California SELLERS Transaction Guide

EQUITY TITLE® COMPANY

Equity Title Company
Transaction Guide for Sellers

CONTENTS:

Welcome to the Equity Title Company Sellers Transaction Guide

We hope you will find this guide to be a useful tool when entering into a transaction with Equity Title Company.

Throughout this process, Equity Title is here to guide you through a smooth transaction when selling your home. Working mostly behind the scenes, but always in close coordination with REALTORS®, escrow, lenders, and legal counsel, we strive to carry out the sometimes complex procedure of selling a home in an efficient and friendly manner.

Each section in this handbook is designed to provide you with helpful information throughout the transaction process by including bullet points on what the section will cover, followed by detailed information.

Transaction *Contact Information*

Enter your contact information below for reference throughout your transaction:

NEW ADDRESS:

City/State/Zip:

Escrow #:

Title #:

REAL ESTATE COMPANY:

Address:

City/State/Zip:

Real Estate Agent:

Real Estate Assistant:

Phone:

Email:

ESCROW COMPANY:

Address:

City/State/Zip:

Escrow Officer:

Escrow Assistant:

Phone:

Email:

TITLE COMPANY:

Address:

City/State/Zip:

Title Rep:

Phone:

Email:

Title Assistant:

Phone:

Email:

About
Equity Title

At Equity Title, high-touch and high-tech merge to deliver an efficient service that you can consistently rely on. While technology helps us deliver efficiency, it will never replace the value of our one-on-one personal service.

This section will provide you with the following information:

About Equity Title

Our Mission

Our Strength

About Equity Title:

For over 40 years, Equity Title Company has been serving the needs of real estate professionals and lenders. Since our inception, Equity Title has grown to be one of the top title companies in Southern California.

Our Mission:

We are a company dedicated to creating an exceptional real estate experience for our customers and communities through the passionate delivery of truly remarkable service.

Our Strength:

Equity Title Company is part of Anywhere Integrated Services, a driving force in the title and settlement services industry. Anywhere Integrated Services currently operates in 48 states, provides closing services in all 50, manages over 40 distinct brands and employs over 2,200 team players throughout its nationwide network of more than 400 locations.

This section will provide you with a better understanding of title insurance, including:

What is the Importance of Title Insurance?

What is the Basic Function of a Title Company?

Who Needs Title Insurance?

What is the Difference between Title Insurance and Casualty Insurance?

What Does Title Insurance Insure?

What if I am Buying Property From Someone I Know?

20 Reasons for Title Insurance

What are Some Common Title Clearance Problems to be Aware of?

Help Us Stay on Top of Your Transaction!

What is the Typical Life of a Title Search?

What is the Importance of Title Insurance?

The purchase of a home is usually the most expensive and long-term financial undertaking an individual or family ever makes, therefore it is very important to fully protect the investment. You and your mortgage lender will want to make sure the property is indeed yours, and that no one else has any lien, claim or encumbrance on your property.

Safe, sound and reliable title insurance provides the basic home ownership protection you need.

What is the Basic Function of a Title Company?

The basic function of a title insurance company is to take steps to minimize the risk that a policyholder will suffer any loss, or be subject to, any adverse claim, as well as to safeguard his ownership of, or claims in, the property. If title problems do arise in spite of this preventative work, title insurance will pay for the costs of defending against an attack on the title as insured, as well as any valid claims.

Who Needs Title Insurance?

Buyers and lenders in real estate transactions need title insurance. Both want to know that the property they are invested in is insured against certain title defects. Title companies provide this needed insurance coverage subject to the terms of the policy. The seller, buyer and lender all benefit from the insurance provided by title companies.

What is the Difference between Title Insurance and Casualty Insurance?

Title insurers work to identify and eliminate risk before issuing a title insurance policy. Casualty insurers assume risks.

Title insurance will indemnify you against loss under the terms of your policy, but title companies work in advance of issuing your policy to identify and eliminate potential risks, preventing losses caused by title defects that may have been created in the past.

Title insurance also differs from casualty insurance in that the greatest part of the title insurance premium dollar goes towards risk elimination. Title companies maintain *"title plants,"* which contain information regarding property transfers and liens reaching back to the time of *"recordkeeping"* by the County Recorder. Maintaining these title plants, along with the searching and examining of title, is where most of your premium dollar goes.

Casualty insurance companies work in a very different manner. Casualty insurance companies realize that a certain number of losses will occur each year in a given category (auto, fire, etc.). The insurers collect premiums monthly or annually from the policy holders to establish reserve funds in order to pay for expected losses.

What Does Title Insurance Insure?

