Home Buyers Guide






USA National Title Company

Superior Customer Service Without Compromise

Home Buyers Guide

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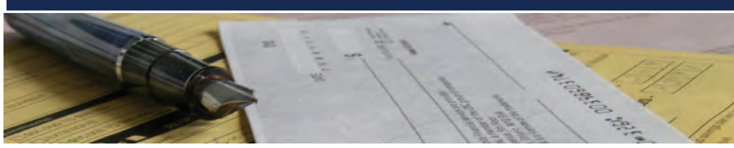

Closing Escrow

- Deposit Balance of Down Payment to Escrow
- Sign Closing and Loan Paper Work
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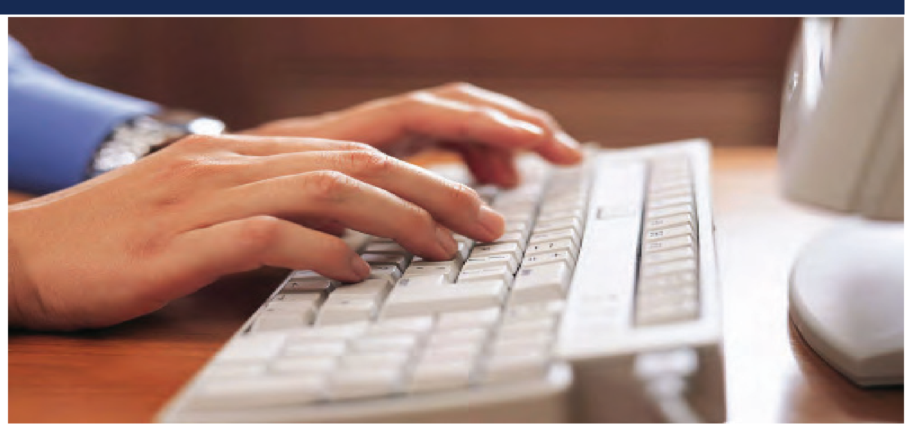

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Choosing A - *Real Estate Agent*

Should you make the decision to buy a new home using a qualified agent, make sure you interview several. If you know someone you have used successfully in the past, you may want to consider them. If however they are not an expert in the home buying process or lack the experience to do the job, consider someone who does specialize in what you need. Get referrals from friends, family and associates and visit local real estate offices. Once you have your list of agents, interview them and select the best qualified person for the job.

The following are some questions you may want to ask yourself before choosing an agent:

-> Do you see yourself doing business with this person?

-> Does this person have knowledge of the current market conditions and is the information available to you?

-> Does this person listen to your needs and wants in finding a new home?

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Buying a Home - *Step-by-Step*

How your Real Estate Agent will assist you:

1. Initial Interview
- Determine your needs, wants and desires in a home.
- Discuss parameters.

2. Pre-Qualify with a Lender
- Your Agent will guide you to financial institutions to obtain the best financing available.
- Loan pre-qualification approval letter is obtained from the lender.

3. Site Seeing
- Your Agent will show you available homes that suit your needs.
- Your Agent will listen to you carefully to help find your "ideal" home
- Your Agent will educate you about the current market.

4. Target a Home that is "Ideal" and write the Offer.
- Your Agent will write the offer for you.
- This procedure will take 1-3 hours.
- Your Agent will assist you in delivering your earnest money deposit.

5. The Offer is Presented to the Seller
- Your Agent will prepare your presentation by highlighting the strengths of your offer and your strength as a buyer.
- Your Agent will present your offer to the seller or the seller's agent. The Seller will either accept, counter or reject your offer.

6. Counter Offer
- Any counter-offers are discussed and prepared.

7. Escrow
- Once the offer is accepted, escrow is opened.
- Earnest money is deposited at this time.
- Escrow orders a Preliminary Title Report ("Prelim") and sends copies to your agent and lender.
- Escrow instructions are issued to all parties along with the opening package.

8. Loan Application
- A completed loan application is submitted to the lender of your choice with all necessary documentation.

9. Contingency Period
- Buyer receives and approves Seller's Real Estate Transfer Disclosure Statement.
- Buyer approves the Preliminary Title Report.
- Loan approval, including an appraisal of the property.
- Physical inspections/pest inspections are completed.

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Buying a Home - *Step-by-Step Continued*

How your Real Estate Agent will assist you:

10. Homeowners Insurance Coverage
- Buyer obtains a Homeowners Insurance Policy for their new home and the insurance information is given to escrow.
- Escrow orders a copy of the homeowner's insurance policy for the new lender prior to escrow closing.

11. Signing Documents
- Buyer needs to bring current photo ID to sign notarized loan documents.
- Copies of title and lender documents are given to buyer.

12. Down Payment and Closing Funds
- The escrow officer provides you with a Buyer's Estimated Closing Statement which itemizes your costs and advises you of total monies due.
- Buyer provides a cashier's check several days prior to closing.

13. Funding
- The lender sends funds to Efficient Services Escrow.

14. Close of Escrow
- The Deed is recorded at the County Recorder's office by Title. (you will receive the original back from the County Recorder in approximately two months.)
- Keys are transferred from seller to buyer.

15. Now You are Ready to Move in.

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Choosing a Lender

When you buy a home, one of your primary concerns will be finding a lender who can provide the financing you need. So how should you shop for a lender? Calling around and asking for interest rate quotes is NOT the best way to select a lender. Here's why...

1. Interest rates can change daily, so a quote today may not be reality tomorrow.
2. Rates quoted over the phone may not be "locked pricing" and the lender is just trying to get you in the door. This means that rates would be subject to change until the day your loan closes instead of being pre-determined for a specific period of time.
3. The lender knows nothing about your situation or needs and the rate they quote may be for a program that you won't qualify for.
4. You wont know what the lender has to offer you.

Competitive rates are important, but when you consider the fact that most lenders get their money from the same sources (and therefore have essentially the same rates to offer) you must look at some other factors before choosing a lender. You need a lender who works with you and your real estate agent as a team and has the same goal to get your loan closed in a timely and professional manner.

Some of the questions to ask a lender should include:

1. Are They a Mortgage Banker/Direct Lender?
   A mortgage banker is a lender who not only originates his own loans, but also underwrites, approves, funds and services them. A mortgage banker has its own money to lend and therefore has the most control over the loan process.

2. Are They a Mortgage Broker?
   A mortgage broker originates loans but does not actually lend the money. The broker will submit the package to an outside source that underwrites and funds the loan. A mortgage broker may offer the best opportunity to get your loan approved since they can send the loan to many different lenders. They also offer a wider variety of loan programs.

