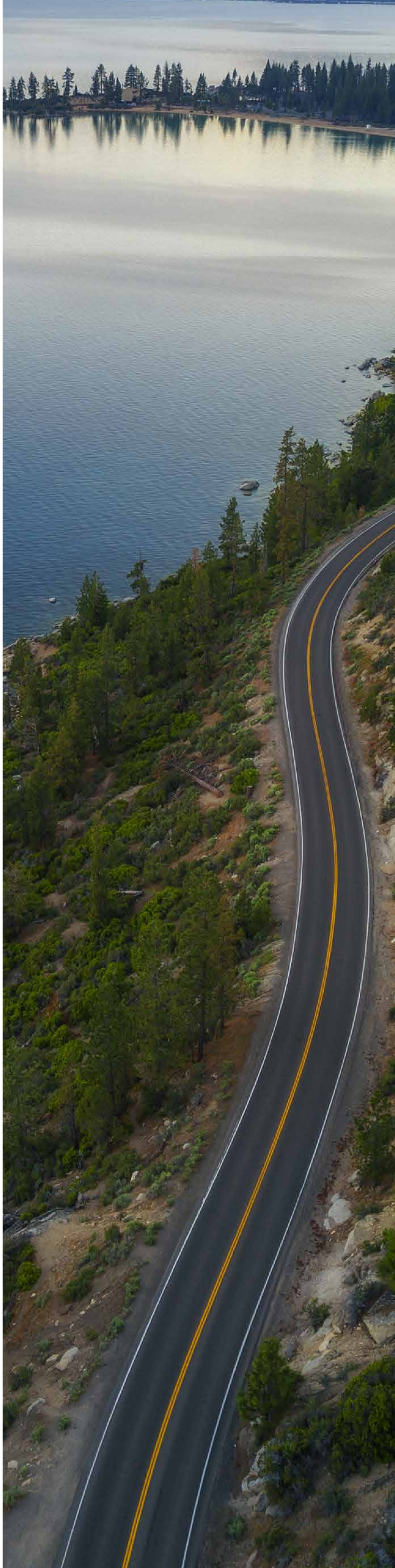
13. Your title is lost or taken because of a violation of any covenant, condition or restriction, which occurred before you acquired your title, even if the covenant, condition or restriction is excepted in Schedule B.
14. The violation or enforcement of those portions of any law or government regulation concerning:
    - building;
    - zoning;
    - land use;
    - improvements on the land;
    - land division; or
    - environmental protection

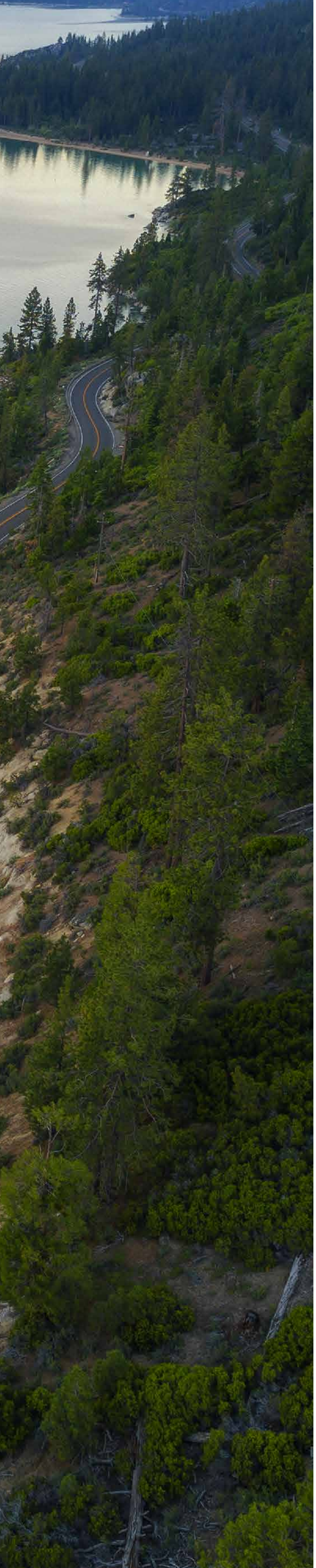
    if there is a notice recorded in the public records, describing any part of the land, claiming a violation exists or declaring the intention to enforce the law or regulation. Our liability for this covered risk is limited to the extent of the violation or enforcement stated in that notice.
15. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 14 if there is a notice recorded in the public records, describing any part of the land, of the enforcement action or intention to bring an enforcement action. Our liability for this covered risk is limited to the extent of the enforcement action stated in that notice.
16. Because of an existing violation of a subdivision law or regulation affecting the land:
    - you are unable to obtain a building permit;
    - you are required to correct or remove the violation; or
    - someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it.

    The amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability showing in Schedule A.
17. You lose your title to any part of the land because of the right to take the land by condemning it, if:
    - there is a notice of the exercise of the right recorded in the public records and the notice describes any part of the land; or
    - the taking happened before the policy date and is binding on you if you bought the land without knowing of the taking.
18. You are forced to remove or remedy your existing structures, or any part of them — other than boundary walls or fences — because any portion was built without obtaining a building permit from the proper government office. The amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.



