



*First American
Title Company*

HOMEBUYERS' HANDBOOK

*What you need to know before you
purchase your home...*

Courtesy of:

First American Title Company

San Joaquin County

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THE RENT YOU PAY...

... COULD BUY YOUR OWN HOME!

Do you realize how much you pay in rent over a period of years? In addition to the monthly payment, you should figure in the amount you would have accumulated had you invested your payments and earned 10% interest. This gives you a total picture of what's happening to your money. The rent you pay adds up to a sizeable sum.

Using the chart below, find your per monthly rent payment and you can determine how much money you are "giving away" in rent and interest over 10, 15, 20 or 30 years... money which could be used to build equity in your own real estate!

<u>Per Month</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>25 Years</u>	<u>30 Years</u>
\$300	\$61,453	\$124,341	\$227,811	\$398,050	\$678,146
350	71,696	145,065	265,779	464,392	797,171
400	81,938	165,788	303,748	530,733	904,195
450	92,180	186,511	341,116	597,075	1,017,220
500	102,422	207,235	379,684	663,417	1,130,244
550	112,665	227,959	417,652	729,758	1,243,268
600	122,907	248,682	455,621	798,100	1,356,293
650	133,149	269,405	493,590	862,442	1,149,317
700	143,391	290,129	531,558	928,783	1,582,341
750	153,634	310,853	569,527	995,125	1,695,366
800	169,876	331,576	607,495	1,061,467	1,808,390
850	174,118	352,280	645,464	1,127,808	1,921,415
900	184,360	373,023	683,432	1,194,150	2,034,439
1,000	194,603	393,766	759,369	1,326,833	2,260,488



Courtesy of First American Title

THE ESCROW

WHO DOES WHAT?

Title Insurance Company

- Takes Opening Instructions
- Issues Escrow Instructions
- Opens Title Order
- Searches Title
- Issues Preliminary Report
- Sends Preliminary Report to Agents
- Requests Demands
- Receives and Accounts Invoices from Third Party Vendors (Termite, Home Warranty, Natural Hazards, etc.)
- Forwards Payoff/Balance to Lender
- Orders Insurance
- Signs buyer on New Loan
- Returns Documents with Insurance and Other Requested Documentation to Lender
- Requests Buyer's Money and New Loan Funds
- Examines Instruments for Validity; Forwards Documents to Recorder
- Requests Recording
- Confirms Recording
- Balances and Issues Statements to Seller and Buyer
- Disburses Money and Paperwork
- Returns Refunds, Insurance
- Issues and Forwards Title Policy

County Recorder

- Records: Deeds, Liens, Loans, Satisfactions, Releases, etc.
- Returns Recordings

New Lender

- Orders Appraisal
- Qualifies Buyer
- Submits Loan for Approval
- Prepares Loan Documents
- Examines Loan Package
- Examines Insurance
- Funds the Buyer's Loan
- Checks Loan for Insurance

Existing Lien Holder

- Issues Demand
- Issues Release
- Returns Refunds if any
- Returns any Insurance Policy



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STEPS IN THE HOME BUYING PROCESS

Start

Initial Interview

Show Property

Offer

(Negotiation)

Contract

Inspections

Buyer

Mortgage Company

(Credit Report)

(Appraisal)

(Verifications)

Underwriting

(Rejection)

Title

(Title Search)

Assemble Papers

Closings

Possession



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HOW MUCH HOUSE CAN WE AFFORD?

Find Gross Monthly Income of Left Column, Read Across to Find Sales Price with Corresponding Interest Rates.

Monthly Gross Income	7.0%	7.5%	8.0%	8.5%	9.0%
2,000	101,000	96,000	92,000	87,000	83,000
2,500	127,000	121,000	116,000	110,000	106,000
3,000	153,000	146,000	139,000	133,000	127,000
3,500	179,000	170,000	162,000	155,000	148,000
4,000	204,000	194,000	185,000	177,000	169,000
4,500	230,000	218,000	209,000	198,000	189,000
5,000	254,000	242,000	230,000	220,000	210,000
5,500	279,000	265,000	253,000	241,000	230,000
6,000	304,000	290,000	276,000	263,000	251,000
6,500	330,000	315,000	300,000	287,000	273,000
7,000	355,000	338,000	322,000	308,000	294,000
7,500	380,000	362,000	345,000	330,000	318,000
8,000	406,000	386,000	368,000	351,000	335,000
8,500	431,000	411,000	391,000	373,000	356,000
9,000	456,000	435,000	414,000	396,000	378,000
9,500	483,000	480,000	438,000	419,000	400,000
10,000	508,000	484,000	460,000	440,000	420,000

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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INFORMATION

NEEDED AT LOAN APPLICATION...

