

# CALIFORNIA BUYER AND SELLER GUIDE FOR TITLE AND ESCROW





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## WE AT TICOR

We at Ticor are proud to be able to provide this helpful guide to understanding the title and escrow process when buying or selling a home in California.

With over 160 years of history in the title industry, Ticor Title and our FNF family of title companies offers you the financial strength, experience and expertise needed to close your transactions with confidence and peace of mind.

This booklet has been prepared to give you an overview of the general process involved during the purchase/sale of a home and explain the various roles that we will play in helping to close your transaction.

We hope you find this information beneficial in making your transaction and experience a smooth and positive one!

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All content herein is informational only and not intended to offer legal or financial advice.



# IMPORTANT CONTACTS FOR YOUR TRANSACTION



## REAL ESTATE AGENT

Name: \_\_\_\_\_  
 Company: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City/State/Zip: \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Fax: \_\_\_\_\_  
 Email: \_\_\_\_\_

## CONTACT

Name: \_\_\_\_\_  
 Company: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City/State/Zip: \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Fax: \_\_\_\_\_  
 Email: \_\_\_\_\_

## CONTACT

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 Company: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City/State/Zip: \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Fax: \_\_\_\_\_  
 Email: \_\_\_\_\_

## TITLE / ESCROW

Name: \_\_\_\_\_  
 Company: Ticor Title \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City/State/Zip: \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Fax: \_\_\_\_\_  
 Email: \_\_\_\_\_

## CONTACT

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## Why Title Insurance is Important and Worth the Money

A Value Proposition is the unique value a product or service provides to a customer. It describes the benefits the product delivers.

**It answers the question: Why is this worth the money?**



- 1 Title insurance protects the interests of property owners and lenders against legitimate or false title claims by owners or lien holders. It insures the title to the investment, unlocking its potential as a financial asset for the owner.
- 2 At Tigor we access, assemble, analyze, and distribute title information, in addition to handling escrow and closing.
- 3 Title problems are discovered in more than one-third of residential real estate transactions. These “defects” must be resolved prior to closing. The most common problems are existing liens, unpaid mortgages, and recording errors of names, addresses or legal descriptions.
- 4 A homeowner’s title insurance policy protects the owner for as long as he or she has an interest in the property; and the premium is paid only once, at closing.
- 5 Title insurance is different from other forms of insurance because it insures against events that occurred before the policy is issued, as opposed to insuring against events in the future, as health, property or life insurance do. Title insurance is loss prevention insurance.
- 6 Tigor performs a thorough search of existing records to identify all possible defects in order to resolve them prior to issuing a policy. We perform intensive and extensive work up-front to minimize claims. The better we do this, the lower our rate of claims and the more secure your level of protection.
- 7 Researching titles is extremely labor-intensive since only a small percentage of public records are computerized. The industry invests a substantial amount of time and expense to collect and evaluate title records. As a result, the industry’s claims experience is low compared to other lines of insurance.
- 8 Tigor’s impressive Claim Reserves gives you unquestionable security and peace of mind knowing that your policy is backed by a leader in the title insurance industry.
- 9 Dollar for dollar, title insurance is the best investment you can make to protect your interest in one of the most valuable assets you own: your home.
- 10 To get the best value, choose Tigor Title for all your Title and Escrow needs. Write us in on your next transaction and you’ll see why we are Worth the Money.



### What is Title Insurance?



The purchase of a home is often the single largest investment people will make in a lifetime; therefore, the importance of fully protecting such an investment cannot be overstated. Title insurance is protection which assures that the rights and interests to the property are as expected, that the transfer of ownership is smoothly completed and that the new owner receives protection from future claims against the property. It is the most effective, most accepted and least expensive way to protect property ownership rights.

Because land endures over generations, many people may develop rights and claims to a particular property. The current owner's rights—which often involve family and heirs—may be obscure. There may be other parties (such as government agencies, public utilities, lenders or private contractors) who also have “rights” to the property. These interests limit the “title” of any buyer.

#### ● Why Do You Need a Title Insurance Policy?

If title insurance companies work to eliminate risks and prevent losses caused by defects in the title before the closing, why do you need a title insurance policy? The title to the property could be seriously threatened or lost completely by hazards which are considered hidden risks—“those matters, rights or claims that are not shown by the public records and, therefore, are not discoverable by a search and examination of the those public records.” Matters such as forgery, incompetency or incapacity of the parties, fraudulent impersonation, and unknown errors in the records are examples of “hidden risks” which could provide a basis for a claim after the property has been purchased.

Title insurance isn't just for a homeowner. Subdividers need it when planning a new tract of homes or a commercial strip center. Attorneys use it for clients who are investing in shopping centers, hotels, office buildings and countless other projects. Builders need it in order to obtain construction loans from their lender. Everyone wants to have peace of mind when investing their hard-earned money. The title insurance company will help protect these important investments, no matter how large or small, with its own reputation and financial strength.



#### ● Why Does the Lender Need a Policy on My Property?

For the lender, a title policy is a guarantee that it has a valid and enforceable lien (loan or deed of trust) secured by the property, that no one else other than those listed on the policy has a prior claim (or loan, etc.) and that the party to whom they are making the loan does own the property being used as security for the loan. This protection remains in effect as long as the loan remains unpaid.

The existence of a lender's title policy encourages lenders such as banks, savings and loan associations, commercial banks, life insurance companies, etc., to loan money. Because they are lending other people's money (savings or policy holder's funds), they must be concerned with safety should the borrower not make their payments. The title company insures that the title to the property is marketable in the event of foreclosure and the guarantee is backed by the integrity and solvency of the title company. Of course, this benefits everyone—from the single-family homeowner to the owner of a high-rise building.

## ● What is a Title Search?

Before issuing a policy of title insurance, the title company must review the numerous public records concerning the property being sold or financed. The purpose of this title search is to identify and clear all problems before the new owner takes title or the lender loans money.

Our research helps us to determine if there are any rights or claims that may have an impact upon the title such as unpaid taxes, unsatisfied mortgages, judgments, tax liens against the current or past owners, easements, restrictions and court actions. These recorded defects, liens, and encumbrances are reported in a “preliminary report” to applicable parties. Once reported, these matters can be accepted, resolved or extinguished prior to the closing of the transaction. In addition, you are protected against any recorded defects, liens or encumbrances upon the title that are unreported to you and which are within the coverage of the particular policy issued in the transaction.

## ● What Types of Policies Are There?

Protection against flaws and other claims is provided by the title insurance policy which is issued after your transaction is complete. Two types of policies are routinely issued at this time: An “owner’s policy” which covers the home buyer for the full amount paid for the property; and a “lender’s policy” which covers the lending institution over the life of the loan. When purchased at the same time, a substantial discount is given in the combined cost of the two policies. Unlike other forms of insurance, the title insurance policy requires only one moderate premium for a policy to protect you or your heirs for as long as you own the property. There are no renewal premiums or expiration date.

## ● How is Title Insurance Different Than Other Types of Insurance?

With other types of casualty insurance such as auto, home, health, and life, a person thinks of insurance in terms of future loss due to the occurrence of some future event. For instance, a party obtains automobile insurance in order to pay for future loss occasioned by a future “fender bender” or theft of the car. Title insurance is a unique form of insurance which provides coverage for future claims or losses due to title defects which are created by some past event (i.e. events prior to the acquisition of the property).



What to look for in a title company? - [Watch video](#)

Another difference is that most other types of insurance charge ongoing fees (premiums) for continued coverage. With title insurance, the original premium is the only cost as long as the owner or heirs own the property. There are no annual payments to keep the Owner’s Title Insurance Policy in force. While some people balk at another “closing fee”, title insurance is pretty reasonable considering the policy could last a lifetime.

## ● How Does a Title Insurance Policy Protect Against Claims?

If a claim is made against the owner or lender, the title insurance company protects the insured by:

1. Defending the title, in court if necessary, at no cost to owner/lender, and
2. Bearing the cost of settling the case, if it proves valid, in order to protect your title and maintain possession of the property.

Each policy is a contract of “indemnity.” It agrees to assume the responsibility for legal defense of title for any defect covered under the policy’s terms and to reimburse for actual financial losses up to the policy limits.



### We Hope You Never Have a Title Claim

With home ownership comes the need to protect the property against the past, as well as the future. Each successive owner brings the possibility of title challenges to the property. Title insurance protects a policyholder against challenges to rightful ownership of real property, challenges that arise from circumstances of past ownerships.

#### ● HERE ARE 21 REASONS FOR TITLE INSURANCE:

1. A fire destroys only the house and improvements. The ground is left. A defective title may take away not only the house but also the land on which it stands. Title insurance protects you (as specified in the policy) against such loss.
2. A deed or mortgage in the chain of title may be a forgery.
3. A deed or a mortgage may have been signed by a person under age.
4. A deed or a mortgage may have been made by an incapacitated person or one otherwise incompetent.
5. A deed or a mortgage may have been made under a power of attorney after its termination and would, therefore, be void.
6. A deed or a mortgage may have been made by a person other than the owner, but with the same name as the owner.
7. The testator of a will might have had a child born after the execution of the will, a fact that would entitle the child to claim his or her share of the property.
8. A deed or mortgage may have been procured by fraud or duress.
9. Title transferred by an heir may be subject to a federal estate tax lien.
10. An heir or other person presumed dead may appear and recover the property or an interest therein.
11. A judgment or levy upon which the title is dependent may be void or voidable on account of some defect in the proceeding.
12. Title insurance covers attorneys' fees and court costs.
13. Title insurance helps speed negotiations when you're ready to sell or obtain a loan.
14. A deed or mortgage may be voidable because it was signed while the grantor was in bankruptcy.
15. There may be a defect in the recording of a document upon which your title is dependent.
16. Claims constantly arise due to marital status and validity of divorces. Only title insurance protects against claims made by non-existent or divorced "wives" or "husbands."
17. Many lawyers, in giving an opinion on a title, protect their clients as well as themselves, by procuring title insurance.
18. By insuring the title, you can eliminate delays and technicalities when passing your title on to someone else.
19. Title insurance reimburses you for the amount of your covered losses.
20. Each title insurance policy we write is paid up, in full, by the first premium for as long as you or your heirs own the property.
21. Over the last 24 years, claims have risen dramatically.





Escrow Officer Opens Title Order With Ticor Title

Customer Service Verifies Legal and Vesting if Needed

Title Officer Orders Search From Title Plant

Computerized Property Chains General Index Sellers & Buyers

Searcher Examines Chain & General Index

Required Documents are Printed

Searching Department Prepares Plat Maps

Tax/Bond Lien Searches Prepared by Searching Department

Word Processing Operator Types Preliminary Report/Title Commitment

Deliver Prelim to Escrow and Lenders

New Documents/Demands & Statement of Information Submitted to Ticor Title

Title Officer Reviews Preliminary Report/Title Commitment

Escrow Authorizes Recording

Documents Record & Encumbrances of Record are Paid Off

Title Officer Writes Title Policy

Word Processing Retrieves Info & Prepares Final Title Policy

Title Policy Released to Client





# TITLE POLICY COMPARISON CHART

COMPLETE HOMEOWNER'S POLICY

ALTA-R

CLTA

1. Someone else owns an interest in your title to the property
  2. A document is not properly signed
  3. Forgery and fraud
  4. Defective recording of any document
  5. Restrictive covenants
  6. There is a lien on your title because there is:
    - a. a deed of trust
    - b. judgment, tax or special assessment
    - c. a charge by the HOA (homeowner's association)
  7. Title is unmarketable
  8. Lack of right of access to and from the land
- 
9. Mechanics' lien protection
  10. Forced removal of structure because it:
    - a. extends onto other land or onto an easement
    - b. violates a restriction in Schedule B of policy
    - c. violates an existing zoning law
  11. Cannot use land for SFD (single-family dwelling) due to zoning or restrictions
  12. Unrecorded lien by the HOA
  13. Unrecorded easements
  14. Others have rights arising out of leases, contracts or options
  15. Pays rent for substitute residence
  16. Inflation Protection
- 
17. Building permit violations – forced removal\*
  18. Subdivision Map Act violations\*
  19. Zoning violations–forced encroachment\*
  20. Boundary wall or fence encroachment\*
  21. Restrictive covenant violations
  22. Post-policy defect in title
  23. Post-policy contract or lease rights
  24. Post-policy forgery
  25. Post-policy easement
  26. Post-policy limitation on use of land
  27. Post-policy damage from minerals or water extraction
  28. Post-policy living trust coverage
  29. Post-policy encroachment by neighbor other than wall or fence
  30. Enhanced access–vehicular and pedestrian
  31. Damage to structure from use of easement
  32. Post-policy automatic increase of 10% annually up to 150%
  33. Post-policy correction of existing violation of covenant
  34. Post-policy limitation of use
  35. Post-policy prescriptive easement
  36. Street address is correct
  37. Map not consistent with legal description
  38. Coverage for spouse acquiring through divorce
  39. Violations of building setbacks
  40. Discriminatory covenants
  41. Insurance coverage forever

\* Subject to deductible and maximum liability, which is less than the policy amount.

Coverage is for  
I-4 family  
residences



This chart is intended for comparison purposes only and is not a full explanation of policy coverage. Policy coverages are subject to the terms, exclusions, exceptions and deductible shown in the policy.



Coverage for  
1-4 family  
residences

### ● Provide the Best for Homeowners

Homeowners depend upon the strength and stability of a reputable title insurer to back their policies for years to come. We have a long and proud history of providing homeowners with the most innovative title and escrow products in the industry. Homeowners can enjoy peace of mind knowing they are insured by one of the industry's premier title insurers. With the Homeowner's Policy, you'll have even more peace of mind knowing you have the best policy available.

### ● Providing the Best to Realtors®

The superior coverage of the Homeowner's Policy of Title Insurance, backed by the nation's strongest title insurer, provides outstanding benefits to Realtors as well.