19. You are forced to remove or remedy your existing structures, or any part of them, because they violate an existing zoning law or zoning regulation. If you are required to remedy any portion of your existing structures, the amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.
20. You cannot use the land because use as a single-family residence violates an existing zoning law or zoning regulation.
21. You are forced to remove your existing structures because they encroach onto your neighbor's land. If the encroaching structures are boundary walls or fences, the amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.
22. Someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it because your neighbor's existing structures encroach onto the land.
23. You are forced to remove your existing structures which encroach onto an easement or over a building set-back line, even if the easement or building set-back line is excepted in Schedule B.
24. Your existing structures are damaged because of the exercise of a right to maintain or use any easement affecting the land, even if the easement is excepted in Schedule B.
25. Your existing improvements (or a replacement or modification made to them after the policy date), including lawns, shrubbery or trees, are damaged because of the future exercise of a right to use the surface of the land for the extraction or development of minerals, water or any other substance, even if those rights are excepted or reserved from the description of the land or excepted in Schedule B.
26. Someone else tries to enforce a discriminatory covenant, condition or restriction that they claim affects your title which is based upon race, color, religion, sex, handicap, familial status, or national origin.
27. A taxing authority assesses supplemental real estate taxes not previously assessed against the land for any period before the policy date because of construction or a change of ownership or use that occurred before the policy date.
28. Your neighbor builds any structures after the policy date — other than boundary walls or fences — which encroach onto the land.
29. Your title is unmarketable, which allows someone else to refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it.
30. Someone else owns an interest in your title because a court order invalidates a prior transfer of the title under federal bankruptcy, state insolvency, or similar creditors' rights laws.
31. The residence with the address shown in Schedule A is not located on the land at the policy date.
32. The map, if any, attached to this policy does not show the correct location of the land according to the public records.





COMPARISON OF TITLE COVERAGE

	OWNER'S POLICY (STANDARD)	HOMEOWNER'S POLICY (ENHANCED)
Someone else owns a record interest in your title	✓	✓
A document is not properly signed, acknowledged or delivered	✓	✓
Forgery, fraud, duress, incompetency, incapacity or impersonation	✓	✓
Defective recording of a document	✓	✓
Unmarketability of title	✓	✓
Lack of a right of access to and from the land	✓	✓
Mechanic's lien protection	✗	✓
Forced removal of the residential structure — encroachments	✗	✓
Liens by the homeowner's association	✗	✓
Others have rights arising out of leases, contracts or options	✗	✓
Post-policy encroachment	✗	✓
Post-policy forgery	✗	✓
Building permit violations — forced removal	✗	✓
Subdivision law violations	✗	✓
Zoning violations — forced removal	✗	✓
Restrictive covenant violations	✗	✓
Enhanced access coverage	✗	✓
Locations of the land on a map	✗	✓
Exercise of mineral rights	✗	✓
Living trust coverage	✗	✓
Automatic policy amount increase	✗	✓

FREQUENTLY ASKED QUESTIONS ABOUT TITLE INSURANCE

Q. What does title insurance insure?

A. Title insurance offers protection against claims resulting from various defects (as set out in the policy) which may exist in the title to a specific parcel of real property effective on the issue date of the policy. For example, a person might claim to have a deed or lease giving them ownership or the right to possess your property. Another person could claim to hold an easement giving them a right of access across your land. Yet another person may claim that they have a lien on your property securing the repayment of a debt. That property may be an empty lot or it may hold a 50-story office tower. Title companies work with all types of real property.

Q. How much can I expect to pay for title insurance?

A. This point is often misunderstood. Although the title company or escrow office usually serves as a meeting ground for closing the sale, only a small percentage of total closing fees are actually for title insurance protection. Your title insurance premium may actually amount to less than 1% of the purchase price of your home and less than 10% of your total closing costs. The title policy is good for as long as you and your heirs own the property with the payment of only one premium.

Q. Why are separate owner's and lender's title insurance policies issued?

A. Both you and your lender will want the security offered by title insurance. As the owner, you will want assurances that the home is yours and that you are protected against certain title defects. Your lender will likely want title insurance in order to protect its loan security interest, and may even be required to have a lender's policy in place in order to sell the loan to secondary market investors.

Q. What are my chances of ever using my title policy?

A. In essence, by acquiring your policy, you derive the important knowledge that recorded matters have been searched and examined so that title insurance covering your property can be issued.

When a title company provides a legal defense against claims covered by your title insurance policy, the savings to you for that legal defense alone will greatly exceed the one-time premium.

Because title insurance companies are risk eliminators, the probability of exercising your right to make a claim is very low. However, claims against your property may not be valid, making the continuous protection of the policy all the more important.

Q. What if I am buying property from someone I know?

A. You may not know the owner as well as you think you do. People undergo changes in their personal lives that may affect title to their property. People get divorced, change their wills and engage in transactions that limit the use of the property and have liens and judgments placed against them personally for various reasons.

There may also be matters affecting the property that are not obvious or known, even by the existing owner, which a title search and examination seeks to uncover as part of the process leading up to the issuance of the title policy.

Just as you wouldn't make an investment based on a phone call, you shouldn't buy real property without assurances as to your title. Title insurance provides these assurances.

The process of risk identification and elimination performed by the title companies, prior to the issuance of a title policy, benefits all parties in the property transaction.

Title insurance minimizes the chances that adverse claims might be raised, and by doing so reduces the number of claims that need to be defended or satisfied. This process keeps costs and expenses down for the title company and maintains the traditional low cost of title insurance.

COMMON WAYS OF HOLDING TITLE

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 says 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/Woman:** 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.*

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. Community property is distinguished from separate property, which is property acquired before marriage, by separate gift or bequest, after legal separation, or which is agreed in writing to be owned by one spouse.