- Picture ID with proof of Social Security Numbers.
- Residence addresses for past 12 years.
- Names and addresses of each employer for the past 2 years.
- Gross monthly salary. (Base only: Overtime and bonus list separate.)
- Names, addresses, account numbers, and balances of all checking and savings accounts – last 2 months of bank statements.
- Names, addresses, account numbers, balances and monthly payments of all open loans.
- Names, account numbers, balances and monthly payments of all credit cards.
- Addresses of other real estate owned.
- Loan information on other real estate owned.
- Estimated value of furniture and personal property.
- Certificate of Eligibility and DD214's (VA only).
- Money for credit report and appraisal.
- W2's for past 2 years and current check stub
- Full divorce decree if applicable.



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THE COST OF HOME OWNERSHIP..

Sales Price	\$ _____
Down Payment	\$ _____
Loan Amount	\$ _____

NON-RECURRING CLOSING COSTS

Credit Report	\$ _____
A L T A Title Policy	\$ _____
Drawing, Recording & Notary Fees	\$ _____
Appraisal Fee	\$ _____
Tax Service Fee	\$ _____
Document Preparation	\$ _____
Loan Discount Points	\$ _____
Loan Origination Fee	\$ _____
V A Funding Fee	\$ _____
Total Non-Recurring Closing Costs	\$ _____

RECURRING CLOSING COSTS

Tax Impounds _____	Months @ \$ _____	Per Month \$ _____
Insurance Impounds _____	Months @ \$ _____	Per Month \$ _____
Insurance 1 st Year _____	Months @ \$ _____	Per Month \$ _____
MMI/PMI Impounds _____	Months @ \$ _____	Per Month \$ _____
Prepaid Interest _____	Months @ \$ _____	Per Day \$ _____

Total Recurring Closing Costs \$ _____

Monthly Payment Summary

Principle And Interest \$ _____	Down Payment	\$ _____
Property Taxes \$ _____	Non-Recurring Costs	\$ _____
Property Insurance \$ _____	Recurring Costs	\$ _____
Mortgage Insurance \$ _____		

Total Monthly Payment \$ _____ **Total Cash Required** \$ _____



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HOUSE PAYMENTS

BASED ON LOAN AMOUNT...

**Find Loan Amount on Left Column.
Read Across to Find Payment With Corresponding
Interest Rates.**

Loan	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%
100,000	665	669	734	769	805	841
120,000	798	839	881	923	966	1,009
140,000	931	979	1,027	1,076	1,126	1,177
160,000	1,064	1,119	1,174	1,230	1,287	1,345
180,000	1,198	1,259	1,321	1,384	1,448	1,514
200,000	1,331	1,398	1,468	1,538	1,609	1,682
220,000	1,464	1,538	1,614	1,692	1,770	1,850
240,000	1,597	1,678	1,761	1,845	1,931	2,018
260,000	1,730	1,818	1,908	1,999	2,092	2,186
280,000	1,863	1,958	2,055	2,153	2,253	2,354
300,000	1,996	2,098	2,201	2,307	2,414	2,523
320,000	2,129	2,237	2,348	2,461	2,575	2,691
340,000	2,262	2,377	2,495	2,614	2,736	2,859
360,000	2,395	2,517	2,642	2,768	2,897	3,027
380,000	2,528	2,657	2,788	2,922	3,058	3,195
400,000	2,661	2,797	2,935	3,076	3,218	3,363
420,000	2,794	2,937	3,082	3,229	3,379	3,532
440,000	2,927	3,077	3,229	3,383	3,540	3,700
460,000	3,060	3,216	3,375	3,537	3,701	3,868
480,000	3,193	3,356	3,522	3,691	3,862	4,026
500,000	3,327	3,496	3,669	3,845	4,023	4,204



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LOAN POINTS...

What is a point?

One point is equal to 1% of the NEW loan amount.

Why do lenders charge points?

Whenever government regulation, state usury laws 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 instruments, the lender must seek some method of increasing the yield for the 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 Loans: Buyer is usually charged with the Loan Origination Fee. The Discount Fee can be paid by the Buyer and Seller.

VA Loans: The Buyer is usually charged with the Loan Origination Fee and the Funding Fee. Discount Fee must be paid by the Seller.

Conventional Loans: Points can be paid by the Buyer, the Seller, or split between the two.

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

Do the number of charged points 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, military requirements or other government borrowing, the result is that money for home mortgages becomes scarce and more expensive and more points can be charged. Points balance the market. Points are not set by government regulation but by each lender individually.



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LOAN POINTS...

On VA loans, is there a 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 a FHA or conventional loan are usually not changed 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 the lowest monthly payments. Sellers receive all cash for their equity to reinvest in a new home or new investment. The purpose of these loans is to provide purchasers the opportunity to buy homes with minimal cash investment, thus providing a bigger market for 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 are generally charged in the geographical area where the loan is made and to the extent of the number of points generally charged in that 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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MORTGAGE RATES...