- Reduces Realtor's exposure in a transaction regarding certain regulatory matters
- Increases the client's satisfaction and confidence by providing the finest protection available
- Helps ensure the client's ability to resell the home in the future, free of potentially damaging title problems
- Gives the Realtor and client peace of mind in the increasingly complex world of real estate

Informing clients about premium title insurance such as the Homeowner's Policy makes good business sense. With superior title coverage issued through a strong and reputable title insurer, Realtors and clients benefit from two critical layers of protection.

### ● Superior All-Inclusive Benefits With the Homeowner's Policy

The Homeowner's Policy includes the following basic coverage:

- False impersonation of the true owner of the property
- Forged deeds, releases or wills
- Undisclosed or missing heirs
- Instruments executed under invalid or expired power of attorney
- Mistakes in recording legal documents
- Misinterpretation of wills
- Deeds by minors
- Deeds by persons supposedly single, but in fact married
- Liens for unpaid estate, inheritance, income or gift taxes
- Fraud



[Homeowner's Title Insurance Policy - Watch video](#)



### ● Pre and Post Policy Protections

The Homeowner's Policy coverage protects homeowners against claims arising both before and after the policy date. The homeowner is covered if someone else has an interest in or claims to have rights affecting title, or the title is defective. Post-policy protection also includes coverage for forgery, impersonation, easements, use limitations and structural encroachments built by neighbors (except for boundary walls or fences) after the policy date.

### ● Expanded Access Coverage

The Homeowner's Policy provides homeowners with expanded access protection for right of access to and from the property. Traditional title policies do not define the type of access a homeowner has to the property, but the Homeowner's Policy specifically insures both actual pedestrian and vehicular access, based on a legal right.

### ● Restrictive Covenant Violations

The Homeowner's Policy protects homeowners against the loss of title to property because of a violation of a restrictive covenant that occurred before the insured acquired title.

### ● Building Permit Violations

The Homeowner's Policy covers homeowners if they must remove or remedy an existing structure (except for boundary walls and fences) because it was built without a building permit from the proper government office. This coverage is subject to deductible amounts and maximum limits of liability.

### ● Subdivision Law Violations

The Homeowner's Policy protects homeowners if they can't sell the property or get a building permit because of a violation of an existing subdivision law. Homeowners are also protected if they are forced to correct or remove the violation. This coverage is subject to a policy deductible and maximum limits of liability.

### ● Zoning Law Violations

The Homeowner's Policy protects homeowners if they must remove or remedy existing structures because they violate existing zoning laws or regulations (subject to the policy deductible and maximum limit of liability). Homeowners are also protected if they can't use the land for a single-family residence due to the way the land is zoned.

### ● Encroachment Protection

The Homeowner's Policy covers homeowners if forced to remove an existing structure because it encroaches on a neighbor's land (coverage for encroachments of boundary walls or fences is subject to policy deductible and maximum limit of liability). It also covers homeowners when someone else has a legal right to, and does, refuse to perform a contract to purchase the homeowner's land, lease it or make a mortgage loan on it because a neighbor's existing structures encroach onto the land.

- **Water and Mineral Rights Damage**

The Homeowner's Policy provides coverage if a homeowner's existing improvements, including lawns, shrubbery and trees, are damaged because someone exercised a right to use the surface of the land for extraction of minerals or water.

- **Supplemental Tax Lien**

The Homeowner's Policy protects homeowners if a supplemental tax lien is filed and assessed against the property because of new construction or a change of ownership prior to the policy date.

- **Map Inconsistencies**

The Homeowner's Policy provides coverage if the map attached to the homeowner's policy does not show the correct location of the land, according to public records.

- **Continuous Coverage**

The Homeowner's Policy covers homeowners forever, even if they no longer have the title. The policy insures anyone who inherits the title because of the homeowner's death and the spouse who receives the title after dissolution of marriage. The Homeowner's Policy also allows homeowners to transfer their home into a trust after the policy date and receive uninterrupted coverage, at no extra cost.

- **Value-Added Protection**

Traditional title policies don't increase their coverage as the value of a home increases. Not so with the Homeowner's Policy. The policy amount automatically increases by ten percent per year for five years, up to 150% over the original policy amount. This automatic increase in coverage is included at no extra cost.



- **How to Offer Homeowner's Policy Coverage**

This information is a general overview of the coverages and protections the Policy provides. It should not be construed as a full statement of coverage or policy provisions. This policy has been adopted by both the California Land Title Association (CLTA) and the American Land Title Association (ALTA).

Your company representative can provide you and your clients with information about the Homeowner's Policy coverage in simple, easy to understand language. Your representative is also available to meet with your clients personally to explain the Homeowner's Policy or any other title or escrow related product we offer. Simply request information about the Homeowner's Policy when opening an escrow! It's that easy!

- **Conditions, Stipulations and Further Information**

Call your local representative for more information or specifics about policy language pertaining to this and other products. The Homeowner's Policy Coverage has certain deductibles, liability limitations, exceptions and exclusions which apply to some coverage items.



## Ticor Title Can Save Your Investors Hundreds of Dollars

### ● Saving Short-Term Investors Money

Investors who plan to sell their properties within a short period of time should consider the Interim Binder for substantial savings on title insurance premiums.

The Interim Binder is not, in itself, a policy of title insurance but is an interim binder issued on the property. When issued, however, it binds Ticor Title to issue a policy of title insurance within two years. The fee is a mere 10% of the basic policy fee to the requesting party.

When the deed of the final purchase is recorded, the Interim Binder is exercised and a policy of title insurance is issued to the final purchaser. The only additional fee at the time would be a liability charge based upon the difference between the original selling price and the selling price to the final buyer.



Let's look at an example, assuming that the seller is paying for the owner's insurance in favor of the buyer in both cases:



#### FACTS:

- Property was last insured 4 1/2 years ago
- Mr. A sells the property to Mr. B for \$500,000.00
- In less than 2 years, Mr. B sells to Mr. C for \$600,000.00

#### Without an Interim Binder:

|                        |              |
|------------------------|--------------|
| Original Sales Price:  | \$500,000.00 |
| Homeowner's Title Fee: | \$1,509.00   |
| Sells within 2 Years:  | \$600,000.00 |
| Homeowner's Title Fee: | \$1,683.00   |

**Mr. B pays \$ 1,683.00 to resell his property**

#### With an Interim Binder:

|                                   |              |
|-----------------------------------|--------------|
| Original Sales Price:             | \$500,000.00 |
| Homeowner's Title Fee:            | \$1,509.00   |
| Buyer Pays Additional 10%         | \$150.90     |
| Sells within 2 Years:             | \$600,000.00 |
| Homeowner's Title Fee:            | \$1,683.00   |
| Less the Original Fee:            | \$1,509.00   |
| Interim Binder Fee of Conversion: | \$174.00     |

**Mr. B pays \$324.90 to resell his property  
(\$150.90 + \$174.00)**

**\$1,358.10 SAVINGS**

If the buyer decides to hold the property for more than 2 years, he can extend the already active Interim Binder for another 2 years for an additional 10% (\$150.90) if he calls before it expires.



**The Ticor Title Preliminary Report is an offer to issue a policy of title insurance covering a particular estate or interest in land subject to stated exceptions.**

Since these exceptions may point to potential problems with an intended purchase, it is important for all parties to review the report once it is received.

A Preliminary Report provides a list of the matters which will be shown as exceptions to coverage in a designated policy or policies of title insurance, if issued concurrently, covering a particular state or interest in land. It is designated to provide a preliminary response to an application for title insurance and is intended to facilitate the issuance of the designated policy or policies. It is normally prepared after application (order) for such policy(ies) of title insurance on behalf of the principals to a real property transaction.

The Preliminary Report states on its face that it is made solely to facilitate the subsequent issuance of a title insurance policy and that the insurer assumes no liability for errors in the report. Accordingly, any claim arising from a defect in title must be made under the title policy and not the Preliminary Report.

If a title policy is not contemplated, a Preliminary Report should not be ordered. Instead, consideration should be given to requesting a Condition of Title Report or other similar title product.

After a title order has been placed, matters relative to the title policy coverage on the subject property are assembled in a title search package and examined by skilled technicians. This is when the Preliminary Report is prepared and sent to the customer. The report contains relevant information so that the parties to the transaction will become aware of matters which will not be insured against by the title company. This report is issued before the title policy, hence the name Preliminary Report.



## VESTING: COMMON WAYS OF HOLDING TITLE

|                      | Community Property  | Joint Tenancy   | Tenancy in Common   | Tenancy in Partnership  | Title Holding Trust  | Community Property w/Right of Survivorship  | Registered Domestic Partners  |
|----------------------|---|---|---|---|--|---|---|
| Parties              | Opposite sex marriage (husband and wife)/ same sex marriage/ domestic partners  | Any number of persons (can be husband and wife/same sex marriage/ registered domestic partners) | Any number of persons (can be husband and wife/same sex marriage/ registered domestic partners) | Only partners (any number of partners)  | Individuals, groups of persons, or corporations, a living trust  | Opposite sex marriage (husband and wife)/ same sex marriage/ domestic partners                                  | Only partners that are registered with the California Secretary of State's Domestic Partners Registry   |
| Division of Interest | Owners and managerial interests are equal (Except control of business is solely with managing spouse)   | Ownership interest must be equal  | Ownership can be divided into any number of interests equal or unequal                          | Ownership interest is in relation to interest in partnership                          | Ownership is a personal property interest and can be divided into any number of interests  | Ownership and managerial interests are equal  | Ownership and managerial interests are equal (except control of business is solely with managing domestic partner)  |
| Title                | Title is in the "community". Each interest is separate but management is unified  | Equal right of possession   | Each co-owner has a separate legal title to his/her undivided interest                          | Title is in partnership   | Legal title is held by the trustee; beneficiary has equitable title  | Title is in the "community." Management is unified  | Title is in the "community." Each interest is separate but management is unified  |
| Possessions          | Both co-owners have equal management control  | Equal right of possession   | Equal right of possession   | Equal right of possession but only for partnership purposes                           | Right of possession as specified in the trust provisions   | Both co-owners have equal management and control  | Both co-owners have equal management and control  |
| Conveyance           | Personal property (except "necessaries") may be conveyed for valuable consideration without consent of other spouse; real property requires written consent of other spouse, and separate interest cannot be conveyed except upon death | Conveyance by one co-owner without the others breaks the joint tenancy                          | Each co-owner's interest may be conveyed separately by its owner                                | Any authorized partner may convey whole partnership property for partnership purposes | Designated parties within the trust agreement authorize the trustee to convey property. Also, a beneficiary's interest in the trust may be transferred | Right of survivorship may be terminated pursuant to the same procedures by which a joint tenancy may be severed | Personal property (except "necessaries") may be conveyed for valuable consideration without consent of other partner; real property requires written consent of other partner, and separate interest cannot be conveyed except upon death |



|                    | Community Property  | Joint Tenancy   | Tenancy in Common  | Tenancy in Partnership   | Title Holding Trust  | Community Property w/ Right of Survivorship   | Registered Domestic Partners  |
|--------------------|---|---|--|--|--|---|---|
| Death              | On co-owner's death, 1/2 belongs to survivor in severalty. 1/2 goes by will to decedent's devisee or by succession to survivor  | On co-owner's death, his/her interest ends and cannot be disposed of by will. Survivor owns the property by survivorship                    | On co-owner's death, his/her interest passes by will to devisee or heirs. No survivorship rights                   | On partner's death, his/her partnership interest passes to the surviving partner pending liquidation of the partnership. Share of deceased partner then goes to his/her estate   | Successor beneficiaries may be named in the trust agreement, eliminating the need for probate  | Upon death of spouse, his/her interest passes to the surviving spouse, without administration, subject to the same procedures as property held in joint tenancy | On co-owner's death, 1/2 belongs to survivor in severalty. 1/2 goes by will to decedent's devisee or by succession to survivor  |
| Successor's Status | If passing by will, tenancy in common between devisee and survivor results  | Last survivor owns property   | Devisee or heirs become tenants in common  | Heirs or devisees have rights in partnership interest but not specific property  | Defined by the trust agreement, generally the successor becomes the beneficiary and the trust continues  | Surviving spouse owns property  | If passing by will, tenancy in common between devisee and survivor results  |
| Creditor's Rights  | Property of the community is liable for debts of either spouse, which are made before or after marriage. Whole property may be sold on execution sale to satisfy creditor | Co-owner's interest may be sold on execution sale to satisfy his/her creditor. Joint tenancy is broken. Creditor becomes a tenant in common | Co-owner's interest may be sold on execution sale to satisfy his/her creditor. Creditor becomes a tenant in common | Partner's interest may be sold separately by "Charging Order" by his/her personal creditor, or his/her share of profits may be obtained by a personal creditor. Whole property may be sold on execution sale to satisfy partnership creditor | Creditor may seek an order for execution sale of the beneficial interest or may seek an order that the trust estate be liquidated and the proceeds distributed | Property of community is liable for debts of either which are made before or after marriage; whole property may be sold on execution sale to satisfy creditor   | Property of community is liable for debts of either partner, which are made before or after registration as domestic partners. Whole property may be sold on execution sale to satisfy creditor |

Ticor Title has provided these comparisons for informational purposes only. These charts are not to be used to determine how you should acquire ownership in the property. It is strongly recommended that you seek professional advice from an attorney and/or your tax advisor to determine the legal and tax consequences of how your title should be vested.



According to the California Residential Purchase Agreement released on April 28, 2010, all Sellers of a Residential Property shall provide the escrow holder completed Statements of Information within seven days after acceptance of contract.

### ● Understanding Statements of Information

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

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

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

### ● What is a Statement of Information?

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

### ● What Does a Statement of Information Do?

Every day documents affecting real property – liens, court decrees, bankruptcies – are recorded. Whenever a title company uncovers a recorded document in which the name is the same or similar to that of the buyer, seller or borrower in a title transaction, the title company must ask, "Does this document affect the parties we are insuring?" Because if it does, it affects title to the property and would, therefore, be listed as an exception from coverage under the title policy.