   In California, real property conveyed to a married person 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, spouses, as community property.*

2. **Community Property with Right of Survivorship:** A form of vesting title to property owned together by spouses. 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 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, spouses, 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, 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 a 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.

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, as tenants in common.*

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

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CALIFORNIA CONCURRENT CO-OWNERSHIP INTERESTS

	COMMUNITY PROPERTY	JOINT TENANCY	TENANCY IN COMMON	COMMUNITY PROPERTY RIGHT OF SURVIVORSHIP
Parties	Only married couple	Two or more persons	Two or more persons or entities	Only married couple
Division	Ownership interests are equal	Undivided equal shares in the entire property	Equal or unequal shares in the entire property	Ownership interests are equal
Title	Title is in the "community" — each interest is equal	Title is to the entire property	Each co-owner has title to his or her undivided interest	Title is in the "community" — each interest is equal
Conveyance	Consent of the other spouse required except for the co-owner interest transferred upon death	Co-owner's interest may be conveyed without consent but conveyance by one co-owner without the others terminates the joint tenancy	Each co-owner's interest may be conveyed separately without consent	Consent of other spouse required
Purchaser's Status	Purchaser acquires title of community	Purchaser acquires grantor(s) interest; if less than all, joint tenancy is terminated	Purchaser acquires grantor(s) interest	Purchaser acquires title of community
Transfer Upon Death	On co-owner's death, 1/2 belongs to survivor and 1/2 transferred by will or intestate succession	On co-owner's death, the entire tenancy belongs to the survivor	On co-owner's death, his or her interest passes by will or intestate succession	On co-owner's death, the entire tenancy belongs to the survivor
Successor's Status	Heirs or devisees are tenants in common with surviving spouse	Last survivor owns property	Heirs or devisees are tenants in common with other co-owners	Surviving spouse owns property
Creditor's Rights	Co-owner's interest may be sold at execution sale to satisfy creditor. Purchaser becomes tenant in common.	Co-owner's interest may be sold at execution sale to satisfy creditor. Joint tenancy is broken. Purchaser becomes tenant in common.	Co-owner's interest may be sold at execution sale to satisfy creditor. Purchaser becomes tenant in common.	Co-owner's interest may be sold at execution sale to satisfy creditor. Purchaser becomes tenant in common.

PARTNERSHIP	TRUSTS
Subject to the terms of the partnership agreement	Subject to the terms of the trust

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 in the form of a cashier's check made payable to the title company or escrow office in the amount requested, or by wired funds.

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)

In California, when there is a change in ownership of real property or when new construction is completed, the County Assessor will appraise the property changing ownership, or the new construction at its full cash value as of the date the change in ownership occurs or the new construction is completed.* The appraised value then becomes the new base year value for the property.

There may be one or two supplemental assessments made depending on the date when the change in ownership takes place or when the new construction is completed.

If the change in ownership occurs, or the new construction is completed after January 1, but before May 31, there will be two supplemental assessments. The first assessment is the difference between the new base year value and the taxable value on the current roll. The second assessment will vary depending on the triggering event.

For new construction, the second assessment is the value change due to the new construction. For a change in ownership of a full ownership interest, the second assessment is the difference between the new base year value and the taxable value to be enrolled on the roll being prepared. For a change of a partial ownership interest, the second assessment is the difference between the total of the new base year value for the interest conveyed, plus the taxable value of the rest of the property on the roll being prepared, and the taxable value of the entire property on the roll being prepared.

If the change in ownership occurs, or the new construction is completed on or after June 1, but before the following January 1, there will be one supplemental assessment made for the difference between the new base year value and the taxable value on the current roll.

*Certain property and transfers may be exempt from reappraisal for supplemental taxes.