HISTORY

Date	Rate	Date	Rate	Date	Rate
05-05-53	4.50%	08-20-80	12.00%	09-08-87	10.50%
04-04-58	4.25%	09-22-80	13.00%	02-01-88	9.50%
07-02-59	5.25%	11-24-80	13.50%	04-04-88	10.00%
03-23-66	5.50%	03-09-81	14.00%	05-23-88	10.50%
10-02-66	6.00%	05-08-81	15.50%	12-19-88	10.50%
05-07-68	6.25%	08-17-81	16.50%	06-03-89	10.00%
01-25-69	8.50%	09-14-81	17.50%	07-17-89	9.50%
12-02-70	8.00%	10-12-81	16.50%	02-23-90	10.00%
01-13-71	7.50%	11-16-81	15.50%	11-19-90	9.50%
02-18-71	7.00%	01-25-82	16.50%	02-01-91	9.00%
07-26-73	7.25%	03-02-82	15.50%	07-13-91	9.75%
08-25-73	8.50%	08-09-82	15.00%	11-21-91	8.50%
01-22-74	8.25%	08-24-82	14.00%	04-08-92	8.75%
04-15-74	8.25%	09-24-82	13.50%	11-22-93	7.25%
05-13-74	8.25%	10-13-82	12.50%	01-10-94	7.00%
07-08-74	9.00%	11-15-82	12.00%	04-19-94	8.50%
08-14-74	9.50%	05-09-83	11.50%	04-01-95	8.19%
11-25-74	9.00%	07-08-83	12.00%	05-01-95	7.64%
01-21-75	8.50%	07-11-83	12.50%	06-01-95	7.32%
03-23-75	8.00%	08-01-83	13.50%	07-01-95	7.71%
04-28-75	8.50%	08-23-83	13.00%	08-01-95	7.75%
09-02-75	9.00%	11-01-83	12.50%	09-01-95	7.48%
01-05-76	8.25%	03-21-84	13.00%	10-01-95	7.30%
10-18-76	8.00%	05-28-84	14.00%	12-01-95	7.20%
05-31-77	8.25%	08-13-84	13.50%	02-01-96	7.10%
02-28-78	8.25%	10-22-84	13.00%	04-01-96	7.22%
05-23-78	9.00%	11-21-84	12.50%	06-01-96	7.58%
06-29-78	9.50%	03-22-85	13.00%	08-01-96	7.50%
04-22-79	10.00%	04-19-85	12.50%	10-01-96	7.55%
09-26-79	10.05%	05-21-85	12.00%	12-01-96	7.48%
10-26-79	11.50%	06-05-85	11.50%	02-01-97	7.65%
02-11-80	12.00%	12-13-85	10.50%	04-01-97	7.85%
02-25-80	13.00%	03-03-86	9.50%	06-01-97	7.60%
04-03-80	14.00%	11-21-86	9.00%	07-01-97	7.43%
04-28-80	13.00%	01-19-87	8.50%	01-01-98	6.92%



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ESCROW

WHAT IS IT?

An escrow is created when two or more persons deposit money and/or documents with a third party who holds these items until specific conditions are met. This third party is known as the *escrow agent* or *escrow holder*.

The authority given to an escrow holder is strictly limited by instructions provided by the parties involved. Consequently, an escrow holder acts on mutual instructions deposited into escrow and *does not represent any party*. During the escrow period, the escrow officer is authorized by instructions to allocate funds for items such as real estate commissions, title insurance, liens, recording fees and other closing costs. Instructions also specify the method of collecting funds, prorating issues, time limitations and all the terms of the transaction. The escrow process protects all parties involved by retaining money and documents until the mutual instructions are met.

The statutory definition of escrow is found in Section 17003 of the California Financial Code and reads as follows: “*Escrow*” means any transaction wherein one person, for the purpose of effecting the sale, transfer, encumbering, or leasing of real or personal property to another person, delivers any written instrument, money, evidence of title to real or personal property, or other thing of value to a third person to be held by such third person until the happening of a specified event of the performance of a prescribed condition, when it is then to be delivered by such third person to a grantee, grantor, promisee, promisor, obligee, obligor, bailee, bailor, or any agent or employee of the latter.



Courtesy of First American Title

ESCROW

STEPS FOR SUCCESS...