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

What If I am Buying Property From Someone I Know?

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

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

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

The process of risk identification and elimination performed by the title companies, prior to the issuance of a title policy, benefits all parties in the property transaction. It minimizes the chances that adverse claims might be raised, and by doing so, reduces the number of claims that need to be defended or satisfied. This process keeps costs and expenses down for the title company and maintains the traditional low cost of title insurance.

20 Reasons for Title Insurance:

1. Title insurance will protect you against a loss on your home or land due to a title defect.
2. Claims have risen dramatically over the last 30 years.
3. Claims constantly arise due to marital status and validity of divorces.
4. A deed or mortgage may have been made by an incompetent or under-aged person.
5. A deed or mortgage made under an expired Power of Attorney may be void.
6. A deed or mortgage may have been procured by fraud or duress.
7. A deed or mortgage may have been made by a person with the same name as the owner.
8. A child born after the execution of a will may have interest in the property.
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.
11. A judgment regarding the title may be voidable because of some defect in the proceeding.
12. By insuring the title, you can eliminate delays when passing your title on to someone else.
13. Title insurance reimburses you for the amount of your covered loss.
14. Title insurance helps speed negotiations when you're ready to sell or obtain a loan.
15. A deed or mortgage may be voidable if signed while the grantor was in bankruptcy.
16. There may be a defect in the recording of a document upon which your title is dependent.
17. Title insurance covers attorney fees and court costs.
18. Many lawyers protect their clients as well as themselves by procuring title insurance.
19. A title policy is paid in full by the first premium for as long as you own the property.
20. Conveyances and proceedings affecting rights of military personnel protected by the Soldiers' and Sailors' Civil Relief Act.

What are Some Common Title Clearance Problems?

The following items may require added clearance and processing time for title and escrow.

Avoid delays by providing information on your current transaction to title and escrow regarding any of the items listed below:

- Establishing fact of death - i.e., Joint Tenancy
- Power of Attorney
- Physical inspection results, encroachments, or off-record easements known to you
- Liens and judgments known to you
- Child/spousal support liens known to you
- Probates affecting your property
- Bankruptcies affecting your property
- Transfer/loans involving corporations/partnerships on your property
- Last minute changes in buyers
- Last minute changes in type of coverage
- Recent construction
- Family trusts affecting your property
- Business trusts affecting your property
- Property recently foreclosed

Title Insurance
(cont.)

Help Us Stay on Top of Your Transaction!

Will your transaction involve any of the following?

- Is this a short sale?
- Is this an REO?
- Are the principals exchanging (1031) this property?
- Will the principals be using a Power of Attorney?
- Are any of the parties on title deceased?
- Has there been a change in marital status?
- Is there, or will there be, a new entity formed?
  (e.g., Partnership, LLC or any other type of corporation)
- Are the sellers of this property non-residents of California?
- Is the property held in a trust?
- Has the Statement of Information (SI) been returned to escrow?
- Will the property be sold in 2-4 years?
- Has a bankruptcy and/or a discharge been filed?
- Are there loans showing on the prelim that should have been reconveyed?

If you answered *"YES"* to any of these questions, please call your Equity Title Representative.

- Do all parties signing documents have a valid photo ID or driver's license?
  (Note: If *"NO,"* now is the time to apply for a valid ID.)

Please Note: This is a *"short list."* Call your Equity Title Representative if you have additional information that you think may be important, or if you have any questions.

What is the Typical Life of a Title Search?

Escrow Officer opens title orders with title unit.

Customer Service verifies legal and vesting, if needed.

Title sends orders to searching plant.

Computerized property chain and general index runs (Sellers/Buyers).

Searcher examines chain and general index.

Required documents are printed.

Search Hall of Records for manual searching, if necessary.

Examiner examines complete search package and writes Preliminary Title Report.

Word Processing Department types Prelim and enters info into computer system.

Prelim is delivered to escrow and lender.

New documents/demands and Statement of Information submitted to title unit to check for accuracy.

Escrow authorizes recording.

Documents sent to County Recorder.

Documents record and encumbrances of record are paid off. Payoff statements are prepared and sent to escrow.

Title Officer writes title policies.

Word Processing Department prepares final title policies.

Title policies released to client.

Preliminary Title Report

In this section you find out more detailed information about the following:

What is a Preliminary Title Report?

What Role Does a Preliminary Title Report Play in the Real Estate Process?

When and how is the Preliminary Title Report Produced?

What Should I Look for When Reading my Preliminary Title Report?

How do I go about Clearing Unwanted Liens and Encumbrances?

What Elements are Usually Contained in a Preliminary Title Report?