A properly completed Statement of Information will allow the title company to differentiate between parties with the same or similar names when searching documents recorded by name. This protects all parties involved and allows the title company to competently carry out its duties without unnecessary delay.

## What is an Escrow?

Buyers and sellers of a piece of property establish terms and conditions for the transfer of ownership of the property. These terms and conditions are given to a third party known as the escrow holder. In turn, the escrow holder has the responsibility of seeing that terms of the escrow are carried out. The escrow is an independent neutral account and the vehicle by which the mutual instructions of all parties to the transaction are complied with.



- **Why is Escrow Needed?**

Whether you are the buyer or the seller, you want assurance that no funds or property will change hands until all instructions have been followed. With the increasing complexity of business, law and tax structures, it takes a trained professional to supervise the transaction.

- **How Long is an Escrow?**

The length of an escrow is determined by the terms of the purchase agreement/joint escrow instructions and can range from a few days to several months.

- **Who Chooses the Escrow?**

The selection of the escrow holder is normally done by agreement between the principals. If a real estate agent is involved, they may recommend an escrow holder.

- **Why Tigor Escrow?**

Tigor Escrow has experienced and knowledgeable Escrow Officers waiting to assist you. We can handle your Residential and Commercial Purchases and/or Refinance Escrows, from the unique to the complex. Tigor has offices locally and nationwide to accommodate the most demanding Buyers, Sellers and Borrowers. Call us today to close your next transaction.



# How Does The ESCROW PROCESS Work?

The escrow is a depository for all monies, instructions and documents necessary for the purchase of your home, including your funds for down payment and your lender's funds and documents for the new loan. Generally, the buyer deposits a down payment with the escrow holder and the seller deposits the deed and any other necessary documents with the escrow holder. Prior to the close of escrow the buyer deposits the balance of the funds required and agreed upon by the parties with the escrow holder. The buyer instructs the escrow holder to deliver the monies to the seller when the escrow holder:

- Forwards the deed to the title company for recording
- Is notified by the title company that a policy of title insurance can be issued showing title to the property is vested in the name of the buyer

The escrow holder thus acts for both parties and protects the interests of each within the authority of the escrow instructions. Escrow cannot be completed until the terms and conditions of the instructions have been satisfied and all parties have signed escrow documents. The escrow holder takes instructions based on the terms of the purchase agreement and the lender's requirements

## ● Escrow Duties

1. The Escrow Officer's duties typically include the following:
2. Receive signed Purchase Agreement; prepare Escrow Instructions
3. Receive and deposit buyer's earnest money into an escrow account
4. Serve as the neutral agent and liaison/communication link to all parties to the transaction
5. Order Preliminary Report to determine status of title to property
6. Request beneficiary's statement or pay-off demand related to existing financing
7. Comply with lender's requirements as specified in the lender's closing instructions
8. Secure releases of all escrow contingencies or other conditions required
9. Prorate taxes, interest, insurance and rents
10. Prepare or secure the transfer deed or other documents necessary to consummate the transaction
11. Arrange appointments for buyer/seller to sign documents
12. Request and receive purchase funds from the buyer and loan funds from new lender
13. Close escrow pursuant to instructions provided by seller, buyer, and lender.
14. Arrange for recording of deeds and any other documents as instructed
15. Request issuance of the title insurance policies
16. Disburse funds as authorized, including charges for title insurance, recording fees, commissions and loan payoffs
17. Disposition of all funds held in escrow account
18. Prepare final accounting statements for the parties

## ● Communication Tips for Escrow

- When calling the escrow officer, have the escrow number and buyer/seller's names handy.
- Keep the escrow officer informed on any matters that may affect the transaction.
- Direct your questions to the proper representative, such as:
  - Real Estate Agent: Physical aspects of property, conflicts, and terms of sale.
  - Lender: Loan terms, credit report issues, etc.
  - Escrow Officer: Escrow instructions, documents and forms to be filled out.





It all begins with the offer and acceptance skillfully negotiated by the real estate agents representing Buyer and Seller.

### ● The Buyer(s)

- Tenders a written offer to purchase (or accepts the Seller's counter-offer) accompanied by a good faith deposit amount.
- Applies for a new loan, completing all required forms and often prepaying certain fees such as credit report and appraisal costs. Approves and signs the escrow instructions and other related instruments required to complete the transaction.
- Approves the preliminary report and any property disclosure or inspection report called for by the purchase and sale agreement. (Deposit Receipt)
- Approves and signs new loan documents and fulfills any remaining condition contained in the contract, lender's instructions and/or the escrow instructions.
- Deposits funds necessary to close the escrow. Approves any changes by signing amendments in the escrow instructions.
- The Lender (When applicable)
- Accepts the new loan application and other related documents from the Buyer(s) and begins the qualification process.
- Orders and reviews the property appraisal, credit report, verification of employment, verification of deposit(s), preliminary report and other related information.
- Submits the entire package to the loan committee and/or underwriters for approval. When approved, loan conditions and title insurance requirements are established.
- Provide a Loan Estimate/Closing Disclosure Form describing terms of loan and applicable closing costs.
- Deposits the new loan documents and instructions with the escrow holder for Buyer's approval and signature.
- Reviews and approves the executed loan package and coordinates the loan funding with the escrow officer.



### ● The Escrow Officer

- Receives an order for escrow and title services.
- Orders the preliminary report and examination on the subject property from Ticor Title.
- Acts as the impartial “stakeholder” or depository, in a fiduciary capacity, for all documents and monies required to complete the transaction per written instructions of the principals.
- Prepares the escrow instructions and required documents in accordance with terms of the sale.
- With authorization from the real estate agent or principal, orders demands on existing deeds of trust and liens or judgments, if any. For assumption or subject to loan, orders the beneficiary’s statement or formal assumption package.
- Reviews documents received in the escrow: preliminary report, payoff or assumption statements, new loan package and other related instruments. Reviews the conditions in the lender’s instructions including the hazard and title insurance requirements.
- Presents the documents, statements, loan package(s), estimated closing statement and other related documents to the principal(s) for approval and signature/s, and requests the balance of the buyer’s funds.
- Reviews the signed instructions and documents, returns the loan package and requests the lender’s funds.
- Receives the proceeds of the loan(s) from the lender(s).
- Determines when the transaction will be in the position to close and advises the parties.
- Assisted by Title personnel, records the deed, deed of trust and other documents required to complete the transaction with the County Recorder and orders the title insurance policies.
- Closes the escrow by preparing the final settlement statements, disbursing the proceeds to the Seller, paying off the existing encumbrances and other obligations.
- Delivers the appropriate statements, funds and remaining document to the principals, agents and/or lenders.
- Agents rely on the Escrow Officer’s coordination of documents, loans, title and inspections to close the transaction on time.



## ● The Seller(s)

- Accepts Buyer’s Offer to Purchase and initial good faith deposit to open escrow.
- Submits documents and information to escrow holder, such as: addresses of Lien holders, tax receipts, equipment warranties, home warranty contracts, any leases and/or rental agreements.
- Approves and signs the escrow instructions, grant deed and other related document required to complete the transaction.
- Orders inspections, receives clearance, and approves final reports and/or repairs to the property as required by the terms of the purchase and sale agreement (Deposit Receipt).
- Fulfills any remaining conditions specified in the contract and/or escrow instructions; approves the payoff demands and/or beneficiary’s statements.
- Approves any final changes by signing amendments to the escrow instructions or contract.
- Receives an order for title service.
- Examines the public records affecting the real property and issues a preliminary report. Determines the requirements and documents needed to complete the transaction and advises the escrow officer and/or agents.
- Reviews and approves the signed documents, releases and the order for title insurance, prior to the closing date.
- When authorized by the escrow officer, records the signed documents with the County Recorder’s office and prepares to issue the title insurance policies.



## OPENING ESCROW





The selection of the escrow holder is normally done by agreement between the parties to a transaction. Typically, the escrow is then opened by the real estate agent. Which agent (the “seller side” or the “buyer side”) will open the escrow is generally determined by local practice.

Escrow may be opened via telephone, email, website form or in person, depending upon the preference of the agent and which options are available through the escrow company. An escrow file number is assigned and the appropriate information is entered into the computer. Upon issuance of the escrow file number, the escrow officer will order a Preliminary Report from the title company or title department.

- **The escrow officer will need some basic information in order to open and proceed with the escrow:**

- Correct street address, and parcel # if available
- Sales price
- Full names of all parties involved and marital status
- Contact information for all parties
- Existing lender name, loan number, contact information and approximate unpaid balance
- HOA (Homeowner’s association) information, such as address and dues
- HOA management company information (if any)
- Commission amount and additional conditions

In general, the first item to enter the escrow is the buyer’s initial deposit. The escrow file will grow, item by item, until all of the conditions have been met and the escrow is ready to close.

- **The Escrow Officer Will Also Need the Following From the Buyer’s Agent:**

- How the buyer(s) wants to take title (see pg. 18)
- New lender information
- Fire/hazard insurance information for new policy or existing policy

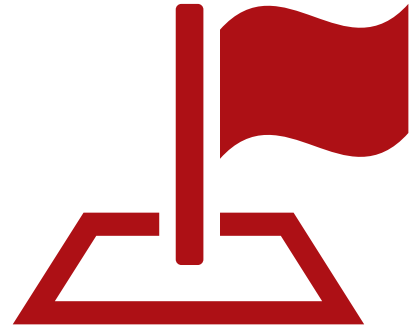




## RED FLAGS IN THE ESCROW / TITLE PROCESS

A “red flag” is a signal to pay attention! Below are some of the items which may cause delays or other problems within a transaction and must be addressed well before the closing.

- Bankruptcies
- Business trusts
- Clearing liens and judgments, including child or spousal support liens
- Encroachment or off record easements
- Establishing fact of death–joint tenancy Family trusts
- Foreclosures
- Physical inspection results–Encroachment, off-record easements
- Probates
- Power of Attorney–Use of, proper execution
- Proper execution of documents
- Proper jurats, notary seals
- Recent construction
- Transfers or loans involving corporations or partnerships
- Last minute change in buyers
- Last minute change in type of title insurance coverage



**TAXES:** These are usually standard, showing the status of the current tax year.

**RED FLAG:** Postponed property taxes is a program put on by the state for senior citizens. It allows the owner to postpone the taxes until the property is sold or refinanced. The owner applies to the state, and the state provides “checks” that the owner uses to pay the taxes. The reason this is a red flag is because a demand will need to be ordered from the state by escrow in order to pay off the postponed taxes. It may take up to two weeks to get a demand.

**CC&R’S:** These are standard. The CC&R’s should be provided to the buyer by escrow. The buyer should read these thoroughly, especially if improvements to the property are contemplated.

**RED FLAG:** Some CC&R’s prohibit certain types of improvements.

**EASEMENTS:** These are also standard. Most easements in newer subdivisions (20 years or less) are contained in the street. Some subdivisions have nonexclusive easements over portions of the property for such things as maintenance of side yards, access to common areas (like golf courses), etc.

**RED FLAG:** If improvements are contemplated (such as construction of a pool or spa for example), then the buyer should request the easements be plotted on a map to determine that there will not be any interference to contemplated improvements. However, you should be aware that easements are very difficult to get removed, and your client may be better off with another property if an easement interferes with his future plans for the property.

**AGREEMENTS:** These commonly take the form of road maintenance agreements, mutual easement agreements (like a shared driveway) or improvement agreements, and will bind the owner to certain actions. A copy of the agreement should be requested from title and provided to the buyer. It is the buyer’s responsibility to contact their own counsel if they do not understand how the agreement would affect them.

**TRUST DEEDS:** These are common. Escrow will order a demand from the lender(s) which will allow the title company to pay off the existing loan(s) using the proceeds from the new buyer's loan (or proceeds if all cash).

**RED FLAG:** Watch out for old trust deeds from a previous owner (or sometimes the current owner if he has refinanced). If you find a trust deed listed that has already been paid, or that looks like it was taken out by a previous owner, call your title officer immediately. He will research the trust deed, and take the necessary steps to either remove it from the public record (by working with escrow to get release documents) or by acquiring an "indemnity" from the title company who paid off the old loan. Old trust deeds with private party beneficiaries (an individual acting as lender, such as an old seller carry-back) are difficult to get removed, especially if several years have gone by since the loan has been paid off. A bond will sometimes be necessary in order to clear title of an old trust deed. These bonds must be covering twice the face value of the deed of trust, and will cost upwards from 1% of the bond amount (usually around 2 or 3 percent, more for higher risk bonds), depending on how much supporting documentation is provided to the bonding company. Note: If you have a client/buyer who is getting financing from the seller, or any individual, advise them to contact you or their title officer when the loan is being paid off. The release documents are much easier to get now rather than in a few years when the lender may no longer be around.

**ENCROACHMENTS:** Sometimes a structure (commonly a fence or driveway) encroaches upon a property. This usually means that a client will have to take the property subject to the encroachment. Contact your title officer if you see encroachment language in your prelim.

**RED FLAG:** The lender will usually not want to lend on a property where encroachments exist. In some circumstances, an endorsement to the lender's policy (usually with an extra charge) can allow the lender to close. These are determined on a case-by-case basis. Again, contact your title officer.

**NOTICE OF VIOLATION:** These will sometimes be recorded by the fire department, the health department or the local zoning enforcement division in situations where the property violates a local statute.

**RED FLAG:** These are always a red flag. The lender will not accept these conditions. The violation will have to be eliminated and the local enforcement agency will have to issue a release before closing. Escrow (or the seller or the seller's representative) will usually have to deal directly with the appropriate agency to resolve these types of issues.

**COURT ORDERS/JUDGMENTS:** These are not a standard item. The most common type to show on a PR (Preliminary Report) is support judgments. These are issued by the courts when child/spousal support is owed by the party named. (See "Statement of Information")

**RED FLAG:** Any order/judgment is a red flag. Support judgments can take up to six weeks to get a demand and release from the creditor (usually the district attorney's office). If you see an order or judgment, contact escrow immediately to verify that the demand has been ordered.