PROPERTY TAX CALENDAR

JAN · FEB · MAR · APR · MAY · JUN · JUL · AUG · SEP · OCT · NOV · DEC

Lien Date
January 1

Second Installment Due
February 1

Second Installment Delinquent
After April 10

Beginning of Fiscal Tax Year
July 1

Tax Bills Mailed
Last week of October

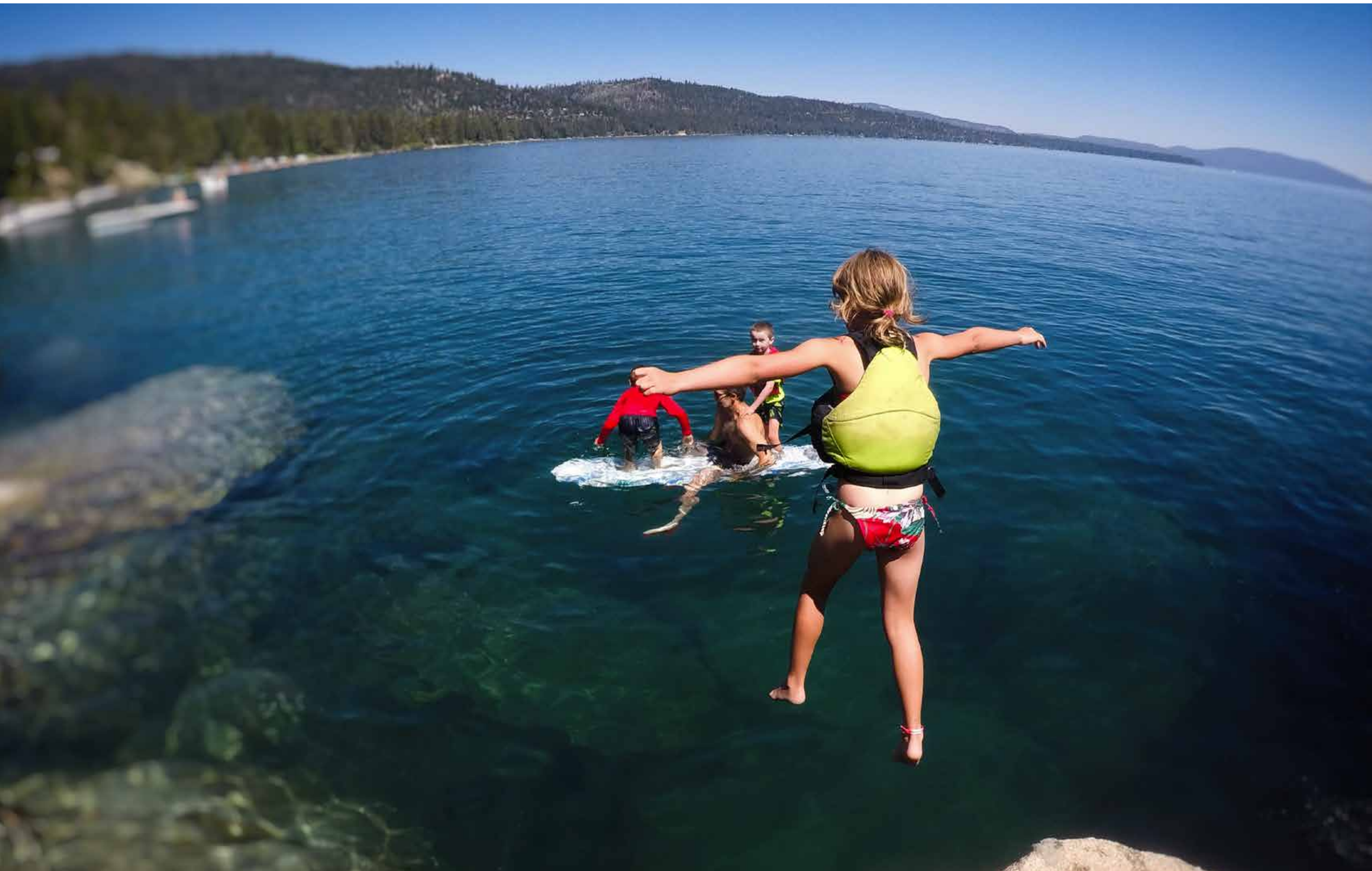
First Installment Due
November 1

First Installment Delinquent
After December 10

Second Installment
January 1 — June 30

First Installment
July 1 — December 31

1. The California Constitution provides a $7,000 reduction in the taxable value for a qualifying owner-occupied home. The home must have been the principal place of residence of the owner on the lien date, January 1. To claim the exemption, the homeowner must make a one-time filing of a simple form with the county assessor where the property is located. The claim form, BOE-266, Claim for Homeowners' Property Tax Exemption, is available from the county assessor. A person filing for the first time on a property may file anytime after the property or claimant becomes eligible, but no later than February 15 to receive the full exemption for that year. Source: http://www.boe.ca.gov/proptaxes/exempt.htm#8
2. Contact your County Tax Assessor for information on penalties and fees for late payments. Find your local Tax Assessor at http://www.boe.ca.gov/proptaxes/countycontacts.htm.
3. Property may be sold at public auction after five years of delinquency.



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.

EL DORADO COUNTY

El Dorado County is home to California's gold discovery site. Today it is perhaps best known for picturesque Lake Tahoe, one of America's Natural wonders. Set in the high Sierra, the lake straddles the state lines of California and Nevada. The South Lake Tahoe area offers outdoor activities all year, including excellent skiing, hiking, biking, camping and boating. Originally a collection of small summer neighborhoods, it is now a year-round community. Our skilled, experienced staff has been handling escrow transactions locally for a combined total of 119 years.

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NOTES

Real Estate Dictionary

Old Republic Title offers this dictionary as a reference tool for individuals and organizations in the real estate community. We hope you find our definitions useful and we welcome the opportunity to serve you.

Why Old Republic Title?
Old Republic Title has been a respected member of the American title insurance community for over 100 years. Our experienced title professionals would be pleased to answer any questions regarding title insurance or entries in this dictionary. You also may access **oldrepublictitle.com** for a thorough overview of our capabilities.

A

Abstract of Title: A condensed history or summary of all transactions affecting a particular tract of land.

Access: The legal right to enter and leave a tract of land from a public way, which can include the right to enter and leave over the land of another.

Accretion: The slow buildup of land by natural forces such as wind or water.

Adjustable Rate Mortgage (ARM): A residential mortgage that has an interest rate that is subject to change. The times of adjustment are agreed upon at the inception of the loan.

Administrator: A man appointed by a probate court to settle the affairs of an individual dying without a will. The term is “administratrix” if such a person is a woman. Also see “Personal Representative.”

Adverse Possession: A claim made against the land of another by virtue of open and notorious possession of said land by the claimant.

Affidavit: A sworn statement in writing.

Agent: A person or company that has the power to act on behalf of another or to transact business for another, e.g., a title agent under contract with Old Republic Title is an agent solely for the purpose of issuing policies of title insurance and other title insurance products.

