OLD REPUBLIC TITLE COMPANY
A MEMBER OF THE OLD REPUBLIC TITLE INSURANCE GROUP

Home Buyers & Sellers HANDBOOK

- Common Ways of Holding Title
- Understanding Title & Escrow
- Closing Costs
- The Language of Real Estate

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Contact Information

Real Estate Agent

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Title & Escrow

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01 Old Republic Company Information

Company History

Formed in 1969 in California, Old Republic Title Holding Company (ORTHC) is part of the Old Republic Title Insurance Group (ORTIG) of companies. ORTIG is one of the nation's largest title insurance groups across the nation and in Puerto Rico, through a network of Company-owned offices, subsidiaries, authorized agents and approved attorneys.

ORTIG is committed to being the most financially sound title insurance group in the industry. Since financial ratings have been issued for title insurance companies, ORTIG is proud to state that no other group has equaled its consistent overall high ratings. These ratings reflect the group's consolidated operating performance, strategic relationship with its parent company, Old Republic International Corporation (NYSE: ORI), excellent capitalization, good liquidity, sound investment strategy, reserve adequacy, market position and operating performance.

ORTIG has various departments and separate companies to better assist our clients. Services offered by these specialized departments include Subdivision/DRE Processing, Relocation Division, HUD/FHA/Government-Assisted Housing Services, Commercial Services and Lender Services.

Other specialized services provided by sister companies include: Old Republic Exchange Company (OREXCO, 1031 Exchange), Old Republic Surety Corporation and Old Republic Home Protection Company, Inc.

Our Promise

"We increase the value of real estate transactions for all participants by identifying, underwriting and managing each transaction with the highest standards of technical skill, client service and professional integrity."

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, HUD-1 preparation, 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. Customer Service

Ongoing commitment contributes to long-term success.

We offer the best customer service in the industry. Our network of professionals is complemented by online customer support that is available 24 hours a day, 7 days a week with resources and answers to common questions.

We have web-based tools for our employees and their clients who need to place orders for bundled services. These tools allow the client team to create orders, track status, update information and monitor status around the clock.

02 Getting Started

Buyers
Home ownership is the American Dream and you are about to embark on an exciting process. Mortgage rates are currently favorable and there are some mortgage options to make the dream a reality for you. One of the main advantages of home ownership over renting is that your interest payments are tax deductible (ask your tax advisor for more details). Further, 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.

Getting Financing
If you plan to finance your home purchase, start the mortgage loan process well before buying a home, even before the bidding process.

- Check out loan options that best suit you. Talk to financial institutions, mortgage companies and/or savings and loan institutions to look at what kinds of loans are available and compare rates.

- If you are a first time home buyer you may qualify for mortgage programs with little money down, low interest rates or federal programs that give beneficial rates.

- Having a reduced debt load and a good credit history will be helpful in getting a better loan rate. You may wish to discuss with your financial institution if there are any ways you can improve your credit score to get a better rate.

- When you have settled on a type of loan and a loan institution, get pre-approved and get a pre-approval letter. To do this, a loan officer will review your credit files and discuss with you how much you can borrow. This will help you know the price range you can consider when shopping.

- Show your pre-approval letter to your real estate agent when you begin shopping for a home.

Selecting an Agent

Most homebuyers enlist the services of a real estate agent or broker to help them with this complex transaction. A real estate agent is a person licensed by the state to handle real estate sales. A broker, also licensed by the state, is the person who may own a real estate company or has overall responsibility for the agent's actions.

The buyer's agent is generally paid a commission or percentage of the sale by the seller. This person can research homes in your price range and with your specific needs in mind. Agents can preview the homes for you narrowing the list for you to see. They will assist you in negotiations when you are ready to make an offer on a house. The agent will prepare up a contract that presents your offer and any conditions you require. The agent presents the offer to the seller or their agent and negotiates any counter offers between you and the seller.

Common Ways of Holding Title

Title to real property may be held by a single individual or entity, known as Sole and/or Separate Ownership, or by two or more individuals and/or entities known as Co-Ownership. Following is a brief list of common ways to hold title. Ownership and tenure of title varies by state. Remember, it is important to distinguish the proper way to hold title to you property. You may want to consult with your Attorney or Tax Advisor for what form suits your particular circumstance and needs.

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. The same rules will apply for same sex married couples. For example: Bruce Buyer, a married man, as his sole and separate property.