3. How long has the Company Been in Business?
   Lenders come and go. Make sure that the company you are dealing with has been around for a while.

4. What is their Reputation within the Real Estate Community?

5. Do they Lock their Interest Rates and for How Long?

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Loan Process

Loan Application

Processing
Gathering, analyzing and supporting statements from the application

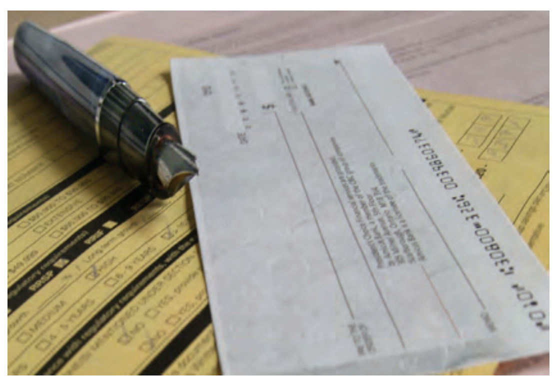
- Contact Escrow
- Order & Check Credit Report
- Order & Check Appraisal
- Order & Check Verifications
- Order & Check Misc. Documentation

Underwriting
In-depth analysis, interpreting information as it applies to the secondary market for saleability

- Order Mortgage Insurance
- Analyze Credit
- Analyze Property
- Analyze Conditions

Closing Dept./Funding

- Order Documents
- Docs Signed & Reverified
- Docs Returned Verified
- Final Conditions Title Recorded
- Funds Requested



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Points Explained

What is a Point?
One Point is equal to 1% of the NEW loan Amount.

Why do Lenders charge points?
Whenever governmental regulations, state usury law and/or competitive practices prohibit the lender from charging a rate of interest, which would make the real estate loan competitive with other fields of investment, the lender must seek methods of increasing the yield for investors. By charging "points", the lender can bring the real estate loan up to those investments.

Are Points called by Different Names?
Yes. Loan Origination Fee, Commitment Fee, Discount Fee, Warehousing Fee, Funding Fee, etc.

Who must Pay the Points?
FHA: the Buyer is usually charged with the Loan Origination Fee; the Discount Fee can be paid by the Buyer or Seller.

VA: the Buyer is usually charged with the Loan Origination Fee and the Funding Fee.

Conventional: points can be paid by the Buyer, the Seller, or split between the two. State on Contract of Sale!

City/County/State Government Sponsored Loans: as published by them.

Do the Number of Points Charged Fluctuate?
Yes. If rates on mortgage loans are lower than other investments (such as stocks, bonds, etc.) Then funds will be drawn away from the mortgage market. Also, when there is a heavy demand upon the money market because of business needs, role requirements or other government borrowing, the result is that money for home mortgages becomes scarce and more expensive. When this occurs, more points can be charged. Points balance the market. Points are not set by government regulation but by each lender individually.

On VA loans, is there any way to Lock in the Number of Points?
Not without jeopardizing the sale. Even when a lender stipulates in writing the number of points to be charged, that guarantee states "if the interest rate is not changed by the government". Points charged on an FHA or conventional loan are usually not charged from commitment time to settlement.

Is FHA or VA Financing Unfair to Sellers?
No. Homes can sell faster because more buyers can qualify with the lower down payment requirement, lower interest rate, long term loans with lowest monthly payments. Sellers receive all cash for their equity to reinvest in a new home or other investment. The purpose of these loans is to provide purchasers the opportunity to buy homes with minimal cash investment thus providing bigger market sellers.

Are Points Deductible for Income Tax Purposes?
Points on a home mortgage (for the purchase or improvement of, and secured by, the taxpayer's principal residence) are deductible currently if points generally charged in the geographical area where the loan is made and to extent of the number of points generally charged in the area for a home loan. If you are in doubt about points being deductible you should contact your tax return preparer.

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How the Underwriter - *Looks at your Loan*

When your loan is submitted for underwriting, it goes directly into the hands of an underwriter whose job is to determine your "creditworthiness" or your ability to repay the loan. The underwriter takes all of the following into consideration when making the decision to approve or disapprove your loan.

Your Employment History

A stable history of employment in the same line of work is considered ideal. Job hopping is not looked upon favorably because it may lead to unstable income. However, if you have switched jobs within the same line of work for advancement in that field there should be no problem.

Your Income

The underwriter looks carefully at your capacity to repay the loan, Your job stability and gross income (in relation to your expenses) are critical in this regard. Most income must be verified as having been received for at least two years to be used for qualifying purposes.

Your Credit History

Your credit history is an indication of your character or your willingness to repay the loan. The underwriter looks closely at your past payment record (your credit report) in determining this. Any consistent patterns of late payments, collections etc. are not looked at favorably. Bankruptcies generally must be discharged for at least two years with re-established credit and the reason for bankruptcy must be fully explained. Good explanations for all derogatory credit will need to be provided. all outstanding collections, Liens, and judgments will have to be paid off through escrow (consult your loan officer about any credit questions you may have).

Your Assets

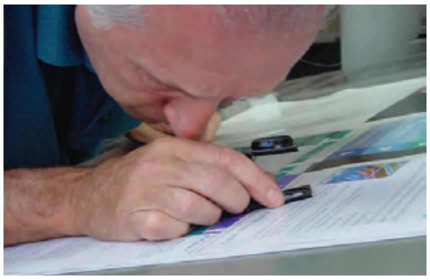
The money you have available for a down-payment, closing costs, cash reserves (money left over after close of escrow to cover 2-3 months mortgage payments) and other liquid assets in your net worth. The underwriter wants to see your ability to save money and manage your financial affairs. They also need to see the "source of funds" or where the money for the down-payment and closing costs is coming from. Cash from "under the mattress" is usually not acceptable - they must verify that you have had the money (or the assets) for two or three month period. Never move money around (pay off bills, get a gift, etc.) without first consulting your loan officer about the best way to do it, since it may affect the underwriter's view of your loan.

Your Debts

The underwriter will be concerned with the amount of debt you have because it affects your qualification and your ability to repay the loan. Excessive use of credit may not be looked upon favorably.

The Property

Because the property is the lender's collateral for the loan, the value, marketability and condition of the property are extremely important. The underwriter looks at the appraisal for this information.