Air Rights: The right to ownership of everything above the physical surface of the land.

ALTA: American Land Title Association, a national association of title insurance companies, abstractors and attorneys specializing in real property law. Its headquarters are in Washington, D.C.

Annual Percentage Rate (APR): An expression of the percentage relationship of the total finance charges to the total amount to be financed as required under the federal Truth-in-Lending Act.

Appraisal: A written opinion of market value based upon a factual analysis of relevant local market information.

Appurtenance: Anything so annexed to land or used with it that it will pass with the conveyance of the land.

ARM: Adjustable Rate Mortgage.
Also see “Variable Rate Mortgage.”

Assessment: The imposition of a tax, charge or levy, usually according to established rates.

Assessor: A public official who evaluates property for the purpose of taxation.

Assignee: One to whom a transfer of interest is made. For example, the assignee of a mortgage or contract.

Assignor: One who makes an assignment. For example, the assignor of a mortgage or contract.

Assumable Mortgage: A mortgage which, by its terms, allows a new owner to take over its obligations.

Attachment: Legal seizure of property to force payment of a debt.

Attorney in Fact: One who holds a power of attorney from another, allowing him or her to execute legal documents such as deeds, mortgages, etc., on behalf of the grantor of the power.

B

Balloon Mortgage: A mortgage that is amortized over a specific period of years, but requires a lump-sum payment in full at an earlier date.

Bankruptcy: A federal court proceeding in which debtors may be relieved of liability for their debts after surrender of their nonexempt assets to a court-appointed trustee.

Bureau of Land Management: The branch of government in charge of surveying and managing public land.

C

CC&R's: Covenants, Conditions and Restrictions. Also see "Conditions and Restrictions."

Changed Circumstance: In accordance with the TRID Rule, events which allow a creditor to revise a Loan Estimate or a Closing Disclosure include: (i) an extraordinary event beyond the control of any interested party or other unexpected event specific to the consumer or transaction; (ii) information specific to the consumer or transaction that the creditor relied upon when providing the Loan Estimate and that was inaccurate or changed after the disclosures were provided; (iii) new information specific to the consumer or transaction that the creditor did not rely on when providing the Loan Estimate; (iv) revisions requested by the consumer; (v) when the Loan Estimate expires; or (vi) on the day of the rate lock.

Chain of Title: A term applied to the past series of transactions and documents affecting the title to a particular parcel of land.

Cloud on Title: An irregularity, possible claim, or encumbrance which, if valid, would affect or impair the title.

Closing: Also known as "escrow" or "settlement." The process of executing legally binding documents, such as deeds and mortgages, most commonly associated with the purchase of real estate and the borrowing of money to assist in the purchase.

Closing Costs: Expenses for services incidental to a sale of real estate, such as sales commissions, loan fees, title fees, appraisal fees, etc.

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

Closing Statement: A summation, in the form of a balance sheet, made at a closing showing the amounts of debits and credits to which each party to a real estate transaction is entitled.

Clouded Title: An encumbered title.

Coinsurance: A form of insurance underwritten by two or more title insurers sharing a single risk under separate title insurance policies in proportional amounts.

Common Interest Community (CIC): Ownership characterized by mutual ownership of common areas, either jointly or through membership in an association, e.g., condominiums, planned unit developments and townhomes.

Condemnation: Taking private property for public use through court proceedings.
Also see "Eminent Domain."

Condition or Conditions: A proviso in a deed, will or other instrument that, upon the happening or failure to happen of a certain event, limits, enlarges, changes or terminates the title of the purchaser or devisee.

Conditions and Restrictions: Limitations placed on the use and enjoyment of land. May include penalties for failure to comply. These are found most often on condominiums and planned unit developments.

Condominium: A system of individual fee ownership of units in a multi-unit structure, combined with joint ownership of common areas of the structure and land.

Conservator: See "Guardian."

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.

Consumer's Intent to Proceed: Unless a particular manner of communication is required by the creditor, a consumer indicates intent to proceed with the transaction when the consumer communicates, in any manner, that the consumer chooses to proceed after the Loan Estimate has been delivered. This may include (i) oral communication in person immediately upon delivery of the Loan Estimate; or (ii) oral communication over the phone, written communication via email, or signing a preprinted form after receipt of the Loan Estimate. A consumer's silence is not indicative of intent to proceed.

Contract for Deed: An agreement to sell and purchase, under which title is held as security by the seller until such time as the required payments to the seller have been completed.

Convey: The act of deeding or transferring title to another.

Conveyance: An instrument by which title is transferred, e.g., a deed. Also the act of transferring title.

Covenant: An agreement written into deeds and other instruments promising performance or nonperformance of certain acts, or stipulating certain uses or non-uses of the property.

Cul-de-Sac: The terminus of a street or alley. Usually laid out by modern engineers to provide a circular turnaround for vehicles.

D

Deed: A written document by which the ownership of land is transferred from one person to another.

Deed of Trust: An instrument used in many states in place of a mortgage. Property is transferred to a trustee by the trustor (borrower), in favor of the beneficiary (lender) and reconveyed (satisfied) upon payment in full.

Devise: The disposition of real property by will.

Due-on-Sale Clause: Provision in a mortgage or deed of trust which requires loan to be paid in full if property is sold or transferred.

E

Earnest Money: Advance payment of part of the purchase price to bind a contract for property.

Easement: An interest in land owned by another that entitles its holder to a specific limited use, such as laying a sewer, putting up electric power lines or crossing the property. Also see "Right of Way."