3. A Domestic Partner as His or Her Sole and Separate Property: A domestic partner who wishes to acquire title in his or her name alone. The title company insuring title will require the domestic partner of the person acquiring title to specifically disclaim or relinquish his or her right, title and interest to the property. This establishes that both domestic partners want title to the property to be granted to one partner as that person's sole and separate property. For example: Bruce Buyer, a registered domestic partner, as his sole and separate property.

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

1. Community Property: A form of vesting title to property owned together by married persons or by domestic partners. Community property is distinguished from separate property, which is property acquired before marriage or before a domestic partnership, by separate gift or bequest, after legal separation, or which is agreed in writing to be owned by one spouse or domestic partner.

In California, real property conveyed to a married person, or to a domestic partner, is presumed to be community property, unless otherwise stated (i.e. property acquired as separate property by gift, bequest or agreement). Since all such property is owned equally, both parties must sign all agreements and documents transferring the property or using it as security for a loan. Each owner has the right to dispose of his/her one half of the community property, by will. For example: Bruce Buyer and Barbara Buyer, husband and wife, as community property or Sally Smith and Jane Smith, registered domestic partners as community property.

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2. Community Property with Right of Survivorship: A form of vesting title to property owned together by husband and wife or by domestic partners. This form of holding title shares many of the characteristics of community property but adds the benefit of the right of survivorship similar to title held in joint tenancy. There may be tax benefits for holding title in this manner. On the death of an owner, the decedent's interest ends and the survivor owns 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 or domestic partners, in equal interests, subject to the right of survivorship in the surviving joint tenant(s). Title must have been acquired at the same time, by the same conveyance, and the document must expressly declare the intention to create a joint tenancy estate. When a joint tenant dies, title to the property is automatically conveyed by operation of law to the surviving joint tenant(s). Therefore, joint tenancy property is not subject to disposition by will. For example: Bruce Buyer, a married man and George Buyer, a single man, as joint tenants.

Note: If a married person enters into a joint tenancy that does not include their spouse, the title company insuring title may require the spouse of the married man or woman acquiring title to specifically consent to the joint tenancy. The same rules will apply for same sex married couples and domestic partners.

4. Tenancy in Common: A form of vesting title to property owned by any two or more individuals in undivided fractional interests. These fractional interests may be unequal in quantity or duration and may arise at different times. Each tenant in common owns a share of the property, is entitled to a comparable portion of the income from the property and must bear an equivalent share of expenses. Each co-tenant may sell, lease or will to his/her heir that share of the property belonging to him/her. For example: Bruce Buyer, a single man, as to an undivided 3/4 interest and Penny Purchaser, a single woman, as to an undivided 1/4 interest, 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.

Sellers

Selecting a Realtor

Selling a home can be a complicated process, so there are many reasons why you should use a qualified realtor:

- Realtors will assist you with negotiations with the buyer
- Realtors know the market and can help you set a reasonable price
- Realtors have better resources for locating buyers and information on recent sale prices of homes around you
- Realtors have a broader range of advertising options
- Realtors can screen for buyers who are financially able to purchase your home
- Realtors can save you time

03 Shopping & Showing

Sellers
Preparing your house to sell can make a big difference in how your house is perceived by a potential buyer. First impressions are lasting - having your house in good condition could get you a higher price for the property and help to sell it faster.

Showing The Interior

- Clean the kitchen and bathrooms
- Remove any excess clutter or large furniture (this includes the garage)
- Fix cracked windows, stained ceilings, wall marks
- Keep counter tops cleared
- Clean or replace carpeting
- Clean every room of the house
- Showcase attic and closets
- Repair any holes in the walls, wallpaper or paint
- Inspect and repair the plumbing, heating, cooling, alarm systems
- Open draperies and curtains for natural light
- Repair sticking doors, windows, drawers, dripping faucets, replace lightbulbs, etc.

Showing The Exterior

- Keep hedges trimmed
- Make sure your lawn and landscape is nicely manicured and weeded
- Check the foundation, steps, walkways, walls and patios for cracks
- Inspect for peeling paint and fix
- Clean gutters
- Paint the front door
- Make sure the fence is in good condition
- Make sure that your doorbell works
- Touch up or repaint, preferably in neutral colors

Buyers

In order to be able to provide your agent with the best idea of what you are looking for in a home, use the Buyer Needs Worksheet that we have provided.