**BANKRUPTCY:** While not unusual, bankruptcies are not standard.

**RED FLAG:** All open bankruptcies require the debtor to get permission from the court to sell or encumber an asset (the home) or to take on new debt. Chapter 7 and 13 bankruptcies against the seller are the most common found in a sale situation. A letter from the bankruptcy trustee will be required to close escrow. The trustee will sometimes require that a payment be made to the court at close. We sometimes find a Chapter 13 against a buyer, which will also require a letter from the trustee allowing the debtor to take on more debt. An open Chapter 7 against the buyer is rare, and the buyer probably cannot get a loan as long as he is in a Chapter 7. (See "Statement of Information").

NOTE: Chapter 7 is a complete washout of dischargeable debt, Chapter 13 is a reorganization of debt and Chapter 11 is a reorganization of debt for a company or corporation.

**NOTICE OF PENDING ACTION:** This is also known as a "lis pendens."

**RED FLAG:** This is a big red flag. This means that someone has a lawsuit pending that may affect the title to the property. These are often found in acrimonious divorce situations. A demand (the aggressing party usually wants money before releasing) and withdrawal (a "withdrawal of lis pendens" is a legal document that must be recorded to release the lis pendens) will be required before closing.



## RED FLAGS IN THE ESCROW / TITLE PROCESS

**STATEMENT OF INFORMATION:** Also known as a statement of facts, statement of identity, or an SI. This required document will be provided to the parties by escrow. It asks for information about the parties such as social security number, residence history, marital history, job history, aliases, etc. Please fill this out as completely as possible. The SI allows the company to eliminate things recorded in the GI (General Index) against the name (as opposed to the property) such as tax liens, judgments, welfare liens, support liens and lawsuits that may be filed against people that have the same name as you. These types of liens attach automatically to any real property owned by the debtor, and therefore make the property liable for any payment due under the lien.

**RED FLAG:** If you have a common name (for example: Smith, Johnson, Garcia, Martinez, Lee, etc) it is important that the company receive the completed SI promptly in order to “clear” these items. Sometimes you may be unaware that a lien exists. More often, you may have resolved the situation but had never gotten the proper release documents recorded in order to remove it from the public record. We cannot close a file with unresolved liens against a seller. (There are some circumstances when a deal can still be closed when there is an unresolved lien against a buyer.) Contact your title or escrow officer if you find that this situation exists.



### NOTE:

If you ever find yourself in a situation where you need to record an abstract of judgment against someone who owes you money, it may be wise to record the abstract in any county where the debtor owns or may own property. This will help protect you if the debtor owns or purchases property out of the immediate area. Consult your attorney if you are not sure.

If you find something on your prelim that is not listed here, it is probably a red flag and you should contact your title or escrow officer. He (or she) will be happy to provide you with copies of recorded documents and advise you as to what is needed in order to remove the item (if necessary). Sometimes, though, removing an item is so time consuming, or costly, or both, that it becomes a decision on the part of the buyer. We cannot advise you regarding the risk in making such a decision. You should contact your own counsel if you have these types of concerns.

## ● The Short Sale Escrow

Ticor Title can also handle the specialized “short sale” escrow in which you need an experienced escrow officer in short sale transactions. Many of our escrow officers have received in-depth training in short sales. Your escrow officer will provide confidential, professional service throughout the transaction, assisting you and communicating between all parties. Our experienced staff can foresee, communicate, and work to remove potential obstacles as they arise, to ensure the best possible outcome.

## ● What is a “Short Sale”:

This term refers to a transaction in which the sales price will not generate enough money to cover the payoff of the Seller’s existing loan and closing costs. Working with a willing Lender, a Seller may be able to negotiate a payoff amount which is less than the actual amount that would ordinarily be required to payoff the loan. The lender agrees to accept the equity available in the property, and the Seller receives no proceeds from the sale of the property.

## ● Submit Your Documentation to Escrow

Along with the purchase contract, submit a copy of the short sale package to your escrow officer. It will be an essential reference during the transaction. Additionally, if the package or one of the documents needs to be resubmitted at any point, your escrow officer can send a copy from the file.

## ● Time is of the Essence

Advise your Seller to execute all title and escrow documents quickly and return them to the escrow officer. If you prefer, your escrow officer would be happy to arrange for the clients to come in and sign the documents, answering any questions they may have about the escrow process.

- To ensure faster approval from the Lender, provide the following information to your Ticor Title Escrow Officer:
  - Purchase/List Price
  - Estimated Closing Statement
  - Commission Percentage or amount of commission
- Seller’s costs:
  1. Termite Work?
  2. Repairs?
  3. Is the seller paying any buyer’s closing costs?
- Payoff Information – lender(s) and approximate unpaid principal balances
- Current HOA balance plus collection fees
- Does the property have delinquent property taxes? Need amount.

## ● Get Any Pre-Approved Work Done and Submitted for Payment at Once

Remember, the lender is not obligated to approve the short sale. Last minute invoices may be rejected and could jeopardize the short sale approval and closing.

## ● Seller Must Net Zero

Even if there are funds left over at the close of escrow due to a reduced expense, lower tax pro ration, etc. any excess funds **MUST BE SENT TO THE LENDER** or disbursed as per the lender’s instructions.





## OTHER PARTIES TO AN ESCROW TRANSACTION



In addition to the buyer, seller, lender and real estate agent(s), Escrow may involve several other parties such as: Appraisal, Home Warranty, Home Inspection, Termite/Pest Inspection and Disclosure Report.

### ● APPRAISAL

If the buyer is securing a new loan for the purchase, an appraisal will be required by the lender. An appraiser will:

- Research the subject property as to year built bedrooms, baths, lot size and square footage.
- Compare data of recent sales in the subject's neighborhood, typically within a one mile radius. The appraiser usually locates at least three (and preferably more) similar homes that have sold within the past six months. These homes are considered the "Comparable Properties" or "Comps" for short.
- Field inspection is conducted in two parts: (1) the inspection of the subject property, and (2) the exterior inspection of the comparable properties.

The subject property inspection includes taking photos of the front and rear of the home (that may include portions of the yard) and photos of the street scene. The appraiser also makes an interior inspection for features and conditions which may detract from or add to the value of the home. A floor plan of the home is drawn and included while doing the inspection.

### ● HOME WARRANTY

Home Warranties offer advantages to both the buyer and seller. This policy protects the buyer by paying for certain repairs and costs of major mechanical systems and major appliances in the home such as heating and air conditioning. There are a variety of plans available.

#### Benefits of Home Warranty Coverage to the Seller

- Home may sell faster and at a higher price
- Optional coverage during the listing period
- Protection from legal disputes that occur after the sale increases the marketability of home

#### Benefits of Home Warranty Coverage to the Buyer

- Warranty coverage for major systems and built-in appliances
- Protects cash flow
- Puts a complete network of qualified service technicians at the Buyer's service
- Low deductible

Most home warranty plans can be paid for at the close of escrow. A copy of the invoice is presented to the escrow company and it becomes part of the seller's closing costs. FNF offers Home Warranty coverage at [www.HomeWarranty.com](http://www.HomeWarranty.com) or 1.800.862.6837

## ● HOME INSPECTIONS

A home inspection is another component of the escrow process. It is a physical examination to identify material defects in the systems, structure and components of a building, such as foundations, basements and under-floor areas, exteriors, roof coverings, attic areas and roof framing, plumbing, electrical systems, heating and cooling systems, fireplaces and chimneys, and building exteriors.

### **Is Your Home Inspector Insured?**

They should have: Professional Liability Insurance Coverage, General Liability and Workers Compensation.

### **How the Seller Should Prepare for a Home Inspection**

The seller should have the property fully accessible, including elimination of stored objects that may prevent the inspector from accessing key components of the home. Areas of special concern are attics, crawlspaces, electric panels, closets, garages, gates/ yards, furnaces and water heaters. All utilities should be on with functioning pilots lit.

### **Inspector's Responsibility to the Homeowner**

Respect the property. Leave the property as they found it. Answer questions about the report after the inspection is completed. Provide a copy of the report on site.

## ● TERMITE/PEST INSPECTION

This report is prepared by a State Certified Inspector as evidence of the existence or absence of wood destroying organisms or pests which were visible and accessible on the date the inspection was made. In almost every instance when they receive a request for an inspection the caller refers to it as a "termite" inspection. In addition to looking for subterranean termites, the inspector is also looking for signs of activity from other wood organisms such as:

- Carpenter ants
- Carpenter bees
- Wood destroying fungus
- Dry wood termites

These conditions are easy to spot and in most cases are simple and inexpensive to correct. If you aren't certain about the condition of your property, seek assistance from a State Certified Termite Inspector.





## ● What is a Disclosure Report?

Disclosure reports are designed to assist sellers (and their agents) disclose legally required information to a potential purchaser in a real estate transaction in an easy to understand, economical format. Buyers can rely on the information to make a more informed decision regarding the property being purchased.

## ● It's the Law!

California law requires sellers to disclose certain types of naturally occurring hazards to potential buyers. Assembly Bills 6x, 1195 and 248 created a mandatory form for these disclosures. This form is the Natural Hazard Disclosure Statement.

## ● Required Disclosure Information

There are six 'hazard zones'. The disclosure law requires all potential buyers to be told whether the property is in one, or more, of the following zones:

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

California Civil Code Section 1103.4 provides a liability shield for sellers who rely on third party experts. This section states that the seller is not liable for errors, inaccuracies or omissions of any of the information provided by the third party disclosure report unless the seller has personal knowledge of the error.

## ● Where to Order a Disclosure Report

FNF's own Disclosure Source is a premier provider for Natural Hazards, Special Taxes & Assessments and Environmental Hazard information to safely comply with statutory requirements.

California Real Estate Law gives buyers three days to cancel a transaction whenever material information is disclosed to them. It is in your best interest, as the seller, to get all disclosures in the hands of the potential buyer as soon as possible. We recommend ordering the Disclosure Report as soon as the property is listed. Buyers will then be able to review and accept the disclosures as part of their offer. Your agent can advise you on these issues.

For more information, please call (800) 880-9123 or visit [www.DisclosureSource.com](http://www.DisclosureSource.com).





## ● Step 1: APPLICATION

Your loan process should go smoothly if you complete your loan application properly and provide all necessary documentation to your loan consultant at the time of application.

## ● Step 2: ORDERING DOCUMENTATION

Your loan consultant will order the necessary documentation for the loan as soon as it is received. Any verifications will be mailed, and the credit report and appraisal will be ordered. You will also receive a Good Faith Estimate of your costs and details of your loan.

## ● Step 3: AWAITING DOCUMENTATION

Within approximately two weeks, all necessary documents should be received from your loan consultant. Each item is reviewed carefully in case additional items may be needed from you to resolve any questions or problems.

## ● Step 4: LOAN SUBMISSION

Submitting your loan is a critical part of the process. All of the necessary documentation will be sent to the lender, along with your credit report and appraisal.

## ● Step 5: LOAN APPROVAL

Loan approval may be obtained in stages. Usually within one to three days, your loan consultant should have pre-approval from the lender. If the loan requires mortgage insurance, or if an investor needs to review the file, final approval could take additional time. You do not have final loan approval until ALL of the necessary parties have underwritten the loan.

## ● Step 5: THE LOAN PROCESS

The Lender will provide to you a Closing Disclosure to review prior to the release of loan documents.

## ● Step 6: LENDER PREPARATION OF DOCUMENTS

As soon as the loan is approved and all requirements of the lender have been met, the loan documents will be prepared. These documents will be sent to the escrow officer, and you will be asked to sign the documents. Your lender may require an impound account for tax installment payments, depending on the type of loan.

## ● Step 7: FUNDING

Once you have signed the documents and they have been returned to the lender, the lender will review them and make sure that all conditions have been met and all of the documents have been signed correctly. When this is completed, they will “fund” your loan. (“Fund” means that the lender will give the title company the money by check or wire.)

## ● Step 8: RECORDATION

When the loan has been funded, the title company will record the Deed of Trust with the county in which the property is located (usually by the next day). Upon receipt of confirmation of the deed being recorded, title or escrow will then disburse monies to the appropriate parties. At this time, in most cases, your loan is considered complete.





INSURANCE

### What Is PMI?

Private Mortgage Insurance

Buying a home is easier than ever, thanks to the availability of private mortgage insurance, or PMI. Private mortgage insurance has made it possible for qualifying buyers to obtain mortgages with a down payment as low as 3%. Such mortgages are increasingly in demand in today's home market because potential homeowners, especially first time home buyers, are unable to accumulate the 20 or 30% down payment that would be required without private mortgage insurance.

#### ● Definition PMI

PMI is a type of insurance required by the lender that helps protect lenders against losses due to foreclosure. This protection is provided by private mortgage insurance companies and enables lenders to accept lower down payments than would normally be allowed.

#### ● When Do I Need to Carry PMI?

If you make a down payment of less than 20% of the home sales price, your lender will require you to carry PMI. This will protect the lender from a potential loss if you default on your low down payment loan.

#### ● How Long Am I Required to Carry PMI?

PMI can usually be canceled by the home buyer when they have at least 20% equity in the home, either due to payment of the principal or the appreciation of the property. When you believe your home has achieved 20% equity, you can contact your loan server for guidelines. Usually lenders will require an appraisal on the property to verify the equity.

#### ● How Much Is PMI Going to Cost Me?

The House Banking Committee has estimated that the average cost of mortgage insurance is between \$300 and \$900 a year. Premiums are based on the amount and terms of the mortgage and will vary according to loan to value ratio, type of loan and the amount of coverage required by the lender.

#### ● What Are the Payment Options for PMI?

PMI can be paid on either an annual, monthly or single premium plan.

There are many types of tax issues which should be considered during a real estate transaction. Ticor Title provides the following information as a resource only and always recommends that a seller and buyer consult with their legal and tax professionals for advice.