Egress: The right to leave a tract of land.

Eminent Domain: The power of the state to take private property for public use upon payment of just compensation.

Encroachment: A trespass or intrusion onto another's property, usually by a structure, wall or fence.

Encryption: The conversion of data into a form that cannot be easily understood by unauthorized people. The process of encoding a message so that it can be read only by the sender and the intended recipient. Encryption is the most effective way to achieve data security.

Encumber: To burden a parcel of land with a lien or charge.

Encumbrance: A lien, liability or charge upon a parcel of land, e.g. a mortgage or easement.

Escheat: A reversion of property to the state in those cases where an individual dies without heirs or devisees, and, in some states, without a will.

Escrow: A procedure whereby a disinterested third party handles legal documents and funds on behalf of a seller and buyer, and delivers them upon performance by the parties.

Estate: A person's possessions. The extent of a person's interest in real property.

Examination of Title: The investigation and interpretation of the record title to real property based on the title search or abstract.

Exception: In legal descriptions, that portion of land to be deleted or excluded. The term often is used in a different sense to mean an encumbrance on title, excluded from coverage in a title insurance policy.

Executor: A person appointed by the probate court to carry out the terms of a will. The term is "executrix" if that person is a woman.
Also see "Personal Representative."

F

Fannie Mae: Federal National Mortgage Association (also FNMA) is a private corporation, federally chartered to provide financial products and services that increase the availability and affordability of housing by purchasing mortgage loans.

Fee Simple Estate: The greatest possible estate in land where the title is held completely and without any limitations or conditions. Sometimes designated simply as "Fee."

Financing Statement: A document filed with the Register of Deeds or Secretary of State to give notice that a creditor (lender) has or may have a security interest in the personal property of the debtor (borrower).

Fixed Rate Mortgage: A mortgage on which the same rate of interest is charged for the life of the mortgage.

Fixtures: Any item of property so attached to real property that it becomes a part of the real property.

Flood Certification: A common term for a Federal Emergency Management Agency (FEMA) Standard Flood Hazard Determination Form (SFHDF). This determines whether land or a building is located within a Special Flood Hazard Area for purposes of flood insurance requirements under the National Flood Insurance Program.

Forfeiture of Title: Provision in a deed creating a condition which will cause title to be passed to another, should certain circumstances occur.

Freddie Mac: Federal Home Loan Mortgage Corporation (also FHLMC) is a stockholder-owned corporation chartered by Congress that purchases mortgage loans.

G

Ginnie Mae: Government National Mortgage Association (also GNMA) is a wholly owned United States corporation that guarantees privately issued securities backed by pools of mortgages insured by FHA (Federal Housing Administration), FMHA (Farmers Home Administration) or VA (Veterans Administration).

Graduated Payment Mortgage: A loan in which monthly payments are relatively small in the beginning and gradually increase in dollar amount over the life of the mortgage.

Grantee: A person who acquires an interest in land by deed, grant or other written instrument.

Grantor: A person, who, by a written instrument, transfers to another an interest in land.

Guardian: One appointed by the court to administer the affairs of an individual not capable of administering his or her own affairs.

H

Harbor Line: An arbitrary line set by authorities on navigable rivers, beyond which wharves and other structures may not be built. Also designated as line of navigation.

Hazard Insurance: Insurance protecting a property owner against loss, such as: fire, windstorm, lightning, hail, explosion, riot, smoke, property damage, flood or mudslide. It is usually purchased as part of the Homeowner's Insurance Policy.

Heir: One who might inherit or succeed to an interest in land of an individual who dies without leaving a will (intestate).

Home Equity Conversion Mortgage: A reverse or reverse annuity mortgage in which HUD (U.S. Department of Housing and Urban Development), through FHA (Federal Housing Administration), guarantees that the borrower will receive monthly payments from the insurer (FHA), in the event the lender is unable to make payments to the borrower.

Home Equity Line of Credit (HELOC): A loan in which the lender agrees to lend a maximum amount within an agreed period (called a term), where the collateral is the borrower's equity in his/her house.

Homeowners Insurance: Insurance protection paying benefits for damage to improved real property or possessions in the home. Also provides liability coverage against accidents in the home or on the property.

HUD-1: The HUD-1 is a type of settlement statement which, prior to the TILA-RESPA Integrated Disclosure (TRID) Rule, was required for use with all federally related mortgage loans. It has been supplanted by the "Closing Disclosure" as a required form, but the HUD-1 will continue to be used for reverse mortgage and HELOC transactions. In addition, it may remain in use for some transactions that do not involve federally related mortgage loans since it functions well as a balance sheet of the settlement.

I

Improvements: Those additions to raw land tending to increase value, such as buildings, streets, sewer, etc.

Indemnify: To make payment for a loss or to hold another harmless from loss.

Ingress: The right to enter a tract of land.

Insurance: A contract of indemnity against specified perils.

Interim Financing: Temporary or short-term loans. Often used with new construction. Usually replaced with permanent long-term financing.

Intestate: Designates the estate or condition of failing to leave a will at death. "To die intestate."

J

Joint Tenancy: An estate where two or more persons hold real estate jointly for life, the survivors to take the entire interest on the death of one of the joint tenants.

Judgment: A decree of a court. In practice, this is the lien or charge upon the land of a debtor resulting from the court's award of money to a creditor. Also see "Judgment Lien."