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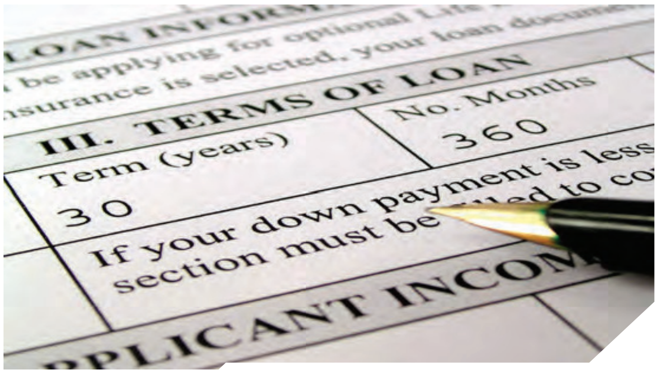
Loan Application - *Tips*

Use the following checklist to be sure that you take everything you need to make your loan application an easy, hassle-free experience.

1. Purchase Contract (for the purchase of your new home).
2. Sales Contract (If you are selling your present home).
3. All original pay stubs for the last 30 days.
4. If you have real property, they need your most recent 2 years tax returns with all schedules and a current rental agreement.
5. If you are self-employed or receive a 1099, they need your most recent 2 years tax returns with all schedules and a year-to-date profit and loss statement and balance sheet.
6. If you own 25% or more of your corporation, they need the most recent 2 years tax returns with all schedule and a year-to-date profit loss statement and balance sheet.
7. If you are commissioned, they need your most recent 2 year tax returns with all the schedule and year-to-date employee business expenses.
8. Information on residence history for the past 2 years.
9. Information on all outstanding loans and credit cards.
10. Original of the last 3 months bank statements for all accounts.
11. Information on real estate you currently own.
12. Information about other personal property you own.
13. Certified copy of the closing statement if you have already sold your home.
14. If Divorced - all papers including marital termination agreement and final decree signed by the court.
15. Copy of Driver's License and Social Security Card (FHA Loans Only).
16. Original Certificate of Eligibility and DD214 (VA Loans Only)
17. Check for appraisal and credit report fees.



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How Much can you Afford?

Interest Rate %

Monthly Gross Income	7	7 ½	8	8 ½	9	9 ½	10	10 ½	11	11 ½	12	12 ½
2,000	101,000	96,000	92,000	87,000	83,000	80,000	77,000	74,000	71,000	68,000	65,000	63,000
2,500	127,000	121,000	116,000	110,000	106,000	101,000	97,000	93,000	93,000	86,000	83,000	80,000
3,000	153,000	146,000	139,000	133,000	127,000	121,000	116,000	112,000	112,000	103,000	99,000	95,000
3,500	179,000	170,000	162,000	155,000	148,000	142,000	136,000	130,000	130,000	121,000	116,000	111,000
4,000	204,000	194,000	185,000	177,000	169,000	162,000	155,000	148,000	148,000	138,000	132,000	127,000
4,500	230,000	218,000	209,000	198,000	189,000	181,000	173,000	166,000	166,000	154,000	147,000	142,000
5,000	254,000	242,000	230,000	220,000	210,000	201,000	192,000	185,000	185,000	170,000	164,000	159,000
5,500	279,000	265,000	253,000	241,000	230,000	210,000	211,000	203,000	203,000	187,000	180,000	173,000
6,000	304,000	290,000	278,000	263,000	251,000	241,000	231,000	221,000	221,000	204,000	197,000	189,000
6,500	330,000	315,000	300,000	287,000	273,000	261,000	250,000	249,000	249,000	233,000	225,000	206,000
7,000	355,000	338,000	322,000	308,000	294,000	281,000	269,000	258,000	258,000	239,000	230,000	220,000
7,500	380,000	362,000	345,000	330,000	315,000	301,000	288,000	277,000	277,000	255,000	246,000	235,000
8,000	406,000	386,000	368,000	351,000	335,000	321,000	308,000	296,000	296,000	273,000	263,000	254,000
8,500	431,000	411,000	391,000	373,000	356,000	342,000	328,000	314,000	314,000	290,000	279,000	268,000
9,000	456,000	435,000	414,000	396,000	378,000	362,000	346,000	322,000	332,000	307,000	295,000	283,000
9,500	483,000	460,000	438,000	419,000	400,000	365,000	365,000	350,000	350,000	323,000	311,000	299,000
10,000	506,000	484,000	460,000	440,000	420,000	395,000	395,000	370,000	370,000	341,000	328,000	316,000

Numbers Calculated Assuming a 33% Housing Ratio, Average Consumer Debt, and 20% Down Payment.

10% Down Payment
Take 25% off the Sales Price in the above chart
25% Down Payment

Easy Qualifying!

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How Much would your Mortgage be?

Interest Rate %

$ Loan Amount	7	7 ½	8	8 ½	9	9 ½	10	10 ½	11	11 ½	12	12 ½
100,000	$665	$699	$734	$769	$805	$841	$878	$915	$952	$990	$1,029	$1,067
120,000	798	839	881	923	966	1,009	1,053	1,098	1,143	1,188	1,234	1,281
140,000	931	979	1,027	1,076	1,126	1,177	1,229	1,281	1,333	1,386	1,440	1,494
160,000	1,064	1,119	1,174	1,230	1,287	1,345	1,404	1,464	1,524	1,584	1,646	1,708
180,000	1,198	1,259	1,321	1,384	1,448	1,514	1,580	1,647	1,714	1,783	1,852	1,921
200,000	1,331	1,398	1,468	1,538	1,609	1,682	1,755	1,829	1,905	1,981	2,057	2,135
220,000	1,464	1,538	1,614	1,692	1,770	1,850	1,931	2,012	2,095	2,179	2,263	2,348
240,000	1,597	1,678	1,761	1,845	1,931	2,018	2,106	2,195	2,286	2,371	2,474	2,202
260,000	1,730	1,818	1,908	1,999	2,092	2,186	2,282	2,378	2,476	2,575	2,674	2,775
280,000	1,863	1,958	2,055	2,153	2,253	2,354	2,457	2,561	2,667	2,773	2,880	2,988
300,000	1,996	2,098	2,201	2,307	2,414	2,523	2,633	2,744	2,857	2,971	3,086	3,202
320,000	2,129	2,237	2,348	2,461	2,575	2,691	2,808	2,927	3,047	3,169	3,292	3,415
340,000	2,262	2,377	2,495	2,614	2,736	2,859	2,984	3,110	3,238	3,367	3,497	3,629
360,000	2,528	2,517	2,642	2,768	2,897	3,027	3,159	3,293	3,428	3,565	3,703	3,842
380,000	2,395	2,657	2,788	2,922	3,058	3,195	3,335	3,476	3,619	3,763	3,909	4,056
400,000	2,611	2,797	2,935	3,076	3,218	3,363	3,510	3,659	3,809	3,961	4,114	4,269
420,000	2,794	2,937	3,082	3,229	3,379	3,532	3,686	3,842	4,000	4,159	4,320	4,482
440,000	2,927	3,077	3,229	3,383	3,540	3,700	3,861	4,025	4,025	4,357	4,372	4,696
460,000	3,060	3,216	3,375	3,540	3,701	3,686	4,037	4,208	4,381	4,555	4,526	4,909
480,000	3,193	3,356	3,522	3,691	3,862	4,036	4,212	4,391	4,571	4,753	4,937	5,123
500,000	3,327	3,496	3,669	3,845	4,023	4,204	4,388	4,574	4,762	4,951	5,143	5,336