Buyers Needs Worksheet

Currently are you? A Homeowner 1st Time Buyer Renter (circle one)

How many will be living in your home? ________ How many children? ________

How soon would you like to move? ________ Have you started looking for a home? ________

If so, how long have you been looking? ________

What area(s) would you like to live in? ________

What area/city do you work in? ________ What area/city does your spouse/partner work in? ________

Is close proximity to work a priority? ________ Is close proximity to schools a priority? ________

Is access to public transportation an issue? ________

What type of transportation would benefit you most? ☐ Bus ☐ Airport ☐ Train ☐ Other

What type of home do you prefer? ☐ Single Family ☐ Townhouse/Condo ☐ Duplex

What style of home do you prefer? ☐ Victorian ☐ Colonial ☐ Tudor ☐ Gated ☐ Mediterranean ☐ Contemporary ☐ Ranch ☐ Other ________

Desired condition? ☐ Move in ready ☐ Some work ☐ Total “fixer upper”

How many stories? ☐ One ☐ Two ☐ Three ☐ Split level

What size garage? ☐ One car ☐ Two car ☐ Three car ☐ Carport

Will you need a lot of storage space? ________ Do you need a pool? ________ Spa? ________

Price range for the home: ________ to ________ dollars Age range for the home: ________ to ________ years

Bedrooms desired: ________ Bathrooms desired: ________ Square feet desired: ________ Lot size desired: ________

Desired features: (Check all that apply)

☐ Laundry Room	☐ Pool	☐ Fireplace	☐ View
☐ Family Room	☐ Storage Space	☐ Vaulted Ceilings	☐ Large Master Bedroom
☐ Dining Room	☐ Walk-In Closets	☐ Air Conditioning	☐ Large Kitchen
☐ Large Front Yard	☐ Large Back Yard	☐ Office Space	☐ Breakfast Area
☐ ________	☐ ________	☐ ________	☐ ________

Other necessities: ________

____

04 The Offer Process

Buyers

Offers and Counter Offers

You have found a perfect home that fits all your criteria and your price range. Now you're ready to make an offer! You and your real estate agent can discuss what is the best offer to make. Your agent can help you decide, as well as write up an offer and present it to the seller's agent or the seller with your terms and conditions. If your offer is accepted, you will now want to make an earnest money deposit.

Earnest Money

Earnest money is a good faith deposit, but not to be confused with a down payment. When a buyer executes a purchase contract, the contract specifies how much money the buyer is initially putting up to secure the contract, to show "good faith," and how much money all together will be deposited as a down payment (the earnest money is typically credited toward your down payment). The balance is generally financed as a mortgage or a combination of mortgages.

Negotiations

Now that you have submitted your offer and your earnest money deposit you will begin the negotiation stage with the seller or their agent. Generally, your agent will handle this phase and advise you if your offer has been accepted as is, or if the seller has rejected your offer and is making a counter offer. Once your negotiation is complete and your final offer is accepted, you will enter into the next phase, which is the escrow process.

Some things that will be negotiated, include:

- Final sale price
- The inspections to be done
- Who will pay what closing costs
- When the closing date will be and when the transfer of ownership will occur
- Special considerations of things to be included or excluded from the sale
- Special considerations such as carpet replacement or roof repair that are not part of an inspection

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Inspections

You may want to consider the following types of inspections to be requested as part of your negotiations. Once an offier is accepted the inspections can be done and any findings will be resolved before closing. Note: these vary by state and by county. Check with your agent for more details about the inspection and costs.

Structural Pest Control Inspection

A "termite report" is conducted by a licensed inspector. The inspector provides a pest report which analyzes the wood damage that may be present, including fungi or dry rot.

Physical Inspection

Typically done by a general home inspector, a physical inspection is a visual review of the overall condition of the property.

Geological Inspection

The purpose of this inspection is to evaluate the soil conditions at the home. Typically done by a geotechnical engineer, it involves physically inspecting the property and researching past geological activity in the area.

Other Inspections

- Property hazard disclosure report
- Hazardous materials
- Well and septic
- Water conservation
- Structural engineering
- Chimney inspection
- Heating and air conditioning
- Zoning and building permit compliance
- Energy audit
- Roof inspection
- Pool/spa inspection

05 Escrow & Closing

Opening The Escrow
After the buyer and seller agree to terms of a sale, the transaction goes into escrow, which can take several weeks (30-45 days) to reach closing. Escrow can be opened by the buyer or the seller's real esate agent. The escrow agent and their company act as a neutral third party for serving as custodian for funds and documents, providing a clearing house for payment of demands and performing clerical details for the closing.