Judgment Docket: The record book of a County Clerk, where a judgment is entered in order that it may become a lien upon the property of the debtor.

Judgment Lien: The charge upon the land of a debtor resulting from the decree of a court properly entered into the judgment docket.

L

Land Contract: See "Contract for Deed."

Lease: A grant of the use of land for a term of years in consideration of the payment of a monthly or annual rental.

Lender's Policy: A form of title insurance policy which insures the validity, enforceability and priority of a lender's lien. This policy does not provide protection for the owner.

Lessee: One who takes land under a lease.

Lessor: One who grants land under a lease.

Lien: A hold, claim or charge allowed a creditor upon the land of a debtor. Some examples are mortgage liens, judgment liens and mechanics' liens.

Life Estate: A grant or reservation of the right of use, occupancy and ownership for the life of an individual.

Lis Pendens: A notice recorded in the official records of a county to indicate that a suit is pending affecting title to the land in the jurisdiction where the notice is recorded.

Loan Estimate: A three-page Loan Estimate (also called 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.

Loan Policy: See "Lender's Policy."

Loss Payable Clause: A clause in a contract of insurance which says any loss will be paid to two or more parties as their interest may appear. Usually the owner and the mortgage lender.

Lot: A part of a subdivision or block having fixed boundaries ascertainable by reference to a plat or survey.

M

Marketable Title: A good title about which there is not fair or reasonable doubt.

Mechanic's Lien: A lien allowed by statute to contractors, laborers and material suppliers on buildings or other structures upon which work has been performed or materials supplied.

Metes and Bounds: A description of land by courses and distances.

Mortgage: An instrument used to encumber land as security for a debt.

Mortgage Banker: A specialized lending institution that lends money solely with respect to real estate and secures its loans with mortgages on the real estate.

Mortgage Broker: A person or company that buys and sells mortgages for another on commission or who arranges for and negotiates mortgage contracts.

Mortgage Insurance: Insurance protecting against the nonpayment of, or default on, an individual mortgage or loan involved in a residential mortgage transaction. It protects the mortgage lender against loss incurred by a reason of nonpayment or mortgage default.

Mortgagee: The mortgage lender.

Mortgagee's Policy: See "Lender's Policy."

Mortgagor: The mortgage borrower.

N

Non-Public Personal Information (NPPI or NPI): Means "personally identifiable financial information" that is (i) provided by a consumer to a financial institution, (ii) about a consumer resulting from a transaction or service performed for the consumer, or (iii) otherwise obtained by the financial institution. Personally identifiable financial information includes any information obtained by a financial institution in connection with its provision of a "financial product or service," even if the information is not typically considered financial in nature.

Notary: One authorized to take acknowledgments.

Note: The instrument evidencing the indebtedness. A note is usually secured by a security instrument such as a mortgage or deed of trust.

O

Origination Fee: The administrative fee charged by the lender to prepare loan documents, run credit checks, inspect and sometimes appraise a property, usually computed as a percentage of the face value of the loan.

Owner's Policy: A policy of title insurance, which insures a named owner against loss by reason of defects, liens and encumbrances not excepted to in the policy or unmarketability of the title. The company also agrees to defend covered claims made against the title.

Ownership: The right to possess and use property to the exclusion of others.

P

Patent: A document or grant by which the federal or state government originally transferred title to public land to an individual. The first in the series of transfers by which title comes down to present owners.

Personal Representative: A person appointed by the probate court to administer a decedent's estate. Also see "Executor" or "Administrator."

Plat or Plot: A map representing a piece of land subdivided into lots with streets shown thereon.

P.M.I.: Private Mortgage Insurance. An insurance contract which insures that the named lender will recover a specific percentage of the loan amount from the insurer in the event the loan goes bad.

Points: A one-time special fee or extra charge paid to a lender in order to secure a loan. Expressed as a percentage of face amount of mortgage.

Policy: See "Title Insurance Policy."

Policyowner: The insured on a title insurance policy.

Power of Attorney: An instrument authorizing another to act on one's behalf in legal matters.

Power of Sale: A clause in a will, mortgage, deed of trust or trust agreement authorizing the sale or transfer of land in accordance with the terms of the clause.

Pre-Settlement Inspections: See "Walk Through."

Prepayment Penalty: A clause in a mortgage or loan contract that says if the mortgage is prepaid within a certain time period, a penalty will be assessed. The penalty can be based on percentage of the remaining mortgage balance or some other calculation as described in the clause.

Premium Tax: A tax imposed on all premiums from the business of title insurance. Only applies in some states.

Privacy Rule: The GRAMM-LEACH-BLILEY ACT requires financial institutions (which includes title insurance companies) to give notice to all of their "customers" about their privacy practices. The Privacy Policy is a "clear and conspicuous" written notice describing their privacy policies and practices.

Prorate: To allocate between seller and buyer their proportionate share of an obligation paid or due. For example, a proration of real property taxes or fire insurance premiums.

Q

Quiet Title: An action in a proper court to remove record defects or possible claims of other parties named in the action.

R

Range: A part of the government survey, being a strip of land six miles in width, and numbered east or west of the principal meridian.

Real Property: Land, together with fixtures, improvements and appurtenances.

REALTOR®: A federally registered collective membership mark which identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict Code of Ethics.

Realty: A brief term for real property.

Redeem: Literally "to buy back." The act of buying back land after a mortgage foreclosure, tax foreclosure, or other execution sale.

Redisclosure: For transactions covered 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.