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What is - *Escrow*

Using Escrow is a way of transferring or exchanging property and or money using a neutral third party. In many jurisdictions, escrow agents constitute a distinct profession with its own training and accreditation requirements. In other jurisdictions, such as Canada, escrow functions may be performed by attorneys. In either case, the escrow process is covered by significant regulation and protection through the use of licensing and/or bonding.

Escrow is most commonly associated with real estate transactions. When a home or property changes hands, the seller of the property transfers the property title to Escrow. Similarly, the buyer either transfers funds or has a bank transfer mortgage proceeds to Efficient Services Escrow. When all conditions of the purchase agreement are met, Escrow assigns the property title to the purchaser and distributes the funds to the seller.

An escrow is created by Escrow when money and/or documents are deposited into escrow's account. Escrow Holder's authority is strictly governed by written instructions, mutually agreed upon by the parties involved. The instructions direct us to perform duties necessary to complete the transaction. A few of the tasks which may be required are:

- -> Receive and deposit earnest money
- -> Order information for payoff of existing liens
- -> Calculate and/or prorate taxes, liens, interest, rents, and insurance policies
- -> Make arrangements for title insurance protection for the buyer and lender
- -> Prepare and/or receive documents relating to the escrow
- -> Request and receive funding from new lender when conditions have been satisfied
- -> Arrange for recording of the conveyance documents and any other legal instruments required to transfer title to the property pursuant to the terms of the purchase agreement
- -> Close the escrow and disburse funds as agreed upon in the instructions
- -> Prepare a closing statement for the parties showing disposition of funds

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What Information is Needed?

Confidential Statement of Identity Because many people have the same name, the statement of identity is used to identify the specific person in the transaction by determining date of birth, social security number, etc. The statement form is necessary and the information is kept confidential.

Provide Escrow Holder with the name, address and phone number of your lender as soon as possible after opening escrow.

Hazard/Fire information If you are purchasing a single family, detached home, or in some cases, a town home, be sure to order your fire/hazard insurance once your loan has been approved. You should immediately begin looking for an insurance agent; not all companies can write fire hazard insurance. Call Escrow with the insurance agent's name and phone number so that he/she can make sure the policy complies with your lender's requirements. You must have your insurance in place before the lender will fund money to the title company.

Holding Title Page 17 shows common ways of holding title to help you understand the criteria for determining how you wish to hold title to your home. Escrow will need this information in order to prepare the grant deed, and your lender will need this information to prepare loan documents. We suggest you consult an attorney, tax consultant, or other qualified title professional before you decide.

What is Close of Escrow?

The close of escrow signifies legal transfer of title from the seller to the buyer. Approximately three days before the scheduled close of escrow date, the loan documents are executed by the buyer. The new lender takes 24 to 72 hours to review the final executed documents and then wires the loan funds to the title company. Escrow collects the remainder of the buyer's down payment and closing costs. When loan funds are wired, the file is then set up to record (a legal transfer of title from the seller to the buyer). Escrow then handles all final accounting, issuance of official closing statements and disbursement of any remaining proceeds to all parties.

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WHAT IS - *ESCROW IMPOUND ACCOUNT*

Impound Account

In most states, the money you place in an escrow account earns no interest for you. For that reason, many borrowers prefer to pay their taxes and insurance directly. Lenders may agree to this if your down payment is more than 20 percent, although some will raise your interest rate slightly to compensate. Once you agree to putting funds into an escrow account, however, it is difficult to cancel it, so make sure you fully understand the arrangement before your mortgage closes.

The lender may charge you an additional 1/4 point for this option to "waive escrows. "This is not an increase in the interest rate, but rather a one-time charge. If your loan is for $l00,000.00, for example and you are paying no points, you would pay $250.00 for the privilege of waiving the escrow impound account. In the long run it may well be worth it. It is very difficult to get a lender to cancel the escrow impound account once it is in place, and difficult to get the lender to pay out any interest accrued on the money.

How you benefit from Impound Escrow Account

Escrow can benefit borrowers by helping them spread insurance and tax expenses evenly over 12 payments. For example, assume your yearly property taxes are two payments of $1,000 each, and your insurance is $400 annually. If you paid these directly, it would mean three large payments a year; your escrow costs, however, would be a manageable $200 a month.

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Life of an - *Escrow*

Prepare Escrow Instructions and Documentation.

Obtain Signatures

Process Financing

Request Information for New Loan Application

Obtain Loan Approval and Determine that Terms are Correct

Request Benificiary Statement

Review Transfer Terms and current Payment Status

Request Loan Documentation

Escrow

Order Title Search

Review and Receive Preliminary Title Report

Request Demands and Liens. Review Tax Report

Receive Demands and File Them

Review File and Determine all Conditions have been Met and all Documents are Prepared for Signatures

Return Loan Documents

Configure File And Obtain Signatures for all Remaining Documents

Obtain Funds from Buyer

Request Loan Funds

Once Funds are Received order Recording

Close File. Prepare Statements and Disburse Funds

Complete Escrow Closing and Forward files to all Parties

Send Documents to Title Company

Home Buyers Guide

Title Insurance - *Process*

Most mortgage loans are made by savings and loan associations, mortgage companies, savings banks, commercial banks, credit unions, and insurance companies. These organizations invest money that belongs to their customers or policy holders, and so they must be concerned with the safety of their mortgage investments. This is why a policy of title insurance is required by most lenders on most mortgage loans.