What are Supplements to a Preliminary Title Report and What do the Reports Reflect?

What are some Preliminary Title Report Red Flags to Look out for?

What is a Preliminary Title Report?

A Preliminary Title Report (also referred to as a Prelim or PR) is prepared prior to issuing a policy of title insurance. It shows the ownership of a specific parcel of land, together with the liens and encumbrances thereon which will not be covered under a subsequent title insurance policy.

You will receive a copy of the preliminary report upon completion of the title search.

What Role Does a Preliminary Title Report Play in the Real Estate Process?

A Preliminary Title Report contains the conditions under which the title company will issue a particular type of title insurance policy. The Preliminary Title Report lists, in advance of purchase, title defects, liens and encumbrances, which would be excluded from coverage if the requested title insurance policy were to be issued as of the date of the preliminary report. The report may then be reviewed and discussed by the parties to a real estate transaction and their agents.

Thus, a Preliminary Title Report provides the opportunity to seek the removal of items referenced in the report that are objectionable to the buyer prior to purchase.

When and how is the Preliminary Title Report Produced?

Shortly after escrow is opened, an order will be placed and the title company will begin the process involved in producing the report. This process calls for the assembly and review of certain recorded matters relative to both the property and the parties to the transaction. Examples of recorded matters include a deed of trust recorded against the property or a lien recorded against the buyer or seller for an unpaid court award or unpaid taxes.

What Should I Look for When Reading my Preliminary Title Report?

You will be interested, primarily, in the extent of your ownership rights. This means that you will want to review the ownership interest in the property you will be buying, as well as any claims, CC&Rs (Covenants, Conditions & Restrictions), or interests of other people involving the property. The report will note, in a statement of vesting, the degree, quantity, nature, and extent of the owner's interest in the real property. The most common form of interest is *"fee simple"* or *"fee,"* which is the highest type of interest an owner can have in land.

Liens, restrictions and interests of others, which are being excluded from coverage, will be listed numerically as *"exceptions"* in the Preliminary Title Report. Among other things, these may be claims by creditors who have liens or liens for payment of taxes or assessments. There may also be recorded restrictions that have been placed in a prior deed or contained in what are termed the CC&Rs.

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

How do I go about Clearing Unwanted Liens and Encumbrances?

It is advised that you carefully review the Preliminary Title Report. You and your agent(s) will work with the seller and the seller's agent(s) to clear the unwanted items and encumbrances prior to you taking title.

What Elements are Usually Contained in a Preliminary Title Report?

- The name of the person or firm that requested the Preliminary Title Report.
- The address of the subject property.
- The title company's file number.
- The applicant's file number or reference.
- The most recent date and time that the public records have been researched. In other words, a lien or Deed of Trust recorded after the date shown will not be disclosed on the report.
- The name of the title officer who produced the report and who is able to answer questions about the report.
- The office address and telephone number of the title company issuing the report.
- A paragraph specifying the type of title insurance policy that the report was issued to facilitate.
- A paragraph telling you that in addition to the standard printed exceptions, there will appear in the title policy exceptions which pertain specifically to the estate in question.
- A legal description of the property, which maybe used for preparing any document that will be recorded.
- A copy of the plat map with the property described in the report.

The exceptions to each parcel of land are different due to the unique nature of real property.

Below is a discussion of some of the more common exceptions that you may see during your review of a Preliminary Title Report.

- **Property Taxes** - Annual property tax liens attached to the land.

- **Supplemental Property Taxes** - A transfer of title or any interest therein may trigger a reassessment which could result in a supplemental tax bill being issued.

- **Easements** - Easements are a non-possessory right to use and/or enter onto the real property of another for specific purposes.
- **CC&Rs** - Covenants, Conditions and Restrictions may impose limitations on the uses that may be made of a parcel of land.
- **Deed of Trust** - The Deed of Trust is a security instrument for a lender. The Preliminary Title Report shows the recorded information of the Deed of Trust.
- **Mechanics Lien** - Workmen and suppliers who provide materials and/or labor to a property owner are entitled to use the real property to satisfy the debt. This type of lien also alerts the title company of the possibility of ongoing construction work, which may affect the priority of a new Deed of Trust.
- **Abstract of Judgment** - This type of lien is issued pursuant to a court order for the repayment of a debt.

What are Supplements to a Preliminary Title Report and What do the Reports Reflect?

When a Preliminary Title Report is received, it should be reviewed carefully. At times, there may be additional matters that affect the real property that were not shown on the original report. This could include any new documents that have recorded subsequent to the issuance of the report, such as tax payments that were made after the report was issued, etc.