Registered Land: See "Torrens Title."

Reinsurance: To insure again by transferring to another insurance company all or part of an assumed liability, thus spreading the loss risk any one company has to carry.

Reverse or Reverse Annuity Mortgage: A mortgage for which the borrower pledges home equity in return for regular (monthly) payments, rather than a lump sum distribution of loan proceeds. Repayment is usually not required until the home is sold or the borrower's estate is settled, provided the borrower continues to live in the home and keeps current all taxes and insurance. Also see "Home Equity Conversion Mortgage."

Right of Way: The right which one has to pass across the land of another. An easement.

Riparian: Rights to use of waterways in adjoining lakes or rivers.

S

Second Mortgage: A second loan on real estate that already has a mortgage. It is subordinate to the first mortgage.

Section or Section of Land: A parcel of land comprising approximately one square mile or 640 acres.

Set Back Lines: Those lines which delineate the required distances for the location of structures in relation to the perimeter of the property.

Sub-Surface Right: The right of ownership to things lying beneath the physical surface of the property.

Survey: The process of measuring land to determine its size, location and physical description, and the resulting drawing or map.

T

Tax Lien: A lien for real property taxes. Attaches only to the property upon which the taxes are due in most jurisdictions. It may be foreclosed for nonpayment.

Tenancy by the Entirety: Ownership by married persons. Each owns the entire estate, with the survivor taking the whole upon the other's death.

Tenancy in Common: An estate or interest in land held by two or more persons, each having equal rights of possession and enjoyment, but without any right of succession by survivorship between the owners.

Tenant: Any person occupying real property with the owner's permission.

Testament: Another term for a will. Commonly referred to as "last will and testament."

Testate: The state or condition of leaving a will at death. "To die testate."

Testator: A man who makes or has made a testament or will.

Testatrix: A woman who makes or has made a testament or will.

Three-Day Review Period: For covered transactions under the TILA-RESPA Integrated Disclosure (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.

Title: (i) ownership of real property, which stands against the right of anyone else to claim the property; (ii) the evidence of right which a person has to the ownership and possession of land.

Title Agent: See "Agent."

Title Defect: Any legal right held by others to claim property or to make demands upon the owner.

Title Commitment: A report issued by a title insurance company or its agent, committing the title insurance company to issue the form of policy designated in the commitment upon compliance with and satisfaction of requirements set forth in the commitment.

Title Examination: To peruse and study the instruments in a chain of title and to determine their effect and condition in order to reach a conclusion as to the status of the title.

Title Insurance Underwriter: An insurance company that issues insurance policies either to the public or to another insurer.

Title Insurance: An agreement to indemnify the insured against loss arising from a covered defect in title to a particular parcel of real property, which is typically issued to both the buyer to protect their property rights (through an owner's title insurance policy), and the lender to protect its lien rights (through a lender's title insurance policy).

Title Insurance Policy: A written contract of title insurance.

Title Plant: The total facilities (records, equipment, fixtures, and personnel) required to function as a title insurance operation in some parts of the country. Technically, the organization of official records affecting real property into a system, which allows quick and efficient recovery of title information.

Title Search: An examination of public records, laws and court decisions to disclose the current facts regarding ownership of real estate.

Tolerances: See "Variances."

Torrens Title: A system whereby, after court proceedings, a certificate is issued setting forth the extent of the applicant's estate in land, subject to the exceptions shown.

Total Interest Percentage (TIP): The total amount of interest that the consumer will pay over the life of the loan as a percentage of the principal of the loan, assuming the consumer makes each monthly payment in full and on time, and does not make any overpayments.

Total Loan Costs: Fees the lender charges to make the loan, as well as fees paid to providers selected by the lender and fees paid to providers chosen by the borrower. Total Loan Costs are found under Section D of the Loan Estimate.

Township: A division of territory approximately six miles square, containing approximately 36 sections or 36 square miles.

Tract: A particular parcel of land.

Trust: A property right held by one as a fiduciary for the benefit of another.

Trustee: A person holding property in trust as a fiduciary for the benefit of another.

V

Variable Rate Mortgage: A loan in which the interest rate fluctuates with the cost of funds or some other index.

Variances: The comparison made between fees and/or charges listed on the Loan Estimate (or Good Faith Estimate) and those listed on the final Closing Disclosure (or HUD-1). Not all fees are exposed to such scrutiny but for those that are the creditor/lender is held accountable for the excessive charges. There are two levels of tolerance based on the type of fee. Variance may also be referred to as Tolerance.

Vendee: A purchaser of real property under land contract.

Vendor: A seller of real property under land contract.

Vest: To pass to a person an immediate right or interest. Title may be said to vest in John Smith.

W

Walk-Through: Depending on the terms of the contract of sale or based on local custom, a walk-through or pre-settlement inspection may be scheduled prior to settlement or closing of the transaction. The primary purpose of this type of inspection is to make certain the property is in the agreed-upon condition, repairs (if any) from the home inspection are complete, and to confirm that nothing has gone wrong with the property since the buyer's last viewing.

Warranty: A limited promise by the grantor of real property that he or she is the owner and will be responsible to the buyer if title is other than as represented.

Will: A written document providing for the distribution of property owned by a person after his or her death.

Z

Zoning: The right of a municipality to regulate and determine the compatible character and use of property.

The terms contained in this booklet are defined in their most commonly used form. Should more precise interpretations of these terms be necessary, we advise you to seek the counsel of an attorney.