Topics we will briefly overview which may be a part of, or a result of, your escrow include:

- Capital Gains Tax
- Change of Ownership Filing
- Transfer Tax
- FIRPTA
- CAL Withholding
- Property Taxes
- Supplemental Taxes
- Mello Roos

The I.R.S. provides free publications that explain the tax aspects of real estate transactions. A few of these include:

Publication #523: Selling Your Home

Publication #530: Tax Information for First Time Homeowners

Publication #544: Sales and Other Dispositions of Assets

Publication #551: Basis of Assets

### ● Federal Requirements

The Internal Revenue Service (IRS) requires that sellers report certain information pertaining to sales of real property. Under the Tax Reform Act of 1986, reportable transactions include sales and exchanges of properties including, but not limited to, houses, townhouses and condominiums. Also reportable is stock in cooperative housing corporations and mobile homes without wheels. Specifically excluded from reporting are foreclosures and abandonment of real property, as well as financing or refinancing of properties.

The escrow officer, as the settlement agent, will ask the seller to complete a Certificate for Information Reporting for the 1099 S form which may be required by the IRS. The seller is required to provide their correct taxpayer identification number (social security number), as well as the closing date of the transaction and gross proceeds of the transaction. Most settlement agents now transmit the reportable information electronically to the IRS at the end of the year, although a “hard copy” of the form is included in the seller’s closing documents.



## ● Withholding Requirements

California requires that certain sellers “prepay” their required state taxes through withholding of a percentage of the sale proceeds. State law requires the buyer accomplish the withholding, and the buyer may be subject to penalties for failure to withhold and send the appropriate amount to the State Franchise Tax Board. However, the buyer may delegate this responsibility to the escrow holder, and the escrow holder may charge a fee for this service. The law requires the escrow agent to give written notice of the withholding requirement to the buyer.

Most sellers will qualify for an exemption to the withholding law. Here are some of the exemption situations:

- Principal residence
- Property that is part of a like-kind exchange
- Properties under \$100,000
- Sales that result in zero gain or loss for state tax purposes
- Property owned by certain corporations and partnerships
- Property ownership by tax exempt entities

The escrow holder will provide a state withholding form to the seller to help determine if any of the exemptions apply. The withholding guidelines can seem quite complex, but your escrow officer has forms and educational materials to help your clients. Further information is also available through your local Franchise or Tax Board or from the American Land Title Association (ALTA).

## ● FIRPTA — Foreign Investors Real Property Taxation Act

- Requires 10% of sales price be withheld for foreign ownership
- Applies to nonresident aliens of USA, including foreign partnerships, foreign trusts and foreign estates
- Buyer’s responsibility to report and withhold, not the escrow officer
- Exceptions under Internal Revenue Code (IRC 1034): Sales price not over \$300,000 and buyer will use the property as principal residence
- Seller can request a waiver or reduced withholding on Form 8288 B (tax identification number required)
- Payment and Forms 8288 and 8288 A are due within 20 days of closing (tax identification number required)
- IRS penalties are steep if forms and/or payment are received late

## ● CAL—Withholding — Additional California Withholding

- Requires that 3 1/3 % of sales price or the alternative withholding amount be paid to the Franchise Tax Board
- The alternative withholding amount is the amount of estimated gain from line 16 on FTB Form 593 E multiplied by 9.3% for individuals. Other percentages apply to corporations.
- Applies to non owner-occupied property
- Prepayment of California state income tax for sellers on the taxable gain of California real property
- Requires the buyer to withhold 3 1/3 % of the total sales price or the alternative withholding amount
- Buyer’s responsibility to report and withhold; it can be passed onto escrow
- Escrow must inform buyer of the responsibility (in escrow general provisions)
- Escrow must accept responsibility if buyer requests it
- Payment and Form 593 and 593 B to FTB by 20th day of month after closing
- Interest due on all late payments (FTB calculates, and interest can be substantial)
- Escrow can charge a fee for processing withholding or waiver
- Escrow cannot charge for giving written notice to parties or obtaining 593 C and 593 W Certifications

### ● Transfer Taxes

Transfer Tax, often called Real Property Transfer Tax, is a tax collected by the County Recorder when an interest in real property is conveyed. It is paid at the time of recording, and is computed using the actual sales price. An amount, legislated by the state or county, is charged per \$500 or \$ 1,000 of the sales price. Although it is common for the seller to pay this tax, in some areas tradition dictates that the buyer and seller will split the payment.

Many cities have levied an additional tax within their jurisdictions. In some counties, these taxes are collected by the County Recorder along with county transfer tax, but in other areas a separate check will be mailed to the city. Your escrow officer is familiar with the taxes required and will coordinate payment of the appropriate amount.

### ● Property Taxes (See tax calendar example next page.)

Homeowners pay property taxes to their appropriate assessment, collection or franchise tax department in each county. A change in ownership or the completion of new construction could result in a change in the assessed value of the property and may result in the issuance of a supplemental property tax bill. Taxes are due on predesignated dates and become delinquent when not paid. Penalties are assessed for delinquent taxes. The yearly “tax calendar” varies by state.

In addition to standard property taxes, many jurisdictions also contain special assessment districts, which may have been formed as a means of financing infrastructure. Bonds may have been sold to finance the infrastructure and the ultimate property owner continues to make payments on the principal and interest on the bond. The bond issues vary in size and term. Other special city and county districts may be assessed for a variety of purposes, including street lights and traffic signals, street maintenance, certain educational purposes, etc.

### ● CAL Withholding Exemptions for INDIVIDUALS

- Property is seller’s principal residence under IRC 121
- Total sales price is \$100,000 or less
- The seller will incur a loss on the sale for California Income Tax purposes (must use FTB form 593 E)
- Non-recognition rules apply
- Simultaneous or delayed exchange pursuant to IRC Section 1031
- Installment sales when the buyer agrees to withhold on each principal payment
- The property is being involuntarily converted and will qualify for non-recognition of gain for California Income Tax purposes under IRC Section 1033

### ● CAL Withholding Exemptions for NON INDIVIDUALS ONLY

- Corporation
- Partnership
- Limited Liability Company (LLC) with certain requirements
- Tax Exempt Entity (church, charity, school, etc.)
- Sale by estates when the property was the decedent’s principal residence
- IRAs, Pension Funds, Insurance Companies
- The seller will incur a loss on the sale for California Income Tax purposes
- Simultaneous or delayed exchange pursuant to IRC Section 1031
- The property is being involuntarily converted and will qualify for nonrecognition of gain for California



## ● Change of Ownership Filings

When property changes hands, local government agencies require notice of change of ownership. At the local level, this would be any county office that assesses or collects taxes. Reporting a change in the ownership of the property allows the local jurisdiction to assess the tax liability for each property as the title is transferred from seller to buyer.

The reporting documents vary from state to state, but all states require at minimum the names of the seller and buyer, assessor's parcel number or other property identifying number, the property location and tax address. Also required is the total purchase price, terms of sale and signature of the new owner. The reporting document is recorded along with documents evidencing a change in ownership. In California, the document is called a Preliminary Change of Ownership (PCOR), and it assists the local agency in identifying situations in which a property reassessment is allowed under Proposition 13.

Penalties or fines may be assessed from the governing body for failure to file the document as required by state or local laws. The escrow officer will generally assist the client in completing the document and ensuring that it reaches the Recorder's Office along with the other documents pertinent to the change of ownership.

Some situations which appear to be a change of ownership are exempt from the filing of this type of document, including corrections to the record and status changes such as a change in vesting.

- **When do I sign loan documents?**

Generally, your escrow instructions will be mailed to you for completion and signature. Your escrow officer or real estate agent will contact you to make an appointment for you to sign your final loan papers. At this time, the escrow holder will also tell you the amount of money you will need (in addition to your loan funds) to purchase your new home. The lender will send your loan funds directly to the title company.

- **What do I bring to my loan document signing appointments?**

Obtain a cashier's check made payable to your escrow company or title company in the amount indicated to you by the escrow officer. You may also wire funds. A personal check will delay closing because the check must clear before funds are disbursed.

Please bring your valid state ID card, driver's license or passport with you to the escrow company. These items are needed by a Notary Public to verify your identity. It is a routine but necessary step for your protection.

Make sure you are aware of your lender's requirements and that you have satisfied those requirements before you come to the escrow company to sign your papers. Your loan officer or real estate agent can assist you.

- **What's the next step after I've signed the loan documents?**

After you have signed all the necessary instructions and documents, the escrow holder will return them to the lender for final review. This review usually occurs within a few days. After the review is completed, the lender is ready to fund your loan and informs the escrow holder.

- **When will I receive the deed?**

The original deed to your home will be mailed directly to you at your new home by the County Recorder's office. This service takes several weeks (sometimes longer, depending on the County Recorder's work volume).





## WHAT IS PAYOFF

A loan payoff is an extremely important service provided by title companies to facilitate the handling of money in the closing of a real estate transaction. It is the receipt of funds from the buyer and the payment of the obligations of the seller (if any) in conjunction with a real estate transaction. The payoff function is performed by Ticor Title as part of the escrow process.



### ● Commonly Used Payoff Terms

**Prefigures:** Estimated payoff figures calculated and given prior to closing upon request. These figures are only valid through the date given and are based on the information provided at the time.

**Good Funds:** Ticor Title must be in receipt of “good funds” prior to disbursing on a payoff. Types of good funds include:

1. funds wired into Ticor Title’s trust account;
2. a cashier’s, teller’s or certified check (provide next day availability after deposit to comply with AB51 2);
3. other local checks (provide availability of funds two days after deposit), and
4. out of area checks (provide availability of funds five days after deposit).

**Demands:** Demands must include specific payoff information concerning the particular property and must be signed. It is the responsibility of the Escrow Officer to order and provide all necessary demands, including any updates or changes on a timely basis.

**Taxes:** Outstanding property taxes can be paid out of the payoff proceeds.

**Refunds:** Any overpayment of demands will be refunded to the escrow upon receipt from the lender. Refunds typically take two to six weeks to process.

**Shortages:** Your Escrow Officer will contact you if there is a shortage of the necessary funds to cover the outstanding obligations. The shortages must be received prior to payoff.

**Disbursement Checks:** Checks are delivered locally to lending institutions by a contracted messenger service. Checks to individuals and to out of area lenders are typically sent via an overnight delivery company.

**Wire Transfers:** Funds can be wired into and out of Ticor Title offices with our bank.

**Out of County Transactions:** Ticor Title offices can receive and disburse payoff funds through any of our offices.



● (MAY VARY IN DIFFERENT REGIONS)

Second Installment  
 January 01 – June 30

Computing Delinquent Penalties  
 (cont'd from Dec. 10)

**APRIL TO JUNE 30**  
 One or both Installments  
 delinquent – ADD 10% +  
 \$10.00 Cost

**JULY 01 ON**  
 One or both Installments  
 delinquent –  
 ADD 10% - Penalty  
 ADD \$10 – Cost  
 ADD \$15.00 Redemption Charge  
 ADD 1 ½ % Per Month

**DECEMBER 10 TO APRIL 10**  
 1st Installment delinquent  
 ADD 10%

| JANUARY   | IMPORTANT DATES         |   |
|-----------|-------------------------|---|
| FEBRUARY  | FEB 1                   | 2nd Installment due   |
| MARCH     | MAR 1                   | Assessment date   |
|           | MAR 1                   | Taxes on Unsecured Roll Due   |
| APRIL     | APR 10                  | 2nd Installment delinquent  |
|           | APR 15                  | Last day to file home owner, Veterans and Senior Citizens exemptions  |
| JUNE      | JUN 8                   | Publication date for delinquent taxes   |
| JULY      | JUL 1                   | Beginning of fiscal year to July 01 of following year   |
|           | JUL 1                   | Real property upon which taxes are delinquent will be referred to as “tax defaulted property” as disclosed by an annual published notice of the tax collector |
|           | JUL 1                   | Owners to be informed of new values   |
|           | JUL 1<br>(First Monday) | Assessment Appeals Board  |
|           | JUL 30                  | Last day to advise owners of new values   |
| AUGUST    | AUG<br>(Late)           | Sale numbers assigned for delinquent taxes  |
| SEPTEMBER | SEP                     | Tax rates set   |
| OCTOBER   | OCT<br>(Last Week)      | Tax bills mailed  |
| NOVEMBER  | NOV 1                   | 1st Installment due   |
| DECEMBER  | DEC 10                  | 1st Installment delinquent  |



# CLOSING COSTS AND WHO PAYS WHAT



Closing costs are what the buyer and seller will pay as part of the escrow transaction. Some fees are negotiable between the seller and buyer as to “**Who Pays What.**” Below is an example of some typical closing costs which may vary from county to county.\*



## ● Paid By Both or Either Party

- **Attorney Fees, Courier/Delivery Fees, Document Preparation** – For deed(s) and other legal documents required to consummate the transaction
- **Escrow Fee** – Often split between buyer and seller
- **Homeowner’s Association (HOA) Dues And Transfer Fees**
- **Notary Fees** – To witness documentation
- **Recording Fees** – To file legal documents with County Recorder
- **Property Taxes**
- **Owner’s Title Insurance Premium**
- **Lender’s Title Insurance Premium**



## ● Buyer’s Typical Costs

- **Appraisal** – One-time fee for new loan
- **Credit Report** – For loan application
- **Homeowner’s Insurance** – Paid by buyer for fire/hazard insurance
- **Loan Fees** – Origination and processing fees charged by lender
- **PMI** – Some lenders require Private Mortgage Insurance
- **Prepaid Interest** – Prorated depending on time of month the loan closes



## ● Seller’s Typical Costs

- **Real Estate Commission**
- **Disclosure Reports** – Natural Hazard report
- **Home Warranty, Existing Encumbrances**
- **Property Inspections, Pest Inspection/Correction** – Termite report
- **Transfer Tax** – City/County conveyance tax

\*This list is an example only of typical closing costs.



# Consumer Financial Protection Bureau (CFPB)

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## Know Before You Close

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[What is CFPB - Watch video](#)



## Know Before You Close

Simple answers about the CFPB and how the new rules will change real estate transactions.