There may also be additional matters that affect the property that have been found by the title company after a review of the buyer's and/or seller's *"Statement of Information."* All of these matters are generally sent to escrow in the form of a *"Supplemental Report."* Escrow will also be notified of any matters such as a Trust Deed, Reconveyance, Notice of Default, or Notice of Trustee's Sale that are being deleted/eliminated from the original report by means of a *"Supplemental Report."*

Preliminary Title Report
(cont.)

What are some Preliminary Title Report Red Flags to Look out for?

The following are some Preliminary Title Report Red Flags that might cause a problem if they are not addressed prior to closing:

Vesting - If the names on title are different than the seller signatures in the purchase contract, contact your escrow or title officer to see what additional documentation is needed.

Taxes and Assessments - Look to see if payments are current. Be sure that all special assessments have been disclosed.

Deed of Trust - Deeds of Trust that are paid off, but are not reconveyed, require a full reconveyance from the trustee or a court order to remove it from the record.

Identity Matters - Judgments and liens may be eliminated with an identity affidavit or a Statement of Information/ Confidential Information Statement, if they do not affect the party in question. If they do affect the party, but have been paid and not satisfied, a release or satisfaction must be obtained and recorded or filed to eliminate these matters.

Pending Actions - A civil action affecting real property will generally have to be dismissed or withdrawn before clear title to the land can be insured. A pending divorce may not need to be finalized for a sale or loan to close, however there may be special requirements. A probate may have specific requirements too. Please check with your title sales representative or title officer for details.

Maintenance Agreements - Roads, driveways, party walls, and access easements may be affected by joint maintenance agreements, which may require future payments for general maintenance purposes. The title report will show such agreements if one is of record. Be sure to request and read a full copy of the maintenance agreement.

Extended Coverage Matters - If an extended coverage Owner's Policy is requested, an ALTA/ACSM (American Congress on Surveying & Mapping) survey of the property is required by a State Licensed Surveyor.

Legal Description - The legal description should always be compared to the map attached to the Preliminary Title Report. If you previously received a property profile, compare the legal description in the profile to the report. Be sure that all the property being conveyed has been included in the Preliminary Title Report.

Notice of Default - If the seller/owner is behind in payments and the foreclosure process has begun, the sale date may be set three months* after this date.

Notice of Trustee's Sale - This recorded document contains the date, time and place of the sale. If you are the purchaser in this transaction, you should verify that the COE (Close of Escrow) date is scheduled prior to the sale date, or that the sale date has been postponed.

*CFPA (California Foreclosure Protection Act) or ABX2-7.

Statement of Information (SI)

In this section you will have a better understanding of the Statement of Information, including the following:

What is a Statement of Information?

When is the Statement of Information Needed in the Process of the Transaction?

Will the Information I Supply be Kept Confidential?

What Types of Information are Requested in a Statement of Information?

What Happens if a Buyer, Seller or Borrower Fails to Provide the Requested Information?

Sample Statement of Information

What is a Statement of Information?

Upon the opening of escrow, you will be asked to fill out a Confidential Statement of Information as part of the necessary paperwork.

This information is used to distinguish the buyers and sellers of your real property from other similar names and is necessary to be able to deliver clear title to the property.

When is the Statement of Information Needed in the Process of the Transaction?

The California Association of REALTORS® (C.A.R.) Residential Purchase Agreement calls for a Statement of Information to be provided by the seller(s) to the escrow holder within seven days of acceptance.

Will the Information I Supply be Kept Confidential?

The information you supply is confidential and for the title company's use in completing the search of records necessary before any policy of title insurance can be issued, and for the escrow company's use in completing your transaction.

What Types of Information are Requested in a Statement of Information?

The information requested may include, but is not limited to, full name(s); last four digits of your Social Security number; driver's license number; year of birth; date of marriage, if applicable; any previous marriage(s), if applicable; children's names; residence(s) for the past 10 years; and place(s) of employment for the past 10 years.

What Happens if a Buyer, Seller or Borrower Fails to Provide the Requested Statement of Information?