The lender's title insurance policy guarantees the lending institution that the person to whom it is making a mortgage loan has title to the real estate that is pledged as security. The lender also needs assurance that it has a valid and enforceable lien and that no other claimant (other than those specifically noted in the policy) has a prior claim.

Title Insurance - Step by Step

Step 1: Customer Service Verifies Legal Property Description & How Title to Real Property Is Held
Step 2: Preliminary Order & Title Search Are Opened
Step 3: Preliminary Search of Real Property Is Done
Step 4: Title Search Examines Real Property Records, General Index Records & Tax Record
Step 5: Examiner Reviews Complete Search Package & Writes Preliminary Report
Step 6: Data Processor Enters the Preliminary Title Information into Computer & Prepares Preliminary Report
Step 7: Messenger Service Delivers Prelims to Escrow & Lenders
Step 8: The New Documents, Demands & Statement of Information Submitted to CalCounties TitleNation
Step 9: Escrow Authorizes Recording of New Documents in the Transaction
Step 10: Documents Are Recorded, Confirmation of Recording Is Received & Liens of Record Are Paid Off
Step 11: Title Officer Writes Title Policies
Step 12: Data Processor Prepares Final Title Policies
Step 13: Title Policies Released to Client

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Holding Title

Tenancy in Common	Joint Tenancy	Community Property	Community Property with rights of survivorship
Parties - Any number of persons. (Can be husband & wife)	Parties - Any number of persons. (Can be husband & wife)	Parties - Only husband and wife.	Parties - Only husband and wife.
Division - Ownership can be divided into any number of interests, equal or unequal.	Division - Owner interests must be equal.	Division - Ownership & managerial interests are equal.	Division - Ownership & managerial interests are equal.
Title - Each co-owner has a separate legal title to his or her undivided interest.	Title - There must be unity of title and time (created in one document).	Title - Title is in the "community." Each interest is separate but management is unified.	Title - Title is in the "community. "Each interest is separate but management is unified. Title must state community property with right to survivorship.
Possession - Equal rights of possession.	Possession - Equal rights of possession.	Possession - Both co-owners have equal management and control	Possession - Both co-owners have equal management and control
Conveyance - Each co-owner's interest may be conveyed separately by its individual owner.	Conveyance - by one co-owner without the others will terminate that individual's joint tenancy.	Conveyance - Written consent of other spouse is required, and separate interest cannot be conveyed except upon death.	Conveyance - Written consent of other spouse is required, and separate interest cannot be conveyed except upon death.
Purchaser's - will become a tenant-in -common with the other property co-owners.	Purchaser's - will become a tenant-in -common with the other property co-owners.	Purchaser - can acquire title from the community with written consent or joinder of both spouses.	Purchaser - can acquire title from the community with written consent or joinder of both spouses.
Death - On co-owner's death, his or her interest passes by will to that person's devisees or heirs. No survivorship right.	Death - On co-owner's death, his or her interest ends and cannot be disposed of by will. Survivor(s) own(s) the property.	Death - Upon death of one spouse, 50%belongs to surviving spouse, 50% goes by will to descendent's devisees or by succession to surviving spouse.	Death - Upon death of one spouse, his or her interest ends and cannot be disposed of by will. Survivor owns the property 100%.
Successor - Devisees or heirs become tenant-in-common.	Successor - Last survivor owns property 100%.	Successor - If passing by will, tenancy-in-common between devisees and survivor results.	Successor - Purchaser can only acquire whole title of community; cannot acquire a part of it.
Creditor's - Co-owner's interest may be sold on execution sale to satisfy his or her creditor. The creditor becomes a tenant-in-common.	Creditor's - Co-owner's interest may be sold on execution sale to satisfy his or her creditor. The creditor becomes a tenant-in-common.	Creditor's - Property of community is liable for contracts of either spouse which were made after marriage and prior to or after Jan. 1, 1975. Co-owner's interest cannot be sold separately; whole property may be sold on execution to satisfy creditor.	Creditor's - Property of community is liable for contracts of either spouse which were made after marriage and prior to or after Jan. 1, 1975. Co-owner's interest cannot be sold separately; whole property may be sold on execution to satisfy creditor.
Presumption - Favored in doubtful cases, except in husband and wife case.	Presumption - Must be expressly stated. Not favored.	Presumption - The legal presumption is that property which has been acquired during the course of the marriage is community property.	Presumption - After July 1, 2001, there is no presumption. The code reads that deeds must state "community property with the right of survivorship."

Home Buyers Guide

Payment Procedure

On these pages, you will find the traditional distribution of expenses associated with a purchase of real estate. However, many of these items can be negotiated by both parties at the time of the offer, excluding some expenses required by the lender to be paid specifically by seller.

Buyer Usually pays for:

1. Escrow fees
2. Document preparation (if applicable)
3. Notary fees
4. Recording charges for all documents in buyer's name
5. Termite inspection (according to contract)
6. Tax proration (from date of acquisition)
7. Homeowner's transfer fee
8. All new loan charges (except those required by lender for seller to pay)
9. Interest on new loan from date of funding to 30 days prior to first payment date
10. Assumption/Change of Records fees for take-over of existing loan
11. Beneficiary Statement fee for assumption of existing loan
12. Inspection fees (roofing, property inspection, geological, etc.)
13. Home Warranty (according to contract)
14. Lender's policy
15. Fire insurance premium for first year

Seller Usually pays for:

1. Real estate commission
2. Escrow fees
3. County documentary transfer tax (55 cents per $500 of consideration, exclusive of the value of any lien or encumbrances attaching to the property at time of sale)
4. Applicable city transfer/conveyance tax (according to contract)
5. Document preparation fee for deed
6. Any loan fees required by buyer's lender Payoff of all loans in seller's name (or existing loan balance if being assumed by buyer)
7. Interest accrued to lender being paid off
8. Statement fees, reconveyance fees and any prepayment penalties
9. Termite inspection (according to contract)
10. Termite work (according to contract)
11. Home warranty
12. Any judgments, tax liens, etc., against the seller
13. Tax proration (for any taxes unpaid at time of transfer of title)
14. Any unpaid homeowner's dues
15. Recording charges to clear all documents of record against selle
16. Any bonds or assessments (according to contract)
17. Any and all delinquent taxes
18. Notary fees - escrow fee
19. Title insurance premium: Owner's policy

Home Buyers Guide

Maintenance and Repair - *Questions*

When buying a home, whether it be new or used is a big investment. That's why making sure you check for any error and inaccuracies inside and outside of the home is a big deal. You can hire an inspector to check the home with you to insure any questions or demands that might be needed.