### What is CFPB?

After the 2008 financial meltdown, Congress established the Consumer Financial Protection Bureau (CFPB). It was created in 2011 after the Dodd-Frank Act was placed into effect. The Consumer Financial Protection Bureau provides information to consumers to understand financial agreements they enter into. The CFPB strives to educate the purchaser on fair practices, enforce consumer laws, and analyze financial markets.

### CFPB Primary Goals:

Easier-to-use disclosure forms

Improved consumer understanding

Better comparison shopping

Avoid costly surprises at the closing table

On November 20, 2013 the CFPB announced the completion of their new integrated mortgage disclosure forms along with their regulations (RESPA Regulation X and TILA Regulation Z) for the proper completion and timely delivery to the consumer. These regulations are known as “The Rule”.

Any residential loan originated after October 3, 2015 will be subject to the new rules and forms set forth by the CFPB\*. The Rule replaces the Good Faith Estimate (GFE) and early TILA form with the new Loan Estimate. It also replaces the HUD-1 Settlement Statement and final TILA form with the new Closing Disclosure. The introduction of the new disclosure forms requires changes to the systems that produce the closing forms. Fidelity National Title Group is already well underway in preparing our production systems to provide the new required fee quotes, prepare the new closing disclosure forms, and track the delivery and waiting periods required by the new regulations.

### In plain English, please

For more than 30 years, federal law has required all lenders to provide two disclosure forms to consumers when they apply for a mortgage and two additional short forms before they close on the home loan. These forms were developed by different federal agencies under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA).



To help simplify matters and avoid the confusing situations consumers have often faced when purchasing or refinancing a home in the past, the Dodd-Frank Act provided for the creation of the Consumer Financial Protection Bureau (CFPB) and charged the bureau with integrating the mortgage loan disclosures under the TILA and RESPA.

\*Loans in progress (applications submitted prior to October 3, 2015) will use current TILA and RESPA forms.

## Changes to the Closing Disclosure Timing

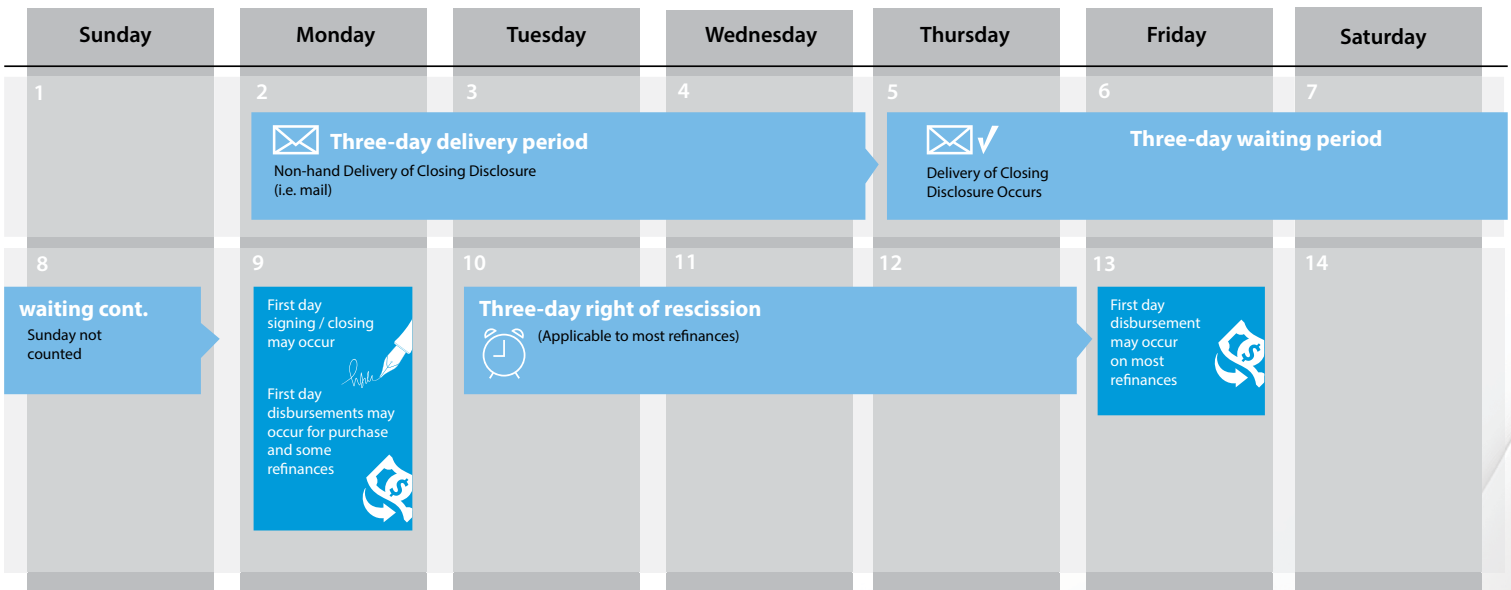
In addition to new forms for residential mortgage transactions, the new regulations also require delivery timetables for delivery to consumers, impacting when a closing can take place and disbursements made. Below is a preview of how the CFPB regulations will impact the closing process for transactions that originate after October 3, 2015.

## Which forms are in & out on October 3, 2015?

| Out with the old                              | In with the new*   |
|---|--|
| Good Faith Estimate<br>Early TILA Form        |  New Loan Estimate      |
| HUD-1 Settlement Statement<br>Final TILA Form |  New Closing Disclosure |

\* As of October 3, 2015 for residential purchase and refinance transactions.

## Example Closing Calendar





## WILL THE NEW CFPB RULE DELAY MY CLOSING?



According to the Consumer Financial Protection Bureau, the answer is **NO** for just about everybody.

For mortgage applications submitted on or after October 3, 2015, lenders must give you new, easier-to-use disclosures about your loan three business days before closing. This gives you time to review the terms of the deal before you get to the closing table.

Many things can change in the days leading up to closing. Most changes will not require your lender to give you three more business days to review the new terms before closing. The new rule allows for ordinary changes that do not alter the basic terms of the deal.

### Only **THREE** changes require a new 3–day review:

1. The APR (annual percentage rate) increases by more than 1/8 of a percent for fixed-rate loans or 1/4 of a percent for adjustable loans\*. A decrease in APR will not require a new 3-day review if it is based on changes to interest rate or other fees.
2. A prepayment penalty is added, making it expensive to refinance or sell.
3. The basic loan product changes, such as a switch from fixed rate to adjustable interest rate or to a loan with interest-only payments.

\* Lenders have been required to provide a 3-day review for these changes in APR since 2009.

### **NO OTHER** changes require a new 3–day review:

There has been much misinformation and mistaken commentary around this point. Any other changes in the days leading up to closing do not require a new 3-day review, although the lender will still have to provide an updated disclosure. For instance, the following circumstances do not require a new 3-day review:

- Unexpected discoveries on a walk-through such as a broken refrigerator or a missing stove, even if they require seller credits to the buyer.
- Most changes to payments made at closing, including the amount of the real estate commission, taxes and utilities proration, and the amount paid into escrow.
- Typos found at the closing table.

Source: [consumerfinance.gov](http://consumerfinance.gov)





What To Expect At Closing - *Watch video*



# PURCHASE TITLE / ESCROW ORDER WORKFLOW

## ITEMS PERFORMED BY LENDER

Send Purchase Contract & Completed Loan Application to Lender

**Loan Estimate Delivered to Consumer**  
Lender Logs on to customer.ticortitle.com to obtain title/escrow fees and sends Loan Estimate to Consumer

**Lender Approves Loan**

**Instructions & CD to Escrow**  
Lender sends Lender Instructions and Closing Disclosure to Escrow

**Lender Reviews & Delivers CD to Consumer**  
Lender makes corrections to Closing Disclosure and sends to buyer for signature

**Seller's CD Sent**  
Closing Disclosure delivered to Seller

**CD Delivery Period Begins**

**Lender Funds**  
Lender Reviews Executed Loan Documents & Funds

**REALTOR**

## ITEMS PERFORMED BY TICOR:

Open Escrow/Title order with Ticor Title, Submit Contract & Buyers Earnest Money

**Order Received**  
Send escrow number to lender and order preliminary title report

**Title Report**  
Preliminary Title Report received, reviewed and delivered to all parties

**Payoffs/Liens**  
Payoffs/Liens ordered

**Escrow Instructions to Consumers**  
Escrow Instructions & documents are prepared and sent to Consumers

**Escrow Reviews CD**  
Escrow reviews Closing Disclosure and sends any corrections to Lender within 24 hours

**Sellers Sign Documents**  
Sellers called in for signing

**CD Approved**  
Escrow receives confirmation that Closing Disclosure has been approved

**Loan Docs Received**  
Escrow receives loan documents and Buyers are called in for Consummation

**Buyer Signs**  
Buyer signs Loan Documents

**Docs to Lender**  
Executed Documents are sent back to Lender

**Balance File**  
Escrow balances file and verifies all funds are received

**File Records**  
Documents recorded

**Closing Statements**  
Final Closing Statements are prepared and sent out to the Lender and all parties

**Policy Issued**  
Final Homeowner's Title Policy issued and sent to Buyer and Lender

**ESCROW CLOSED**

A look at the different sections of the Closing Disclosure and explanations of each page.

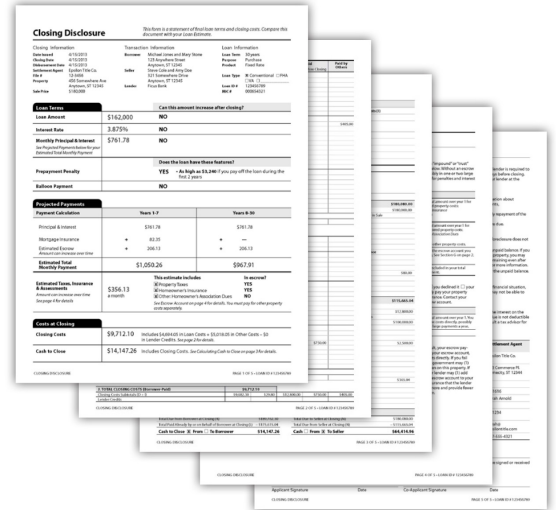
## Closing Disclosure at-a-glance

The new form is 5 pages long

New form replaces the TILA and HUD-1

One Closing Disclosure is required for each loan

Charge descriptions on both the Loan Estimate and Closing Disclosure must match.



The Closing Disclosure replaces the Truth-in-Lending Act (TILA) disclosure and the HUD-1 Settlement Statement. Under the final rule, the creditor is responsible for delivering the Closing Disclosure to the consumer, but creditors may use settlement agents to provide the Closing Disclosure, provided they comply with the final rule.

There is still a requirement for one Closing Disclosure for each loan and charge descriptions used on the Loan Estimate must be substantially similar to the descriptions used on the Closing Disclosure. This is so a consumer may easily identify a change in costs or terms by a comparison of the two forms.



New Forms, New Rules - *Watch video*



# THE NEW CLOSING DISCLOSURE EXPLAINED

## Page 1.

The first page of the Closing Disclosure is almost identical to Page 1 of the Loan Estimate. It describes the:

- Loan terms
- Loan amount
- Interest rate
- Monthly P&I, and
- Any prepayment penalty or balloon payment

This page also provides the projected payments over the life of the loan. This page also discloses to the borrower what amounts will be deposited into their impound or escrow account and provides the total estimated closing costs and cash to close.

**Closing Disclosure** This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

| Closing Information |                   | Transaction Information |                              | Loan Information |  |
|---------------------|-------------------|-------------------------|------------------------------|------------------|--|
| Date Issued         | 4/15/2013         | Borrower                | Michael Jones and Mary Stone | Loan Term        | 30 years   |
| Closing Date        | 4/15/2013         |                         | 123 Anywhere Street          | Prepays          | None   |
| Disbursement Date   | 4/15/2013         |                         | Anytown, ST 12345            | Product          | Fixed Rate   |
| Settlement Agent    | Epikon Title Co.  | Seller                  | Steve Cole and Amy Doe       | Loan Type        | <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> Other |
| File #              | 123456            |                         | 321 Somewhere Drive          | Loan ID #        | 123456789  |
| Property            | 456 Somewhere Ave | Lender                  | Anytown, ST 12345            | MC #             | 00054321   |
| Address             | Anytown, ST 12345 |                         | Ficus Bank                   |                  |  |
| Sale Price          | \$180,000         |                         |                              |                  |  |

| Loan Terms  | Can this amount increase after closing?                                    |    |
|---|--|----|
| Loan Amount   | \$162,000  | NO |
| Interest Rate   | 3.875%   | NO |
| Monthly Principal & Interest  | \$761.78   | NO |
| <small>See Projected Payments below for your Estimated Total Monthly Payment.</small> |  |    |
| Prepayment Penalty  | YES - As high as \$3,240 if you pay off the loan during the first 2 years. |    |
| Balloon Payment   | NO   |    |

| Projected Payments                               | Does the loan have these features? |            |
|--|------------------------------------|------------|
| Payment Calculation                              | Years 1-7                          | Years 8-30 |
| Principal & Interest                             | \$761.78                           | \$761.78   |
| Mortgage Insurance                               | + 82.35                            | + —        |
| Estimated Escrow Amount (can increase over time) | + 206.13                           | + 206.13   |
| Estimated Total Monthly Payment                  | \$1,050.26                         | \$967.91   |

| Estimated Taxes, Insurance & Assessments                                 | This estimate includes |   |
|--|------------------------|---|
| Estimated Taxes, Insurance & Assessments Amount (can increase over time) | \$356.13 a month       | <input checked="" type="checkbox"/> Property Taxes<br><input checked="" type="checkbox"/> Homeowner's Insurance<br><input checked="" type="checkbox"/> Other Homeowner's Association Dues<br><small>See Escrow Account on page 4 for details. You must pay for other property costs separately.</small> |

| Costs at Closing | In escrow?  |     |
|------------------|-------------|-----|
| Closing Costs    | \$9,712.10  | YES |
| Cash to Close    | \$14,147.26 | NO  |

Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs - \$0 in Lender Credits. See page 2 for details.

Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

CLOSING DISCLOSURE PAGE 1 OF 5 - LOAN ID # 123456789

## Page 2.

The second page is similar to the current Page 2 of the HUD-1 Settlement Statement. It provides a breakdown of all the closing cost details and lists all loan costs and other costs paid by borrower, seller, and other parties.

**Closing Cost Details**

| Loan Costs   | Borrower-Paid     |                   | Seller-Paid |                | Paid by Others |
|--|-------------------|-------------------|-------------|----------------|----------------|
|  | At Closing        | Before Closing    | At Closing  | Before Closing |                |
| <b>A. Origination Charges</b>                                      | <b>\$1,892.00</b> |                   |             |                |                |
| (1) 0.2% of Loan Amount (Points)                                   | \$180.00          |                   |             |                |                |
| (2) Application Fee  | \$100.00          |                   |             |                |                |
| (3) Underwriting Fee   | \$1,000.00        |                   |             |                |                |
| (4) —  |                   |                   |             |                |                |
| (5) —  |                   |                   |             |                |                |
| (6) —  |                   |                   |             |                |                |
| (7) —  |                   |                   |             |                |                |
| (8) —  |                   |                   |             |                |                |
| <b>B. Services Borrower Did Not Shop For</b>                       | <b>\$236.55</b>   |                   |             |                |                |
| (1) Appraisal Fee to John Smith Appraisers Inc.                    |                   |                   |             |                | \$405.00       |
| (2) Lender Report Fee to Informer Inc.                             | \$75.00           | \$75.00           |             |                |                |
| (3) Flood Determination Fee to Info Co.                            | \$20.00           |                   |             |                |                |
| (4) Flood Monitoring Fee to Info Co.                               | \$13.25           |                   |             |                |                |
| (5) Tax Monitoring Fee to Info Co.                                 | \$75.00           |                   |             |                |                |
| (6) Tax Status Research Fee to Info Co.                            | \$50.00           |                   |             |                |                |
| (7) —  |                   |                   |             |                |                |
| (8) —  |                   |                   |             |                |                |
| (9) —  |                   |                   |             |                |                |
| (10) —   |                   |                   |             |                |                |
| <b>C. Services Borrower Did Shop For</b>                           | <b>\$2,655.50</b> |                   |             |                |                |
| (1) Post Inspection Fee to Profs Co.                               | \$120.50          |                   |             |                |                |
| (2) Survey Fee to Survey Co.                                       | \$85.00           |                   |             |                |                |
| (3) Title - Insurance Binder to Epikon Title Co.                   | \$600.00          |                   |             |                |                |
| (4) Title - Lender's Title Insurance to Epikon Title Co.           | \$100.00          |                   |             |                |                |
| (5) Title - Settlement Agent Fee to Epikon Title Co.               | \$100.00          |                   |             |                |                |
| (6) Title - Title Search to Epikon Title Co.                       | \$800.00          |                   |             |                |                |
| (7) —  |                   |                   |             |                |                |
| (8) —  |                   |                   |             |                |                |
| (9) —  |                   |                   |             |                |                |
| (10) —   |                   |                   |             |                |                |
| <b>D. TOTAL LOAN COSTS (Borrower-Paid)</b>                         | <b>\$4,694.05</b> |                   |             |                |                |
| Loan Costs Subtotal (B - C)  | \$4,664.25        | \$29.80           |             |                |                |
| <b>E. Taxes and Other Government Fees</b>                          | <b>\$85.00</b>    |                   |             |                |                |
| (1) Recording Fees   | Deed: \$40.00     | Mortgage: \$45.00 | \$85.00     |                |                |
| (2) Transfer Tax   |                   | to Any State      |             | \$650.00       |                |
| <b>F. Prepaids</b>   | <b>\$2,120.00</b> |                   |             |                |                |
| (1) Homeowner's Insurance Premium (1.2 mo.) to Insurance Co.       | \$1,200.00        |                   |             |                |                |
| (2) Mortgage Insurance Premium (1 mo.)                             | \$200.00          |                   |             |                |                |
| (3) Prepaid Interest (\$17.44 per day from 4/15/13 to 5/1/13)      | \$276.04          |                   |             |                |                |
| (4) Property Taxes (\$ 5.00/mo to Any County USA)                  | \$624.00          |                   |             |                |                |
| (5) —  |                   |                   |             |                |                |
| <b>G. Initial Escrow Payment at Closing</b>                        | <b>\$442.25</b>   |                   |             |                |                |
| (1) Homeowner's Insurance (\$100.00) per month for 2 mos.          | \$200.00          |                   |             |                |                |
| (2) Mortgage Insurance per month for 2 mos.                        | \$170.00          |                   |             |                |                |
| (3) Property Taxes per month for 2 mos.                            | \$72.25           |                   |             |                |                |
| (4) —  |                   |                   |             |                |                |
| (5) —  |                   |                   |             |                |                |
| (6) —  |                   |                   |             |                |                |
| (7) —  |                   |                   |             |                |                |
| (8) —  |                   |                   |             |                |                |
| (9) —  |                   |                   |             |                |                |
| (10) —   |                   |                   |             |                |                |
| <b>H. Other</b>  | <b>\$2,400.00</b> |                   |             |                |                |
| (1) HOA Capital Contribution to HOA Assoc Inc.                     | \$100.00          |                   |             |                |                |
| (2) HOA Processing Fee to HOA Assoc Inc.                           | \$150.00          |                   |             |                |                |
| (3) Home Inspection Fee to Inspectors Inc.                         | \$750.00          |                   |             | \$750.00       |                |
| (4) Home Warranty Fee to XYZ Warranty Inc.                         | \$450.00          |                   |             | \$450.00       |                |
| (5) Real Estate Commission to Alpha Real Estate Broker             | \$3,700.00        |                   |             | \$3,700.00     |                |
| (6) Real Estate Commission to Omega Real Estate Broker             | \$5,700.00        |                   |             | \$5,700.00     |                |
| (7) Title - Owner's Title Insurance (optional) to Epikon Title Co. | \$1,000.00        |                   |             |                |                |
| (8) —  |                   |                   |             |                |                |
| <b>I. TOTAL OTHER COSTS (Borrower-Paid)</b>                        | <b>\$8,018.05</b> |                   |             |                |                |
| Other Costs Subtotal (E + F + G + H)                               | \$8,018.05        |                   |             |                |                |
| <b>J. TOTAL CLOSING COSTS (Borrower-Paid)</b>                      | <b>\$9,712.10</b> |                   |             |                |                |
| Closing Costs Subtotal (D + I)                                     | \$9,682.30        | \$29.80           | \$12,800.00 | \$750.00       | \$405.00       |
| Lender Credits   |                   |                   |             |                |                |

CLOSING DISCLOSURE PAGE 2 OF 5 - LOAN ID # 123456789

## Page 3.

The third page displays a Calculating Cash to Close table similar to the table on Page 2 of the Loan Estimate. This table provides a comparison to the charges disclosed on the Loan Estimate. The rest of the page shows the summaries of the borrower and seller costs and credits, similar to the current Page I of the HUD-1 Settlement Statement.

| Calculating Cash to Close                                       |                    |                    |  |
|---|--------------------|--------------------|--|
| Use this table to see what has changed from your Loan Estimate. |                    |                    |  |
|   | Loan Estimate      | Final              | Did this change?   |
| Total Closing Costs (1)   | \$8,054.00         | \$5,717.10         | YES - See Total Loan Costs (D) and Total Other Costs (I) |
| Closing Costs Paid Before Closing                               | \$0                | -\$2,980           | YES - You paid these Closing Costs before closing        |
| Closing Costs Financed (Paid Beyond your Loan Amount)           | \$0                | \$0                | NO   |
| Down Payment/ Funds from Borrower                               | \$18,000.00        | \$18,000.00        | NO   |
| Deposit   | -\$10,000.00       | -\$10,000.00       | NO   |
| Funds for Borrower  | \$0                | \$0                | NO   |
| Seller Credits  | \$0                | -\$1,500.00        | YES - See Seller Credits in Section L                    |
| Adjustments and Other Credits                                   | \$0                | -\$1,075.04        | YES - See details in Sections K and L                    |
| <b>Cash to Close</b>  | <b>\$16,054.00</b> | <b>\$14,147.26</b> |  |

| Summary of Transactions  |                     |   |                     |
|--|---------------------|---|---------------------|
| Use this table to see a summary of your transaction.   |                     |   |                     |
| BORROWER'S TRANSACTION   |                     | SELLER'S TRANSACTION  |                     |
| <b>K. Due from Borrower at Closing</b>   | <b>\$189,742.30</b> | <b>M. Due to Seller at Closing</b>  | <b>\$180,880.00</b> |
| (1) Sale Price of Property   | \$180,000.00        | (1) Sale Price of Property  | \$180,000.00        |
| (2) Sale Price of Any Personal Property Included in Sale   |                     | (2) Sale Price of Any Personal Property Included in Sale                                |                     |
| (3) Closing Costs Paid at Closing (J)  | \$9,682.30          |   |                     |
| <b>Adjustments</b>   |                     |   |                     |
| (4)  |                     |   |                     |
| (5)  |                     |   |                     |
| (6)  |                     |   |                     |
| (7)  |                     |   |                     |
| <b>Adjustments for Items Paid by Seller in Advance</b>   |                     | <b>Adjustments for Items Paid by Seller in Advance</b>                                  |                     |
| (8) City/Town Taxes  | to                  | (8) City/Town Taxes   | to                  |
| (9) County Taxes   | to                  | (9) County Taxes  | to                  |
| (10) Assessments   | to                  | (10) Assessments  | to                  |
| (11) HOA Dues 4/15/13 to 4/30/13   | \$80.00             | (11) HOA Dues 4/15/13 to 4/30/13  | \$80.00             |
| (12)   |                     | (12)  |                     |
| (13)   |                     | (13)  |                     |
| (14)   |                     | (14)  |                     |
| (15)   |                     | (15)  |                     |
| <b>L. Paid Already by or on Behalf of Borrower at Closing</b>                                      | <b>\$175,615.04</b> | <b>N. Due from Seller at Closing</b>  | <b>\$115,665.04</b> |
| (1) Deposit  | \$10,000.00         | (1) Down Payment  | \$18,000.00         |
| (2) Loan Amount  | \$162,000.00        | (2) Closing Costs Paid at Closing (J)   | \$12,800.00         |
| (3) Existing Liens/ Liabilities Assumed or Taken Subject to  |                     | (3) Existing Liens/ Liabilities Assumed or Taken Subject to                             |                     |
| (4) Other Credits  | \$2,500.00          | (4) Payoff of First Mortgage Loan   | \$100,000.00        |
| (5) Seller Credits   |                     | (5) Payoff of Second Mortgage Loan  |                     |
| (6)  |                     | (6)   |                     |
| (7) Refund from Equilon Title Co.  | \$750.00            | (7) Seller Credit   | \$2,500.00          |
| (8)  |                     | (8)   |                     |
| (9)  |                     | (9)   |                     |
| (10)   |                     | (10)  |                     |
| (11)   |                     | (11)  |                     |
| (12)   |                     | (12)  |                     |
| <b>Adjustments for Items Unpaid by Seller</b>  |                     | <b>Adjustments for Items Unpaid by Seller</b>   |                     |
| (13) City/Town Taxes 1/1/13 to 4/14/13   | \$365.04            | (13) City/Town Taxes 1/1/13 to 4/14/13  | \$365.04            |
| (14) County Taxes  | to                  | (14) County Taxes   | to                  |
| (15) Assessments   | to                  | (15) Assessments  | to                  |
| (16)   |                     | (16)  |                     |
| (17)   |                     | (17)  |                     |
| <b>CALCULATION</b>   |                     | <b>CALCULATION</b>  |                     |
| Total Due from Borrower at Closing (D)   | \$189,742.30        | Total Due to Seller at Closing (M)  | \$180,880.00        |
| Total Paid Already by or on Behalf of Borrower at Closing (L) - \$175,615.04                       |                     | Total Due from Seller at Closing (N)  | \$115,665.04        |
| <b>Cash to Close</b> <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower | <b>\$14,147.26</b>  | <b>Cash</b> <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller | <b>\$64,414.96</b>  |

CLOSING DISCLOSURE PAGE 3 OF 5 - LOAN ID # 123456789

## Page 4.

The fourth page contains disclosures about other terms of the loan, including:

- Whether the loan is assumable
- If the loan has a demand feature
- May impose a late payment fee and when it may be incurred
- If the loan has a negative amortization feature
- Whether the lender will accept partial payments
- Informs the borrower the lender will have a security interest in their property.