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

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

Sample Statement of Information

Statement of Information

We maintain procedural safeguards that comply with federal standards to protect the confidentiality and security of non-public personal information. This statement will serve to establish identity, eliminate matters affecting persons of similar name, protect you against forgeries, and speed the completion of your title and escrow services. **PLEASE BE SURE YOU HAVE FILLED THIS FORM OUT COMPLETELY; INCLUDING SIGNATURES AND DATE. NOT PROVIDING REQUESTED INFORMATION MAY CAUSE A DELAY IN THE CLOSE OF YOUR TRANSACTION. - THANK YOU -**

ESCROW NO.__________ TITLE ORDER:

NAME__________ SOC.SEC. NUMBER__________
FIRST FULL MIDDLE NAME LAST DRIVER'S LICENSE NUMBER__________

DATE OF BIRTH__________ BIRTHPLACE__________ HOME PHONE__________

YOUR BUSINESS PHONE__________ YOUR CELL PHONE__________ YOUR FAX__________

YOUR E-MAIL__________ SPOUSE/DOMESTIC PARTNER E-MAIL__________

LIVED IN USA SINCE__________ LIVED IN CALIFORNIA SINCE__________

(CIRCLE ONE) NAME OF SPOUSE/ DOMESTIC PARTNER__________ SOC. SEC. NUMBER__________
FIRST FULL MIDDLE NAME LAST DRIVER'S LICENSE NUMBER__________

DATE OF BIRTH__________ BIRTHPLACE__________ PREVIOUS NAME__________

SPOUSE/DOMESTIC PARTNER BUSINESS PHONE__________ CELL PHONE__________ FAX__________

LIVED IN USA SINCE__________ LIVED IN CALIFORNIA SINCE__________

IF MARRIED, OR IN A DOMESTIC PARTNERSHIP, DATE: __________ AT__________
CITY AND STATE

PREVIOUS MARRIAGE(S) OR DOMESTIC PARTNERSHIP(S) (if no previous marriage or domestic partnership, write "NONE"):

(CIRCLE ONE) NAME OF FORMER SPOUSE/DOMESTIC PARTNER__________ DECEASED DIVORCED DATE__________ WHERE__________

(CIRCLE ONE) NAME OF FORMER SPOUSE/DOMESTIC PARTNER__________ DECEASED DIVORCED DATE__________ WHERE__________

(ATTACH ADDITIONAL PAGE, IF NECESSARY)

CHILDREN:
NAME __________ DATE OF BIRTH __________ NAME __________ DATE OF BIRTH __________

NAME __________ DATE OF BIRTH __________ NAME __________ DATE OF BIRTH __________

(ATTACH ADDITIONAL PAGE, IF NECESSARY)

INFORMATION COVERING PAST 10 YEARS.

Residence:	NUMBER AND STREET	CITY	ZIP CODE	FROM	TO
	NUMBER AND STREET	CITY	ZIP CODE	FROM	TO
	NUMBER AND STREET	CITY	ZIP CODE	FROM	TO
Your Employment:	FIRM NAME AND ADDRESS	CITY	ZIP CODE	FROM	TO
	FIRM NAME AND ADDRESS	CITY	ZIP CODE	FROM	TO
	FIRM NAME AND ADDRESS	CITY	ZIP CODE	FROM	TO
Spouse/Domestic Partner Employment:	FIRM NAME AND ADDRESS	CITY	ZIP CODE	FROM	TO
	FIRM NAME AND ADDRESS	CITY	ZIP CODE	FROM	TO
	FIRM NAME AND ADDRESS	CITY	ZIP CODE	FROM	TO

HAVE YOU OR YOUR SPOUSE/DOMESTIC PARTNER OWNED OR OPERATED A BUSINESS?

☐ YES ☐ NO IF SO, PLEASE LIST NAMES__________

I HAVE NEVER BEEN ADJUDGED BANKRUPT, NOR ARE THERE ANY UNSATISFIED JUDGMENTS OR OTHER MATTERS PENDING AGAINST ME WHICH MIGHT AFFECT MY TITLE TO THIS PROPERTY EXCEPT AS FOLLOWS:

____

THE STREET ADDRESS OF THE PROPERTY IN THIS TRANSACTION IS:
The undersigned declare, under penalty of perjury, that the foregoing is true and correct.

Date:__________ X__________
(SIGNATURE)

Date:__________ X__________
(SPOUSE/DOMESTIC PARTNER SIGNATURE)

SAMPLE

California Residential Purchase Agreement and Joint Escrow Instructions (C.A.R. Form RPA-CA, Revised 4/10) States in Paragraph 12(A) pg 4. *"Seller shall within 7 Days After Acceptance give Escrow Holder a completed Statement of Information".*

The Escrow Process

This section will provide you with a better understanding of the escrow process, including the following information:

What is Escrow?

What Does Escrow do?

What Does the Escrow Holder do?

What Does the Escrow Holder not do?

What is the Life of an Escrow?

What is Escrow?

Escrow is a process that provides for a fair and equitable transfer of property between a buyer and a seller whereas both parties to the real estate transaction entrust legal documents and various funds to the escrow holder. The escrow holder in turn has the responsibility of seeing that all the terms and conditions of escrow are carried out before the transfer of any funds or property are exchanged.