Questions to ask your Real Estate Agent

1. Has the home been fumigated?
2. Has the plumbing and drainage system been inspected by a Plumber?
3. Are the sprinklers and lights in full working condition?
4. Has the carpet been updated?
5. Has the paint been updated?
6. Has the roof been updated for rainy weather conditions?
7. Has the electrical system in the home been inspected by an Electrician?
8. Is the heating and air conditioning system In full working condition?
9. Are the windows in full working condition?
10. Are all appliances in full working condition?

New Home Updates

When buying a new home many developers offer bonus or Add-On options to customize your home. Making sure you choose the option or fixture to your liking is another step into securing your investment.

Used Home Updates

As provided by your Agent, the updates and improvements to your new home should also be reviewed by yourself. Not looking for errors can be a huge head ache in the future, as things like plumbing, Heating, Cooling and Fixtures can bring forth a costly problem if not examined properly.



Home Buyers Guide

FHA, VA Special Loan - *Information*

You may qualify for an FHA, VA or other special loan designed to bring homeownership to first-time and low-to-moderate income buyers. For thousands of first-time and low-to moderate income buyers, the only way into the home market is through loan programs sponsored by the government, such as the Federal Housing Administration or the Department of Veterans Affairs, or non-profit entities such as state housing agencies or credit unions.

These loans usually offer such features as low down payments, below-market interest rates, few, if any, points, relaxed income/debt ratio qualifications and assumability (FHA and VA). You may think that you don't qualify, but in the 1980's, housing in many locations became unaffordable to many as rising home prices outpaced incomes. To bridge these gaps, the government loosened requirements for FHA and VA loans, and numerous new programs sprang up sponsored by entities ranging from secondary market mortgage investors Fannie Mae and Freddie Mac and housing groups of all stripes. Even some labor unions have a first-time buyer's program. These loans are not always easy to find, but if you think you might qualify it is worth learning about.

The FHA and the VA, and, within its sphere, the old Farmers Home Administration (now the Rural Housing and Community Development Service), are the old hands of government loan programs. Here's what they offer:

FHA-Insured: Family housing expenses should not exceed 29% of gross income; total debt no greater than 41% of income; variety of loans ranging from fixed-rate to adjustables; down payments of 5 % or less; interest rates up to 1 % less than market; no prepayment penalty; assumable; most closing costs can be included in loan; borrower must buy mortgage insurance (2.25% of loan up front with .5% of balance for set number of years after); impound accounts required; loan amount limited to 95 % of local median home price or 75% of loan limit set by FreddieMac ($160,950 in high-cost areas); available through mortgage brokers and FHA approved.

Lenders

VA-Guaranteed: Veterans of the armed services who obtain a certificate of eligibility from the VA and reservists are eligible. Fixed or adjustable loans; no down payments; no prepayment penalty; assumable; loan amount limited to $203,000 (VA guarantee covers $50,750 on loans over $144,000); available through mortgage brokers and VA-approved lenders.

Note: VA also guarantees other loans from graduated payment mortgages to energy-efficient mortgages.

Home Buyers Guide

Property Tax - *Information*

Property tax is a tax administered by local government districts. Tax rates vary from county to county and are based on a predetermined percentage of an annually assessed value of each individual property. Property taxes are paid in biannual installments.

Paying Property Taxes On Your Newly Purchased Home

Paying your first year of property taxes can be tricky, depending on when you close escrow on your new home. If your property is in escrow, and the sellers have just paid property taxes, then your agent should request proof of payment. Because it can take up to six weeks for a property tax payment to post, the preliminary title report may show that property taxes are still due. Proof of property tax payment by the seller will allow escrow to close successfully without a potential tax hold. If you purchased your property between January and October, your property tax bill may be forwarded to the seller's new address. If you do not receive your property tax bill by the middle of October, contact your County Tax Collector and request that a duplicate tax bill be sent to you. You are still obligated to pay your first property tax installment by the November 1st due date, even if you have not received a tax bill from the county. Refer to the tax calendar on page 25 to help you keep track of important property tax duedates and the penalties for delinquent payments. If you close escrow near December 10th, and the seller has not yet paid property taxes, then the seller will need to make a check payable to the Tax Collector and forward it to the escrow holder. The escrow holder will see that the title company forwards it to the County. If the check does not clear by the escrow close date, then a hold may be required.

What Is an Impound Account?

An impound account is a convenient way for borrowers to ensure that their property tax and insurance payments are paid in a timely manner. Your lender can set up an impound account which will allow them to collect property tax and hazard insurance payments from you on a monthly basis. The impound payment is collected with your monthly mortgage principal and interest payment and is calculated by taking your yearly tax and annual insurance payment and amortizing it over 12 months, along with a mandatory pad of at least two additional months worth of payments for each. The lender will pay the County Tax Collector and the insurance company directly by drawing the property tax and the insurance premium from the account when the property tax installments are due (November and February) and when the insurance premium is due.

Home Buyers Guide

SUPPLEMENTAL - *PROPERTY TAX*

Supplemental Property Tax

The supplemental real property tax law came into effect in 1983 and is part of an ambitious drive to aid California's public school system. If you plan on purchasing or building a new home, this law will affect you. Supplemental property tax is a one-time tax which dates from the time you take ownership of your property or complete construction until the end of the tax year on June 30.

How Will The Amount of My Bill Be Determined?

There is a formula used to determine your tax bill. Supplemental property tax is based on the difference in assessed value of a home when purchased by the prior owner and the newly assessed value when purchased by you. If you are building a home, the supplemental property tax is based on the difference in value of the land before a home was constructed and the new property value after a home is built. The total supplemental assessment will be prorated, based on the number of months remaining until the end of the tax year, June 30.

Will My Supplemental Taxes Be Prorated In Escrow?

No. Because supplemental tax is a one-time tax and is in effect from the actual date you take ownership of property, it will be billed to you by your County Controller/Tax Collector.

When and How Will I Be Billed?

You will be advised of your supplemental assessment amount when your property is appraised during the lending process. You will then have an opportunity to discuss your valuation, apply for a Homeowner's Exemption and possibly file an Assessment Appeal. Your county will then calculate your supplemental tax and mail you a bill. This can happen anywhere from 3 weeks to 6 months after close of escrow. A lien is put on your property for the supplemental taxes, so be sure to pay your taxes by the date noted on your supplemental tax bill.