What the Escrow Company Does
When the escrow is opened, an order for a preliminary report/commitment is placed with the title company, which shows ownership of a parcel of land and recorded matters that are relative to the property. Then a plan is set for the necessary action and documents required, such as demands for satisfaction of liens, instructions for recording documents and other requirements of the new lender. In most areas, buyers and sellers instructions are prepared for signature from the information gathered.

Escrow Instructions and Your Closing
Your escrow officer or real estate agent will contact both the buyer and seller for an appointment to sign escrow instructions and supporting documents.

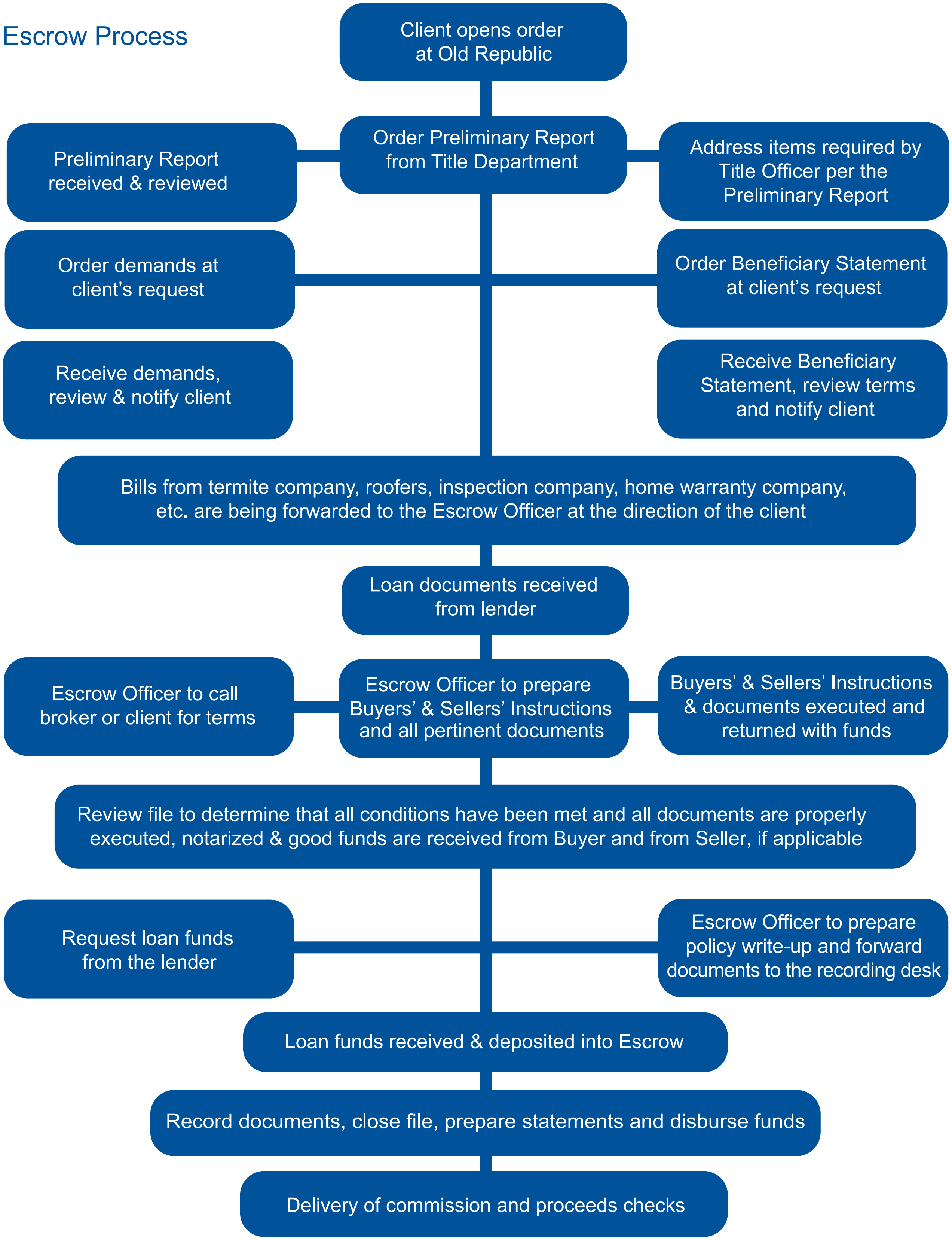
Bring a legal form of identification with you, such as a current driver's license, passport or ID card (military or state). At this time you will normally be advised of the amount of money you will need to deposit and/or receive depending on if you are the buyer or seller.