The page also includes a table describing what charges will be impounded and how much will be collected each month. Finally, the page includes adjustable payment and interest rate tables if they are applicable to the loan.

| Additional Information About This Loan  |   |  |            |  |   |            |  |
|---|---|--|------------|--|---|------------|--|
| <b>Loan Disclosures</b>   |   |  |            |  |   |            |  |
| <b>Assumption</b><br>If you sell or transfer this property to another person, your lender will allow, under certain conditions, this person to assume this loan on the original terms.<br><input checked="" type="checkbox"/> I will not allow assumption of this loan on the original terms.   | <b>Escrow Account</b><br><b>For new, "your" loan</b><br><input checked="" type="checkbox"/> I will have an escrow account (also called an "impound" or "trust" account) to pay the property taxes listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.   |  |            |  |   |            |  |
| <b>Demand Feature</b><br>Your loan<br><input type="checkbox"/> has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.<br><input checked="" type="checkbox"/> does not have a demand feature.  | <table border="1"> <tr> <td>Escrowed Property Costs over Year 1</td> <td>\$2,473.50</td> <td>Estimated total amount over year 1 for your escrowed property costs: Homeowner's Insurance Property Taxes</td> </tr> <tr> <td>Non-Escrowed Property Costs over Year 1</td> <td>\$1,900.00</td> <td>Estimated total amount over year 1 for your non-escrowed property costs: Homeowner's Insurance Taxes</td> </tr> </table>  | Escrowed Property Costs over Year 1  | \$2,473.50 | Estimated total amount over year 1 for your escrowed property costs: Homeowner's Insurance Property Taxes            | Non-Escrowed Property Costs over Year 1 | \$1,900.00 | Estimated total amount over year 1 for your non-escrowed property costs: Homeowner's Insurance Taxes |
| Escrowed Property Costs over Year 1   | \$2,473.50  | Estimated total amount over year 1 for your escrowed property costs: Homeowner's Insurance Property Taxes            |            |  |   |            |  |
| Non-Escrowed Property Costs over Year 1   | \$1,900.00  | Estimated total amount over year 1 for your non-escrowed property costs: Homeowner's Insurance Taxes                 |            |  |   |            |  |
| <b>Late Payment</b><br>If your payment is more than 15 days late, your lender will charge a late fee of 5% of the monthly principal and interest payment.   | <table border="1"> <tr> <td>Initial Escrow Payment</td> <td>\$472.25</td> <td>A cushion for the escrow account you pay at closing. See Section 6 on page 2.</td> </tr> <tr> <td>Monthly Escrow Payment</td> <td>\$206.13</td> <td>The amount included in your total monthly payments.</td> </tr> </table>   | Initial Escrow Payment   | \$472.25   | A cushion for the escrow account you pay at closing. See Section 6 on page 2.  | Monthly Escrow Payment                  | \$206.13   | The amount included in your total monthly payments.  |
| Initial Escrow Payment  | \$472.25  | A cushion for the escrow account you pay at closing. See Section 6 on page 2.  |            |  |   |            |  |
| Monthly Escrow Payment  | \$206.13  | The amount included in your total monthly payments.  |            |  |   |            |  |
| <b>Negative Amortization</b> (increase in Loan Amount)<br>Under your loan terms, you<br><input type="checkbox"/> are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.<br><input type="checkbox"/> may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.<br><input checked="" type="checkbox"/> does not have a negative amortization feature. | <input type="checkbox"/> I will not have an escrow account because <input type="checkbox"/> you declined it <input type="checkbox"/> your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.  |  |            |  |   |            |  |
| <b>Partial Payments</b><br>Your lender<br><input checked="" type="checkbox"/> may accept payments that are less than the full amount due (partial payments) and apply them to your loan.<br><input type="checkbox"/> may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.<br><input type="checkbox"/> does not accept any partial payments.<br>If this loan is sold, your new lender may have a different policy.   | <table border="1"> <tr> <td>Escrowed Property Costs over Year 1</td> <td></td> <td>Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.</td> </tr> <tr> <td>Escrow Waiver Fee</td> <td></td> <td></td> </tr> </table>   | Escrowed Property Costs over Year 1  |            | Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year. | Escrow Waiver Fee                       |            |  |
| Escrowed Property Costs over Year 1   |   | Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year. |            |  |   |            |  |
| Escrow Waiver Fee   |   |  |            |  |   |            |  |
| <b>Security Interest</b><br>You are granting a security interest in 456 Somewhere Ave., Anytown, ST 12345<br><br>You may lose this property if you do not make your payments or satisfy other obligations for this loan.  | <b>In the future</b><br>Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) set an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own. |  |            |  |   |            |  |

CLOSING DISCLOSURE PAGE 4 OF 5 - LOAN ID # 123456789



## Page 5.

On the fifth page under the heading “Loan Calculations” the consumer will find the:

- Total of payments over the life of the loan
- Finance charge
- Amount financed
- Annual Percentage Rate (APR)
- Total interest percentage information

Under “Other Disclosures” the consumer will find information about the:




- Appraisal (if applicable)
- Contract details
- Liability after foreclosure
- Refinance information
- Tax deductions

| Loan Calculations   |                                       | Other Disclosures   |                                      |                                     |                                      |
|---|---------------------------------------|---|--------------------------------------|-------------------------------------|--------------------------------------|
| <b>Total of Payments.</b> Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.  | \$285,803.36                          | <b>Appraisal</b><br>If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.  |                                      |                                     |                                      |
| <b>Finance Charge.</b> The dollar amount the loan will cost you.  | \$118,830.27                          | <b>Contract Details</b><br>See your note and security instrument for information about:<br>• what happens if you fail to make your payments,<br>• what is a default on the loan,<br>• situations in which your lender can require early repayment of the loan, and<br>• the rules for making payments before they are due.  |                                      |                                     |                                      |
| <b>Amount Financed.</b> The loan amount available after paying your upfront finance charge.   | \$162,000.00                          | <b>Liability after Foreclosure</b><br>If you lend/foreclose on this property and the foreclosure does not cover the amount of unpaid balance on this loan,<br>• state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.<br><input type="checkbox"/> state law does not protect you from liability for the unpaid balance. |                                      |                                     |                                      |
| <b>Annual Percentage Rate (APR).</b> Your costs over the loan term expressed as a rate. This is not your interest rate.   | 4.174%                                | <b>Refinance</b><br>Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.  |                                      |                                     |                                      |
| <b>Total Interest Percentage (TIP).</b> The total amount of interest that you will pay over the loan term as a percentage of your loan amount.  | 69.46%                                | <b>Tax Deductions</b><br>If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.   |                                      |                                     |                                      |
| <p><b>Questions?</b> If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a></p> |                                       |   |                                      |                                     |                                      |
| Contact Information   |                                       |   |                                      |                                     |                                      |
| <b>Name</b>   | <b>Lender</b>                         | <b>Mortgage Broker</b>  | <b>Real Estate Broker (R)</b>        | <b>Real Estate Broker (S)</b>       | <b>Settlement Agent</b>              |
|   | Ficus Bank                            |   | Omega Real Estate Broker, Inc.       | Alpha Real Estate Broker Co.        | Epsilon Title Co.                    |
| <b>Address</b>  | 4321 Randon Blvd<br>Somersy, ST 12340 |   | 230 Local Lane<br>Somerset, ST 12345 | 307 Suburb Ct<br>Somerset, ST 12340 | 123 Commerce Pl<br>Somersy, ST 12344 |
| <b>NMLS ID</b>  |                                       |   |                                      |                                     |                                      |
| <b>ST License ID</b>  |                                       |   | 2765416                              | 261455                              | 261616                               |
| <b>Contact</b>  | Joe Smith                             |   | Samuel Green                         | Joseph Cain                         | Sarah Arnold                         |
| <b>Contact NMLS ID</b>  | 12345                                 |   |                                      |                                     |                                      |
| <b>Contact ST License ID</b>  |                                       |   | F16415                               | F31461                              | P11234                               |
| <b>Email</b>  | joesmith@ficusbank.com                |   | sams@omegare.biz                     | joe@alphare.biz                     | sarah@epsilontitle.com               |
| <b>Phone</b>  | 123-456-7890                          |   | 123-555-1717                         | 321-555-7171                        | 987-555-4321                         |
| <b>Confirm Receipt</b>  |                                       |   |                                      |                                     |                                      |
| By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.  |                                       |   |                                      |                                     |                                      |
| Applicant Signature _____   |                                       | Date _____  |                                      | Co-Applicant Signature _____        |                                      |
| Date _____  |                                       | Date _____  |                                      | Date _____                          |                                      |
| CLOSING DISCLOSURE  |                                       |   | PAGE 5 OF 5 - LOAN ID #123456789     |                                     |                                      |

At the bottom of the page is the Contact Information and Signature lines. If signature lines are included, the following disclosure is used: “By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form” indicating a signature is intended only as a receipt of the form.

All of these forms, dates, rules, and laws can seem like a lot to take in. The good news is that we’ve done our homework and are here to help you understand what you need to know before you close.

## Timing References by Day

| Signing            | Monday             | Tuesday           | Wednesday           | Thursday           | Friday            | Saturday            |
|---|--------------------|-------------------|---------------------|--------------------|-------------------|---------------------|
| ↓   | ↓                  | ↓                 | ↓                   | ↓                  | ↓                 | ↓                   |
| Waiting Period     | Preceding Thursday | Preceding Friday  | Preceding Saturday  | Preceding Monday   | Preceding Tuesday | Preceding Wednesday |
| ↓   | ↓                  | ↓                 | ↓                   | ↓                  | ↓                 | ↓                   |
| Delivery Period  | Preceding Monday   | Preceding Tuesday | Preceding Wednesday | Preceding Thursday | Preceding Friday  | Preceding Saturday  |

**Note:**

- If a federal holiday falls within the Delivery and/or Waiting Periods, add an additional business day.
- The three-day period is measured by days, not hours. Thus, disclosure must be delivered three days before closing, and not 72 hours prior to closing.
- Disclosures may also be delivered electronically to start the Delivery Period and may be signed in compliance with E-Sign requirements.



**ADJUSTABLE RATE MORTGAGE (ARM):** A mortgage in which the interest rate is adjusted periodically in accordance with a market indicator, to more closely coincide with the current rates. Also sometimes known as renegotiable rate mortgage, the variable rate mortgage, or the graduated rate mortgage.

**AMORTIZATION:** Reduction of the principal of a debt in regular, periodic installments.

**ANNUAL PERCENTAGE RATE (APR):** An interest rate reflecting the cost of a mortgage as a yearly rate. This rate is likely to be higher than the stated note rate or advertised rate on the mortgage, because it takes into account point and other credit cost. The APR allows home buyers to compare different types of mortgages based on the annual cost for each loan.

**ASSUMPTION OF MORTGAGE:** An obligation undertaken by a new purchaser of land to be liable for payment of an existing note secured by a mortgage.

**CAPS:** Consumer safeguards that limit the amount the interest rate on an adjustable rate mortgage can change at each adjustment or over the life of the loan.

**CONDITIONS, COVENANTS & RESTRICTIONS (CC&R'S):** A document that controls the use, requirements and restrictions of a property.

**CERTIFICATE OF REASONABLE VALUE (CRV):** An appraisal issued by the Veterans Administration showing the property's current market value.

**CLOSING (ALSO CALLED "SETTLEMENT"):** The completion of a real estate transfer, where the title passes from seller to buyer, or a mortgage lien is given to secure debt.

**CONDOMINIUM:** A statutory form of real estate development of separately- owned units and jointly-owned common elements in a multi-unit project.

**CONVENTIONAL MORTGAGE:** A mortgage securing a loan made by investors without governmental underwriting, i.e., a loan which is not FHA insured or VA guaranteed.

**DEED:** Written instrument which, when properly executed and delivered, conveys title.

**DISCOUNT POINT:** An additional charge made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent.

**EARNEST MONEY:** A deposit of funds made by a buyer of real estate as evidence of good faith.

**EASEMENT:** A non-possessory right to use all or part of the land owned by another for a specific purpose.

**EQUITY:** The difference between the fair market value and current indebtedness, also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

**FEDERAL HOUSING ADMINISTRATION LOAN (FHA LOAN):** A loan insured by the Federal Housing Administration, open to all qualified home purchasers.

**FARMERS HOME ADMINISTRATION LOAN (FMHA LOAN):** A loan insured by the federal government similar to FHA loan, but usually used for residential properties in rural areas.



**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** Also known as “Fannie Mae.” A U.S. government sponsored corporation dealing in the purchase of first mortgages for the secondary market.

**FEE SIMPLE DEED:** The absolute ownership of a parcel of land. The highest degree of ownership that a person can have in real estate, which gives the owner unqualified ownership and full power disposition.

**JOINT TENANCY:** An equal undivided ownership of property by two or more persons. Upon death of any owner, the survivors take the decedent’s interest in the property.

**LIEN:** A claim upon a piece of property for the payment or satisfaction of a debt or obligation.

**LOAN-TO-VALUE RATIO:** The relationship between the amount of the mortgage loan and the appraised value of the property expressed as a percentage.

**MORTGAGE:** A conditioned pledge of property to a creditor as security for the payment of a debt.

**NEGATIVE AMORTIZATION:** Occurs when your monthly payments are not large enough to pay all the interest due on the loan. This unpaid interest is added to the unpaid balance of the loan. The danger of negative amortization is that the home buyer ends up owing more than the original amount of the loan.

**PERSONAL PROPERTY:** Any property which is not real property, e.g., money, savings accounts, appliances, cars, boats, etc.

**POINTS (ALSO CALLED “COMMISSION OR DISCOUNT” POINTS):** Each point is equal to 1% of the loan amount (e.g., two points on a \$100,000 mortgage would cost \$2000).

**PRINCIPAL, INTEREST, TAXES AND INSURANCE (PITI):** Also called monthly housing expense.

**PRIVATE MORTGAGE INSURANCE (PMI):** In the event that a buyer does not have a 20% down payment, lenders will allow a smaller down payment—as low as 3% in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance

will usually require an initial premium payment and may require an additional monthly fee, depending on the loan’s structure.

**REALTOR®:** A real estate broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors®.

**SUBDIVISION:** A tract of land surveyed and divided into lots for purposes of sale.

**TENANCY IN COMMON:** An undivided ownership in real estate by two or more persons, without right of survivorship – interests need not be equal.

**TRUST ACCOUNT:** An account separate and apart and physically segregated from the broker’s own, in which the broker is required by law to deposit all funds collected for clients.

**TRUSTEE:** The neutral third party in the deed of trust with limited powers. When the loan is paid in full, the property is reconveyed by the trustee back to the person or persons legally entitled to the land, or if delinquent, the property will be conveyed pursuant to non judicial foreclosure proceedings, to the highest bidder in a public sale.

**TRUSTOR:** The borrower, owner and guarantor of the property conveyed in a deed of trust.

**VETERANS ADMINISTRATION LOAN (VA LOAN):** Housing loan to veterans by banks, savings and loans, or other lenders that are guaranteed by the Veterans Administration, enabling veterans to buy a residence with little or no down payment.

**WARRANTY:** In a broad sense, an agreement or undertaking by a seller to be responsible for present or future losses of the purchaser occasioned by deficiency or defect in the quality, condition or quantity of the thing sold. In a stricter sense, the provision or provisions in a deed, lease or other instrument conveying or transferring an estate or interest in real estate under which the seller becomes liable to the purchaser for defect in or encumbrances on the title.



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