Using escrow as a neutral third party, both buyer and seller are assured that all mutually agreed to terms are met before the transaction is completed, therefore minimizing risk.

What Does Escrow Do?

Escrow is a neutral third party that carries out written instructions given by the principals.

This includes:

- Receiving funds and documents necessary to comply with the instructions.
- Completing or obtaining required forms.
- Handling final delivery of all items to the proper parties upon the successful completion of escrow.

The escrow holder must be provided with all the necessary information to close the transaction.

This information may include, but is not limited to, the following:

- Loan documents
- Tax statements
- Fire and other insurance policies
- Title insurance policies
- Terms of sale and any seller-assisted financing
- Requests for payment for various services to be paid out of escrow funds

What Does the Escrow Holder do?

The following items represent a typical list of what an escrow holder does:

- Serves as a neutral third party and the vehicle by which the mutual instructions of all parties are carried out
- Prepares escrow instructions
- Requests a preliminary title search to determine the present condition of title to the property
- Requests a beneficiary's statement if debt or obligation is to be taken over by the buyer
- Complies with lender's requirements specified in the escrow agreement
- Receives purchase funds from the buyer
- Prepares or secures the deed or other documents related to escrow
- Prorates taxes, interest, insurance, and rents according to instructions
- Secures releases of all contingencies or other conditions as imposed on any particular escrow
- Instructs title to record documents at the County Recorder's Office
- Closes escrow when all the instructions of buyer and seller have been carried out
- Requests issuance of the title insurance policy
- Disburses funds as authorized by instructions, including charges for title insurance, recording fees, real estate commissions and loan payoffs
- Prepares final statements for the parties accounting for the disposition of all funds deposited in escrow (these are useful in the preparation of tax returns)

The Escrow Process
(cont.)

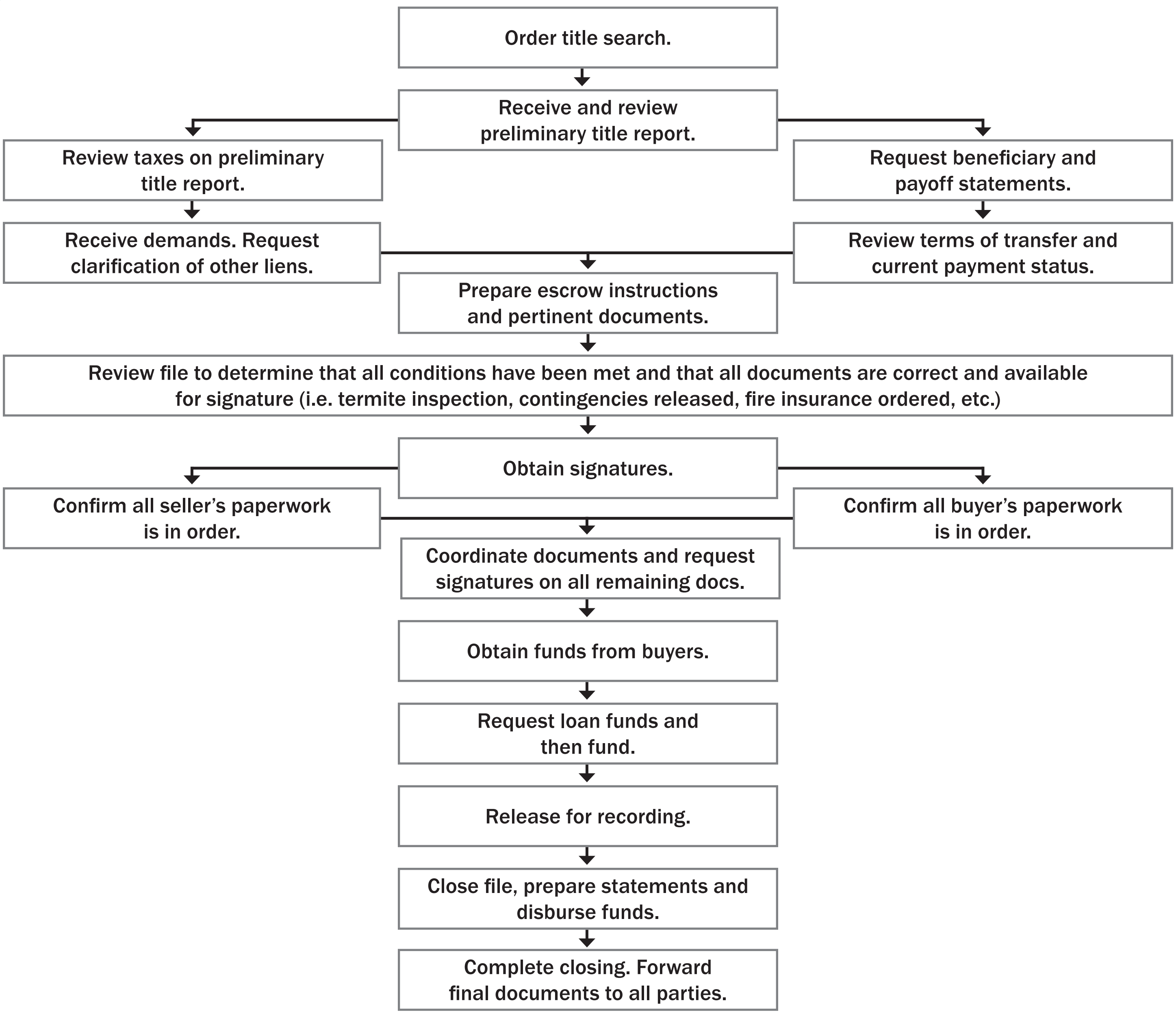
What Does the Escrow Holder not do?