When the instructions from all parties have been executed, escrow is ready to close. At that time all required funds have been receipted into escrow, the documents are recorded, funds disbursed and the policy of the title insurance is issued.

If you are the buyer, you will be informed about the disbursement of keys by the real estate agent or seller.

If you are the seller, upon receipt of the proper documentation and releases, the escrow officer will disburse the reserved funds, including the seller's payment.

The Escrow Process



06 Title Insurance

What Is Title Insurance?

Title insurance is an agreement to indemnify against damage or loss from a defect in title as evidenced by a policy of title insurance to a specific parcel or real property. Following a search and examination of public records and in exchange for a premium paid, title insurance companies will assume the risk that title to a parcel of real property is as stated to be in the policy of title insurance.

Types of Title Insurance (Policies)

Owner's Policy:

Insures an owner of any type of real property against loss by reason of those matters covered under the policy of insurance for as long as they own the property. There are several versions of each policy. Consult with your Real Estate Professional to determine which policy is best for you.

Lender's Policy:

Insures the priority of the lender's security interest over claims that others may have in the property.

Title Companies – What they handle

Title companies provide services to buyers, sellers, real estate developers, builders, mortgage lenders and others who have an interest in the real estate transaction. Title companies provide assurances that the transfer of title takes place efficiently and that your interests as an insured are protected under the terms and conditions of the policy.

Title insurance is different from many other types of insurances (casualty, auto,etc.). These other types of insurances assume risks by providing financial protection for losses arising from an unforeseen future event such as a fire, theft or accident. With title insurance, risks are examined and mitigated before the property changes hands.

Refinancing: Why Lenders Require Title Insurance

Your lender will want to insure that your new loan is protected by title insurance, just as the original lender required. Even if you already purchased a lender's policy, the policy remains in force only during the life of the loan that was insured. So, if you refinance, the old loan is paid off and a new loan is issued with a new title insurance policy. You will not need to purchase a new owner's policy of title insurance.

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 one percent of the purchase price of your home and less than ten percent 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. WHO WILL PAY FOR TITLE INSURANCE CHARGES, THE BUYER OR THE SELLER?

A. Surprisingly, "who pays" is not uniform. In some areas the buyer will pay while in others the seller will pay. In some places, the seller will pay for the owner's title policy and the buyer will pay for the lender's policy. But in every case, the question of who pays closing costs is a matter of agreement between the buyer and seller. Usually this agreement is based on the customary practice in your area.

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.

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.

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.

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.

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07 Closing Costs & Taxes

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. A personal or out-of-state check could delay your closing because of clearance of such checks.

Examples of Additional Closing Costs:

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

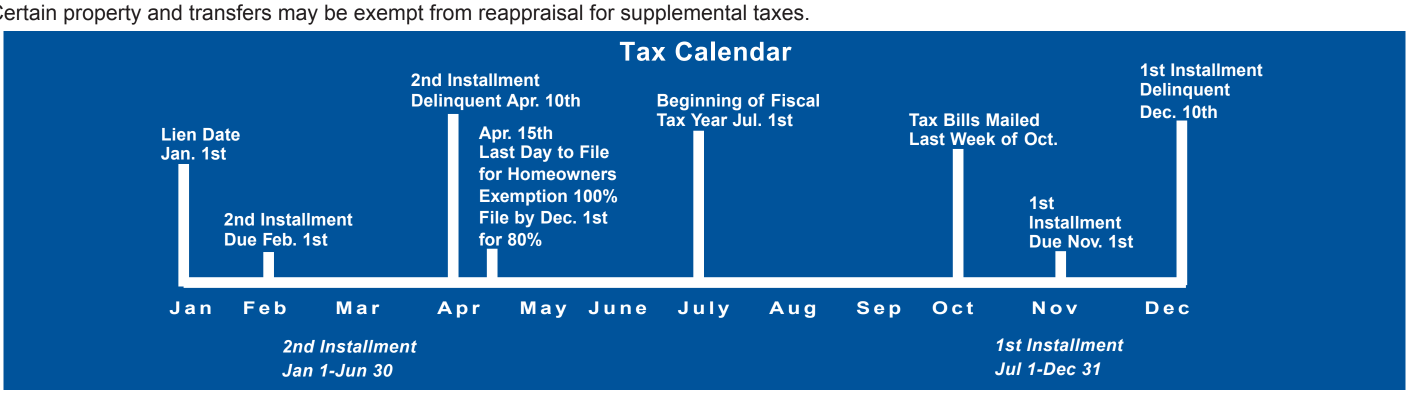
There may be one or two supplemental assessments made depending on the date when the change in ownership takes place or when the new construction is completed.