Home Buyers Guide

What is - *PMI*

PMI is an abbreviation for Private Mortgage Insurance. This is special insurance that lenders force higher risk borrowers to pay to protect the interests of a bank in case of default. PMI is only applicable in very specific instances, most often when you are borrowing more than eight percent of your home's fair market value.

Try to avoid PMI at all costs. Don't be afraid of taking out a second mortgage to buy your home; don't be afraid to borrow your down payment. PMI is just money out the door that is not going towards your equity or anything that benefits you. You can get PMI removed from your mortgage once you reach a goal of twenty percent in equity. If you have PMI already, work hard to get it removed.

The Purpose for Private Mortgage Insurance (PMI)

This is insurance for the lender that is now necessary because so many people default on their mortgage loans. In reality, PMI saves everyone money because without the security offered by this insurance, lenders would be far less likely to lend so much money at such low interest rates. After all, no lender likes high risk borrowers and folks who don't have twenty percent to put down seem risky. PMI is not forever. Once you have your twenty percent in your home you can refinance and PMI will go away, but your low interest rate won't.

Removing PMI (Private Mortgage Insurance)

Watch home values in your area. If your home has substantially increased in value, consider getting an appraisal done of your home to back up your assertion of the increased value. With that data, you can ask your lender to remove PMI.

Watch the numbers – if you know you now have at least twenty percent invested in your home because of extra payments towards your principle, call your lender. If they see the numbers as well, they will appraise the home again and you'll most likely be out from under PMI.

Home Buyers Guide

What is - *Mello-Roos*

Mello-Roos and Assessment Districts are special tax districts, created by the California State Legislature in 1982. These districts collect funds to pay for the vital facilities a new home community needs - such as streets, schools, water, drainage, parks, sidewalks, median landscaping, and sewer systems - which otherwise might not be available to initial homeowners in the community.

An Assessment District or Mello-Roos District is formed by the local government and can include the City Council, Board of Supervisors, or School Districts. They issue bonds (which are essentially loans) to fund the community's facilities. To repay the bonds, homeowners will pay assessments, which will be added to their annual property tax bill. Each community has its own rate and assessments can increase or decrease. Depending on where your home is located, you might have the option of paying the assessment in one lump sum. In some cases, your assessments may be considered tax deductible. Check with your tax counselor. This explanation is a summary and not intended to take the place of the more detailed explanations and legal disclosures that you're entitled to. When you make your home purchase, you'll receive complete information on Mello-Roos and Assessment Districts.

Home Buyers Guide

Property Tax - Calendar

January	February	March	April
January 1st *Tax Assessment Date*	February 1st *2nd Tax Installment Due* February 10th Last day to file Exemption 100%	March 1st *Taxes on unsecured roll*	April 10th *2nd Tax Delinquent: Add 10% penalty and $10.00 Additional Fee.* *Penalty and Fee Valid from April 10th to June 30th*

May	June	July	August
		July 1st *1st or 2nd Tax Delinquent: Add 10% penalty and $15.00, Plus an additional 1.5% Per Month.* *July 1st - New Property value*	

September	October	November	December
		February 1st *1st Tax Installment Due*	December 1st Last day to file Exemption 80% December 10th *1st Tax Delinquent: Add 10% penalty and $10.00 Additional Fee.*

Mark your Calendars

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Glossary - A - D

Acknowledgement: A formal declaration made before an authorized official (usually a notary public), by the person who has executed (signed) a document, that such execution is his/her own act and deed. In most instances a document must be acknowledged (notarized before it can be accepted for recording).

Adjustable Rate Mortgage (ARM): A mortgage with an interest rate that changes over time in line with movements in the index. ARMs are also referred to as AMLs (Adjustable mortgage loans) or VRMs (Variable Rate Mortgages).

Adjustment Period: The length of time between interest rate changes on an ARM. For example, a loan with an adjustment period of one year is called a one-year ARM, which means that interest rate can change once a year.

Affidavit: A sworn statement in writing, made before an authorized official.

ALTA: Abbreviation for the American Land Title Association.

Amortization: Repayment of a loan in equal installements of principal and interest, rather than interest-only payments.

Amortized Loan: A loan that is completely paid off, interest and principal, by a series of regular payments that are equal or nearly equal. Also called a Level Payments Loan.

Annual Percentage Rate (APR): The total finance charge (interest, loan Fees, points) expressed as a percentage of the loan amount.

Appraisal: The act of process of estimating value of real estate or any interest therein.

Appreciation: An increase of value of real estate.

Assessments: Specific and special taxes (in addition to normal taxes) imposed on real property to pay for public improvements within a specific geographic area.

Assumption of Mortgage: A buyer's agreement to assume the liability under an existing note that is secured by a mortgage or deed of trust. The lender must approve the buyer in order to release the original borrower (usually the seller) from liability.

Attorney-in-Fact: An agent authorized to act for another under a power of attorney.

Ballon Payment: A lump Sum principal payment Due at the end of some mortgages or other long-term loans.

Beneficiary: As used in a trust deed, the lender is designated as the Beneficiary, i.e., obtains the benefit of the security.

Binder: Sometimes known as an offer to purchase or an earnest money request. A binder is the acknowledgement of a deposit along with a brief written agreement to enter into a contract for the sale of real estate.

Cap: The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.

CC&R: Covenants, Conditions and Restrictions. A document that controls the use, requirements and restrictions of a property.

Certificate of Reasonable Value (CRV): A document that establishes the maximum value and loan amount for a VA guaranteed mortgage.

Closing: The final settlement of a real estate transaction between buyer and seller.

Closing Statement: The financial disclosure statement that accounts for all of the funds received and expected at the closing, including deposits for taxes, hazard insurance, and mortgage insurance.

Condominium: A form of real estate ownership where the owner receives title to a particular unit and has a proportionate join ownership of common area of the structure and the land interest. The unit itself is generally a separately owned space whos interior surfaces (walls, floors and ceilings) serve as its boundaries.

Contingency: A condition that must be satisfied before a contract is binded. For instance, a sale agreement may be contingent upon the buyer obtaining financing.

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

Conversion Clause: A provision in some ARMs that enables you to change an ARM to a fixed-rate loan, usually after the first adjustment period. The new fixed rate is generally set at a prevailing interest rate for a fixed-rate mortgages. This convention feature may cost extra.

Cooperative: A form of multiple ownership in which a corporation or business trust entity holds title to a property and grants occupancy rights to share-holders by means of property leases or similar arrangments.