- Offer legal advice
- Negotiate the transaction
- Offer investment advice

When all instructions in the escrow have been carried out, the closing can take place. At this time all outstanding funds are collected and fees, such as title insurance premiums, real estate commissions and termite inspection charges, are paid. Title to the property is then transferred under the terms of the escrow instructions and appropriate title insurance is issued.

What is the Life of an Escrow?

Below is a rough outline of an escrow officer's responsibilities to complete each escrow. Once the transaction is in contract, the contract serves as instructions for the escrow officer. Escrow insures that all title and lender requirements have been met in order to complete the transaction.



The Closing Process

This section will help you to understand the closing process and what to expect at the closing appointment, including:

What Will you Need at the Closing/Signing Appointment?

What Happens at the Closing/Signing Appointment?

Who Pays What?

What is Sub-Escrow?

What is Payoff?

What Will you Need at the Closing/Signing Appointment?

When you sign the documents that need to be notarized, you will need a valid photo identification. Your driver's license is preferred, but passports and military ID should also suffice. You will also be asked to provide your Social Security number for tax reporting purposes.

What Happens at the Closing/Signing Appointment?

The escrow holder will contact you or your agent to schedule a closing or signing appointment, which constitutes nearing *"the close of escrow."*

At the closing/signing appointment, you will be able to review the estimated closing statement and supporting documentation. This is your opportunity to ask questions and clarify terms. You should review the estimated closing statement carefully and report any discrepancies to the escrow officer.

The escrow company is obligated by law to have in receipt the designated funds before releasing any funds.

If you have any questions or foresee a problem, contact your escrow officer immediately.

Who Pays What?

The **SELLER** Closing Costs
may include:

- *"Owner's"* Title Insurance Policy premium
- Escrow fee
- Document preparation fee for deed
- Documentary transfer tax (typically $1.10 per $1,000.00 of sales price)
- City transfer or conveyance tax (defined by contract)
- Any loan fees required by buyer's lender (FHV, VA)
- All loans in seller's name (or existing loan balance if being assumed by buyer)
- Interest accrued to lender, statement fees, reconveyance fees and prepayment penalties
- Termite work (negotiable)
- Home warranty (defined by contract)
- Any judgments, tax liens, etc., against the seller
- Tax proration (for any taxes unpaid at time of transfer of title)
- Any unpaid homeowner's dues
- Recording charges to clear all documents of record against seller
- Any bonds or assessments (defined by contract)
- Any and all delinquent taxes
- Notary fees
- Homeowner's transfer fee
- Messenger fees (if applicable)

The **BUYER** Closing Costs
may include:

- *"Lender's"* Title Insurance Policy premium
- Escrow fee
- Document preparation fee (if applicable)
- Notary fees
- Recording charges for all documents in buyer's name
- Termite inspection (defined by contract)
- Tax proration (from date of acquisition)
- All new loan charges (except those required by lender for seller to pay)
- Interest on new loan from date of funding to thirty days prior to first payment date
- Assumption or change of records fee for takeover of existing loan
- Beneficiary statement fee for assumption of existing loan
- Inspection fees (roofing, property inspection, geological, etc.)
- Home warranty (defined by contract)
- City transfer or conveyance tax (defined by contract)
- Fire insurance premium for the first year
- Messenger fees (if applicable)

Please Note: All of the sellers and buyers closing costs listed are negotiable and are defined by the contract between the two parties.

The Closing Process
(cont.)

What is Sub-Escrow?