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.



08 The Language Of Real Estate

To help you better understand the language of real estate, the California Land Title Association has defined some of today's most common real estate, lending and title terms.

Abstract of Judgment:
A summary of the essential provisions of a court judgment. When recorded, an abstract of judgment creates a lien on all of the real property of the judgment debtor in the county in which it is recorded.

Acknowledgement:
A formal declaration made before a duly authorized officer (usually a notary public) by a person who has executed an instrument that such execution is his or her act and deed.

Adjustable Rate Mortgage (ARM):
A mortgage in which the interest rate is adjusted periodically according to a preselected index. The terms, adjustment schedule and index to be used can vary based on the particular lender.

Agency:
A relationship created when one person (the principal) delegates to another (the agent) the right to act on his or her behalf in business transactions.

All-inclusive Trust Deed (wrap-around mortgage):
A financing technique that involves the creation of a new trust deed that includes the balance due on the existing note plus any new funds advanced.

American Land Title Association (ALTA):
A national association of title insurance companies, abstractors and agents. The association adopts standard title policy forms.

Amortization:
The process of paying off a debt in installments over a given period of time without a final balloon payment.

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:
An opinion of the value of property resulting from an analysis of facts affecting market value.

Assessed Valuation:
The value that a taxing authority places upon real or personal property for the purpose of taxation.

Assumable:
A mortgage loan which can be transferred to another person without a change in the terms of the loan.

Balloon Payment:
The unpaid principal amount of a loan due on a specific date in the future. Usually the amount that must be paid in a lump sum at the end of the term.

Beneficiary:
The person who is entitled to receive funds or property under the terms and provisions of a will, trust, insurance policy or security instrument. In connection with a mortgage loan the beneficiary is the lender.

Beneficiary's Statement:
The statement of a lender which gives the remaining principal balance due on a note and other information concerning the loan. It is usually obtained in escrow when the owner wishes to sell or refinance.

Bill of Sale:
An instrument by which title to personal property is transferred or conveyed.

Bona Fide Purchaser (BFP):
One who buys property in good faith, for fair value, and without notice of any adverse claims or rights of third parties.

Broker:
A person licensed to act as an agent for another in negotiating the sale or purchase of real property in return for a fee or commission.

Buydown:
A financing technique used to reduce the monthly payment for the home buying borrower during the initial years of ownership. Under some buydown plans, a residential developer, builder or the seller will make subsidy payments (in the form of points) to the lender that "buy down," or lower, the effective interest rate paid by the home buyer, thus reducing monthly payments for a set period of time.

CC & R's (Covenants, Conditions and Restrictions):
Limitations placed on the use and enjoyment of real property. These are found most often in condominiums and planned unit developments.

Chain of Title:
A chronological list of recorded instruments tracing title to land from the original owner to the present owner.

Cap:
The maximum which an adjustable rate mortgage may increase regardless of index changes.

Clear Title:
Title to property which is free from liens, defects or other encumbrances.

Closing:
The process of completing a real estate transaction during which the seller delivers title to the buyer in exchange for payment of the purchase price. Called a "settlement" in some areas.

Closing Costs:
Expenses, beyond the selling price, such as loan fees, title fees, etc. Paid when documents are executed and/or recorded and the sale is complete.

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

Cloud on Title:
Any document, claim, unreleased lien or encumbrance, which, if valid, would affect or impair title to a property.

Commission:
Compensation due a real estate broker for acting on behalf of the principal.

Community Property:
A form of vesting title to property owned by a husband and wife during their marriage which they intend to own together. It 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.

Comparables (Comps):
An abbreviation for comparable properties used for comparative purposes in the appraisal process.

Consideration:
A required element in all contracts by which something of value, including a promise, is exchanged for the act or promise of another.

Contingency:
Action conditioned upon a certain event. Acceptance of the terms of a contract based on something else happening or certain conditions being met.

Conveyance:
The transfer of title or an interest in real property by means of a written instrument such as a deed of trust.

Deed of Trust:
A security agreement creating a lien by which title to real property is transferred to a third-party trustee as security for an obligation owed by the trustor (borrower) to the beneficiary (lender).

Demand:
The lender's statement of the amount due to pay off a loan.

Documentary Transfer Tax:
The tax, based on sales price, less loans which are being assumed, which is charged by the city and/or county on the transfer of real property.