Counter-Offer: A rejection of an offer by a seller along with an agreement to sell the property to potential buyers on terms differing from the original offer.

CRB: Certified Residential Broker. To be certified, a broker must be a member of the National Association of Realtors, have five years experience as a licensed broker and have completed five required Residential Division courses.

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

Deed of Trust: Written instrument by which title to land is transferred to a trustee as security for a debt or other obligation, Also called Trust Deed. Used in place of mortgages in many states.

Deposit Receipt: Used when accepting "Earnest Money" to bind an offer for property by a prospective purchase; also includes terms of a contract.

Discount Points: Additional charges 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. These additional interest charges are paid at the time a loan is closed.

Due-On-Sale Clause: An acceleration clause that requires full payment of a mortgage or deed of trust when the secured property changes ownership. The seller or escrow agent by the purchaser with a written offer as evidence of good faith.

Home Buyers Guide

Glossary - E - P

Earnest Money: The portion of the down payment delivered to the seller or escrow agent by the purchaser with a written offer as evidence of good faith.

Easement: The interest or value which an owner has in real estate over and above the liens against real property.

Equity: The interest or value which an owner has in real estate over and above the liens against real property.

Escrow: A procedure in which a third party acts as a stakeholder for both buyer and the seller, carrying out both parties instructions and assuming responsibility for handling all of the paperwork and distribution of funds.

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

Fee Simple: An estate in which the owner has unrestricted power to dispose of the property as he wishes, including leaving by will or inheritance. It is the greatest interest a person can have in real estate.

FHA Loan: A loan which has been insured by the Insuring Office of the Department of Housing and Urban Development; the Federal Housing Administration guaranteeing its payment in case of default by the owner.

Finance Charge: The total cost a borrower must pay, directly or indirectly, to obtain credit according to Regulation Z.

Graduated Payment Mortgage: A residential mortgage with monthly payments that starts at a low level and increases at a predetermined rate.

Grant: A transfer of real property.

Grantee: The person to whom a grant is made.

Grantor: The person who makes a grant.

GRI: Graduate Realtors Institute. A professional designation granted to a member of the National Association of Realtors who have successfully completed three courses covering law, Finance and Principles of Real Estate.

Home Inspection Report: A qualified inspector's report on a property's overall condition. The report usually includes an evaluation of both the structure and mechanical systems.

Home Warranty Plan: Protection against failure of mechanical systems within the property. Usually includes, plumbing, electrical, heating systems and installed appliances.

Impound Account: Funds retained by a lender to cover such items as taxes and hazard insurance premiums.

Index: A measure of interest rate changes used to determine changes in ARM's interest rate over term of the loan.

Joint Tenancy: An equal, undivided ownership of property by two or more persons. Upon the death of any owner, the survivors take the descendant's interest in the property.

Land Contract: A contract ordinarily used in connection with the sale of the property, in cases where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer.

Lien: A form of encumbrance which usually makes property security for the payment of a debt of discharge of an obligation. Example: Judgements, Taxes, Mortgages, Deed of Trusts, etc.

Loan Commitment: A written promise to make a loan for a specified amount on specified terms.

LTV Ratio: The relationship between the amount of the mortgage and the appraised value of the property expressed as a percentage of the appraised value.

Margin: The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

Marketable Title: Title free and clear of objectionable liens or encumbrances.

Mortgage: An instrument recognized by law, by which property is hypothecated to secure the payment of debt or obligation; procedure for foreclosure in event of default is established by statue.

Mortgage Banker: A company or individual engaged in the business of originating mortgage loans with its own funds, selling those loans to long-term investors, and services the loans for the investor until they are paid in full.

Mortgage Life Insurance: A type of term life insurance often bought by mortgagors. The coverage decreases as the mortgage balance declines. If the borrower dies while the policy is in force, the debt is automatically covered by insurance proceeds.

Negative Amortization: Negative amortization occurs when monthly payments fail to cover the interest cost. The interest that isn't covered is added to the unpaid balance, which means that even after several payments you could owe more that you did at the beginning of the loan. Negative amortization can occur when ARM has a payment cap that results in monthly payments that aren't high enough to cover the interest.

Origination Fee: A fee or charge for work involved in evaluating, preparing, and submitting a proposed mortgage loan charged the borrower by the lending institution. the fee is limited to one percent for FHA and VA loans.

Personal Property: Any property which is not real property, (e.g., money, savings accounts, appliances, cars, boats, etc).

PITI: Principal, Interest, Taxes, Insurance.

Planned Unit Development (PUD): A zoning designation for property developed at the same or slightly greater overall density than conventional development. Uses may be residential, commercial or industrial.

Point: An amount equal to one percent of the principal amount of the investment or note.

Prepayment Penalty: A fee charged to a mortgagor who pays a loan before it is due. Not allowed for FHA and VA Loans.

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Glossary - P - V

Private Mortgage Insurance (PMI): Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.

Promissory Note: Following a loan commitment from the lender, the borrower signs a note promising to repay the loan under stipulated terms. The promissory note establishes personal liability for its repayment.

Purchase Agreement: A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under stated terms and conditions. Also called a sales contract, earnest money contract or agreement of sale.

Real Property: Land and whatever by nature or artificial annexation, is part of it.

Realtor: A real estate broker or associate active in a local real estate board affiliated with the National Association of Realtors.

Recordation: Filing for record in the office of the county recorder.

Regulation Z: The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.

Special Assessment: Legal charge against real estate by a public authority to pay cost of public improvements such as: street lights, Sidewalks, Street Improvements, etc.

Sub-Division: A parcel of land that has been divided into smaller parts.

Tenancy in Common: A type of ownership by two or more persons who hold undivided interest; without rights of survivorship; interests need not be equal.

Title: Evidence of a person's right or the extent of his interest in property.

Title Insurance Policy: A policy that protects the purchaser, mortgagee or other party against losses.

Trust Account: An account separate and apart - physically segregated from broker's own - in which broker is required by law to deposit all funds collected for clients.

VA Loan: A loan that is partially guaranteed by the Veterans Administration and made by a private lender.

Veterans Administration: An independent agency of the federal government created by the servicemen's readjustment act of 1944 to administer a variety of benefit programs designated to facilitate the adjustment of returning veterans to civilian life. Among the benefit programs is the home loan guarantee program designated to encourage mortgage lenders to offer long-term low down payment financing to eligible veterans by guaranteeing the lender against loss on these higher-risk loans.

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