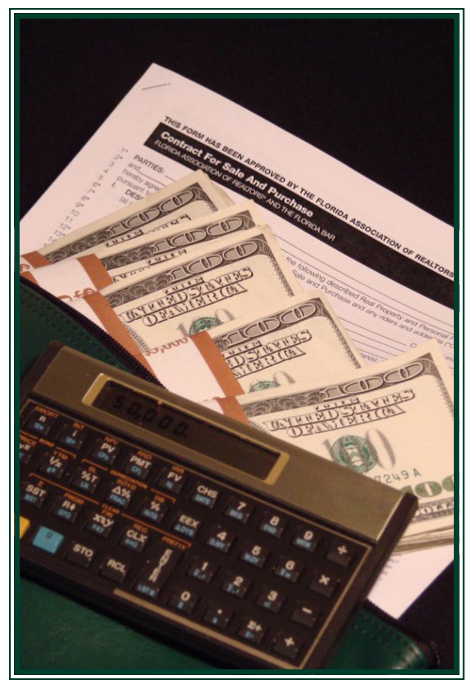
Sub-Escrow Service is provided in connection with an order for title insurance where the title company is providing a disbursement service in support of a primary escrow agent, other than the title company. Equity Title Company pays off existing loans and liens with funds made available through new loans or deposits to the transaction.

Title companies provide this service so that funds are received, documents are recorded, the transaction is closed and money is delivered to payoff existing lenders and lien holders as expeditiously as possible. This process is labor and time intensive.

Local custom, county and state rules and regulations, together with time differences between west coast and east coast financial institutions, all come into play.

Here are a few of the components included in our Sub-Escrow Service:

- Requirement that the instructions of the primary escrow agent and any lender that is being insured be followed to the letter.
- Delivering funds to lien holders in order to place title in the condition called for in the agreement between the seller, buyer and/or lender.
- Delivering funds to primary escrow holder as is required in the transaction. Equity Title Company's Sub-Escrow Service permits timely recorded documents and delivery of existing lender payoff money and seller's proceeds to the primary escrow holder in the least amount of time possible.



What is Payoff?

A Sub-Escrow (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.

The title company's performance of the payoff function, exclusive of escrow services, is unique to Southern California. The majority of title orders require payoff service. The title company's Sub-Escrow department does not draw escrow instructions or documents (e.g. Grant Deeds, Trust Deeds, etc.); it only performs payoff services.

The Sub-Escrow Department does not order demands for payoff, escrow does, but the Sub-Escrow Department does make the payoffs at the close of escrow. Sub-Escrow has a language of its own. The following brief definitions of commonly used terms are intended to answer some of the questions you may have regarding the Sub-Escrow (payoff) function.

Payoff

The receipt of funds from the buyer and the payment of the obligations of the seller in conjunction with a real estate transaction. The payoff function is performed by the title company.

Payoff Fee

Equity Title Company's fee for handling a payoff varies slightly from county to county. The fee is strictly a processing charge and does not cover special handling charges or potential shortages.

Prefigures

Estimated payoff figures are calculated and given to escrow prior to closing, upon request. These figures are only valid through the date given and are based on the information received at that time.

Good Funds

"Good Funds" are funds that are immediately available to the escrow company upon deposit. Equity Title Company must be in receipt of *"Good Funds"* prior to disbursing on a payoff.

Types of *"Good Funds"* include:

- Funds wired into an Equity Title Sub-Escrow account from an FDIC insured bank
- A cashier's check issued from a California bank (may take up to four business days to clear)

Taxes

Outstanding property taxes may be paid out of the payoff process by the title company's Sub-Escrow Department.

Demands

Demands for payoff are the written request for payment from the lending institution and must include specific payoff information concerning the particular property and must be signed. It is the responsibility of the escrow company to timely order and provide all necessary demands, including any updates or changes.

Refunds

Lenders no longer send refunds to title companies; all refunds are sent directly to the borrower so it is important that the borrowers provide an accurate mailing address to the lender.

Shortages

If there is a shortage of funds necessary to cover the outstanding obligations, the shortage funds must be received prior to closing.

Disbursement Checks

Checks are delivered via next day delivery per the demands instructions.

Wire Transfers

Funds may be wired into or out of an Equity Title Sub-Escrow account if so instructed.

Out-of-County Transactions

Equity Title Company may receive and disburse payoff funds through any of our offices.

Congratulations!

We hope this handbook has provided you with the information needed to guide you through the title and escrow process of selling a property.

EQUITY TITLE COMPANY®

Serving all of Southern California...

Experience our excellent reputation of consistently superior, personalized service.

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