Due-on-Sale-Clause:
A clause in a mortgage loan which gives the lender the right to demand payment in full when the property changes ownership. Not applicable to FHA or VA loans.

Earnest Money:
The cash deposit paid by a prospective buyer as evidence of good faith to bind a sale of real estate.

Easement:
A limited right or interest in land of another that entitles the holder of the right to some use, privilege or benefit over the land.

Encumbrance:
A claim, right or lien upon real property held by someone other than the owner.

Endorsement:
A rider attached to an insurance policy to expand or limit coverage. Also spelled indorsement.

Equity:
The value of a person's interest in real property after all liens and charges have been deducted.

Escrow:
The process in which a disinterested third party holds money and documents for delivery to the respective parties in a transaction on performance of established conditions.

Exception:
A provision in a title insurance binder or policy which excludes liability for a specified title defect or an outstanding lien or encumbrance.

Fair Market Value:
An appraisal term for the price which a property would bring in a competitive market given a willing seller and willing buyer, each of whom has a reasonable knowledge of all pertinent facts, with neither being under any compulsion to buy or sell.

Fee Simple:
An estate under which the owner owns a complete interest in the property and is entitled to the unrestricted use and enjoyment of the property, including the right to dispose of the property.

Federal Home Loan Mortgage Corporation (FHLMC, Freddie Mac):
An agency that purchases conventional mortgages in the secondary mortgage market from depository institutions and Department of Housing and Urban Development (HUD) approved mortgage bankers.

Federal Housing Administration (FHA):
A division of the Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans by private lenders.

Federal National Mortgage Association (FNMA, Fannie Mae):
A tax paying corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by VA as well as conventional home mortgages.

Finance Charge:
A total of all costs imposed directly or indirectly by the creditor and payable either directly or indirectly by the customer, as defined by the federal Truth-in-Lending laws.

First Mortgage:
A mortgage on property that is superior in right to any other mortgage.

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

Fixture:
Personal property which is permanently attached to real property, and, as such, becomes part of the real property.

Grantee:
One to whom a grant is made. The purchaser of real property.

Grantor:
One who has made a grant. The seller of real property.

Hidden Defect:
An encumbrance on a title that is not apparent in the public records; for example, unknown heirs, secret marriages and forged instruments.

Impound Account:
An account held by a lender for the payment of taxes, insurance or other periodic debts against real property.

Joint Tenancy:
A means of ownership in which two or more persons own legal shares in real property. Upon the death of one tenant, his/her share passes to the remaining tenant(s) until the title is vested in the last survivor.

Legal Description:
A description by which property can be definitely located by reference to surveys or recorded maps.

Lien:
A recorded document which claims an interest in real property as security to a debt owed. Such liability may be created by contract such as a deed of trust, or by court judgment.

Lis Pendens:
Legal notice that a lawsuit is pending. Also called notice of action.

Loan to Value Ratio:
The ratio of the mortgage loan's principal to the property's appraised value or its sales price, whichever is lower.

Market Value:
An appraisal term denoting the highest price that a buyer (willing but not compelled to buy) would pay and the lowest a seller (willing but not compelled to sell) would accept.

Mechanic's Lien:
A lien on real estate which secures the payment of debts due to persons who perform labor or services or furnish materials incident to the construction of buildings and improvement on real estate.

Metes and Bounds:
A form of land description in which boundaries are described by courses, directions, distances and monuments.

Mortgage:
A legal document used to secure the performance of an obligation.

Notarization:
The certification by a notary public that a person signing a document has been properly identified. Notarization does not certify the content of a document, only validity of signature.

Perfecting Title:
Process involving the elimination of any adverse claims against title.

PITI:
Refers to principal, interest, taxes and insurance, the four major components of a usual monthly mortgage payment.

PITI Ratio:
The principal, interest, tax and insurance payment-to-income ratio. Used in mortgage lending decisions.

Points:
A fee charged by the lender to fund a loan, in addition to and separate from other fees charged. One point equals one percent of the amount of the loan.

Principal:
The sum of money outstanding upon which interest is payable. Also refers to one who is served by an agent.

Private Mortgage Insurance (PMI):
Insurance written by a private mortgage insurance company protecting the mortgage lender against loss occasioned by a mortgage default and foreclosure.

Proration:
The method used in dividing charges into that portion which applies only to a party's ownership up to a particular date.

Qualification:
The process of reviewing a prospective borrower's credit and payment capacity prior to approving a loan.

Quitclaim Deed:
A deed relinquishing all interest, title or claim in a property by a grantor. Accomplished without representing that such title is valid, nor containing any warranty or covenants of title.

Real Estate Settlement Procedures Act (RESPA):
A federal statute requiring disclosure of certain costs in the sale of residential, improved property which is to be financed by a federally insured lender.

Reconveyance:
The conveyance to the landowner of the title, held by a trustee under a deed of trust, when the performance of the debt is satisfied.

Recordation:
Involves filing for record in the office of the county recorder for the purpose of giving constructive notice of title, claim or interest in real property.

Record Owner:
The owner of property as shown by an examination of the public record.

Statement of Information (SI):
A confidential information statement completed by the buyer, seller and borrower in every transaction where a policy or policies of title insurance are requested. Allows the title company to competently search documents affecting the property to be insured, documents which may not refer to said property. Allows title companies to differentiate between parties with similar names when searching matters such as liens and court decrees.

"Subject To" Clause:
A clause in a contract of sale setting forth any contingencies or special conditions of purchase and sale, such as an offer made and accepted subject to financing, securing certain zoning or similar requirements.

Subordination Agreement:
An agreement under which a prior or superior lien is made inferior or subject to an otherwise junior lien.

Tax Lien:
A statutory lien imposed against real property for nonpayment of taxes.

Tenancy in Common:
Co-ownership in a property by two or more persons, each of whom has an undivided interest in the whole property.

Title Plant:
The information warehouse of a title company in which it has accumulated, and is constantly updating title records of properties in its area which it can use to search title to real property.

Trustee:
A person who holds title in trust for the benefit of another. In a deed of trust the trustee is the person named to hold title in trust for the benefit of the lender until the loan is paid off.

Trustor:
The borrower under a deed of trust. One who deeds their property to a trustee as security for repayment of a loan.

Uniform Settlement Statement:
The standard HUD Form 1 required to be given to the borrower, lender and seller at, or prior to, settlement.

Unmarketable Title:
Title which contains defects that would allow a purchaser to be released from his obligation to purchase.

Vesting:
Denotes the manner in which title is held. Examples of common vestings are: Community Property, Joint Tenancy and Tenancy in Common.

Veterans Administration (VA):
VA has power and authority to guarantee or insure payment of loans made to veterans by private lending institutions. This function is similar to that of FHA. VA also makes direct loans to veterans in non-urban areas where private loan funds are not available.

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Moving Checklist

Below is a list of helpful moving tips for you and your family.

One Month Before Moving:

________ Reserve a rental truck

________ Acquire moving supplies (boxes, tape, rope, packaging materials)

________ Make travel arrangements if moving far away

________ Save moving receipts, some are tax deductible

________ Put all necessary documents (legal, medical) in a safe place

________ Notify post office, friends, banks, credit card companies, doctors, dentists, state and federal tax authorities of move

Two Weeks Before Moving:

________ Inform gas, electric, water, cable and phone of move

________ Recruit moving day help

________ Make arrangements for alternative transportation

________ Arrange to close or transfer your bank account

________ Assemble a folder of important information about the house for the new owner of your home

________ Cancel any scheduled delivery services

________ Confirm travel arrangements for pets and family

________ Help empty the refrigerator by planning meals for the last week of the move and avoid using appliances that will already be packed

________ Pick up traveler's checks or cash for "on the road" expenses

________ Return library books and DVD rentals

Moving Checklist Continued

The day before moving:

- ________ Set aside all moving materials that will go with you and not on the moving truck, like legal documents and valuables
- ________ Pick up rental truck
- ________ Confirm tickets, charge cards, etc.
- ________ Defrost refrigerator and freezer
- ________ Make sure to have cash, a money order or a certified check to pay the moving truck driver

Moving day:

- ________ Make a list of every box and item that is loaded on the moving truck
- ________ Inform the mover of where you can be reached
- ________ Lock all doors and windows before leaving
- ________ Make sure the appliances and water have been turned off
- ________ Leave the garage door openers and keys in the house

After moving:

- ________ Notify senders of mail that you have moved
- ________ Register to vote
- ________ Contact DMV if you have moved out of state
- ________ Contact Department of Sanitation to see when the trash will be picked up
- ________ Provide new doctors and dentists with medical history of your family
- ________ Transfer insurance policies to an agent in the community
- ________ Call Chamber of Commerce for help in finding schools, cable service, hospitals, police stations, banks, cleaners, fire stations, etc.

Notes

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