- When you open escrow, insist on **First American Title Company**. Keep your Escrow Number to use for all future communications.
- Read and understand the Preliminary Title Report. If an item is not understood, phone your escrow officer or title officer.
- Communicate with your escrow officer. She/he must be instructed when to order payoffs, releases, etc. It is important that you keep her/him informed as to loan approval and related issues.
- Inform your escrow officer of any changes. All changes should be in writing. Remember, with rare exceptions, escrow acts only on mutual instructions.
- It is important to understand the fiscal tax year, debits, credits, prepaid interest, impounds, & due and delinquent dates. This information will be easily understood by your escrow officer. Familiarize yourself with “normal” buyer’s and seller’s closing costs.
- Check each signature for accuracy as to middle initials and spelling. Sign exactly as shown on the document. Make sure all required documents are signed and notarized when applicable.
- Double check all papers and documents before returning them to your escrow officer to verify the following:
 1. They are signed properly. Any and all changes are initialed.
 2. The vesting shows as you have requested.
 3. Addresses are supplied for all future correspondence.
 4. Any changes in phone numbers are provided.
 5. Any and all addendum’s are executed.
 6. All funds held by the broker are deposited into escrow.
 7. The closing statements show where proceeds are to be received.
 8. The notary completes the acknowledgement, signs it and places the seal clearly.
 9. Closing funds are by certified cashier’s check or wire.



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STATEMENTS OF INFORMATION

WHAT ARE THEY?

Many people – buyers, sellers and, yes, even Realtors, often ask “Why should we fill out a Statement of Information?”

Did you know that when a policy of title insurance is requested, not only is the property searched for specific items such as easements, taxes and deeds of trust, but a search is also made on the parties selling and buying the property?

Why is this necessary?

Certain types of liens attach to all property a party may own or acquire at a later time. Money judgments, such as state tax liens, federal income tax liens, county welfare liens and other similar matters attach to all property.

Individuals with names similar to the buyer or seller may be involved in such judgments. A Statement of Information that is correctly and fully filled out gives the title company information, such as dates of birth, social security numbers, past places of residence and employment. This will determine whether or not the parties involved in the sale of the property are or ARE NOT the parties involved in the judgments.

It is always better for a title company to call for a Statement of Information in a transaction than to list items that may not even affect the parties in the transaction.

It saves everyone time and money!



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TITLE INSURANCE...

WHAT IS IT?

What is title insurance?

A title insurance policy protects a real estate owner or lender against any loss or damage they might experience because of liens, encumbrances or defects in the title to their property, or of the incorrectness of the related search.

How does title insurance differ from casualty insurance?

Casualty insurers (car, life, health, etc.) assume risk for *future* events. A title policy insures the *past* and present of the real property.

Who needs it?

Purchasers and lenders need title insurance to know that the property they are involved with is insured against various possible title defects. Whether it's a sale, refinance or a construction loan, the seller, buyer and lender all benefit.

What does title insurance cover?

Title insurance protects against claims from various defects such as another person claiming an ownership interest, improper encroachments, easements and other items that are specified in the actual policy.

How is a title policy created?

After the escrow officer or lender opens the title order, **First American Title Company** begins a search of all public records including the Federal and State Agencies as well as County and City Offices. A Preliminary Report is issued to the customer(s) for review and approval. All closing documents are recorded upon escrow's instruction. When recording has been confirmed, demands are paid, funds are disbursed and the actual title policy is typed and sent to the insured.

What types of policies are available?

A standard CLTA "Owner's" Policy insures the new owner (the homebuyer); and an ALTA or CLTA "Lender's" Policy insures the priority of the lender's security interest. **First American Title Company offers its Eagle Policy, which extends the ALTA-R protection to include 10 new coverage's, including, post-policy items, to owners of residential 1-4 unit properties.** Special Binders, Guarantees and Endorsements are also available.



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TITLE INSURANCE

Sources of Trouble...

- False impersonation of the true owner of the land.
- Forged deeds, releases, etc.
- Instruments executed under fabricated or expired Powers of Attorney.
- Deeds delivered after death of grantor or grantee, or without grantor's consent.
- Deeds to or from defunct corporations.
- Undisclosed or missing heirs.
- Misinterpretation of wills.
- Deeds by persons of unsound mind.
- Deeds by minors or aliens.
- Deeds by persons supposedly single but secretly married.
- Birth or adoption of children after date of will.
- Surviving children omitted from a will.
- Mistakes in recording legal documents.
- Want or jurisdiction of persons in judicial proceedings.
- Falsification of records.
- Capacity of foreign fiduciaries.
- Claims of creditors against property sold by heirs or devisees.
- Deeds in lieu of foreclosure given under duress.
- Ultra Vires deed given under false corporate resolution.
- Easements by prescription not discovered by survey.
- Deed of community property recited to be separate property.
- Errors in tax records (e.g. listing payment against wrong property).
- Deed from a bigamous couple.
- Defective Acknowledgement.
- Federal condemnation without filing of notice.
- Descriptions apparently, but not actually, adequate.
- Corporate franchise taxes, a lien on all corporate assets.
- Erroneous reports furnished by tax officials.
- Administration of estates of persons absent but not deceased.
- Undisclosed divorce of spouse who conveys as consort's heir.
- Marital rights of spouse, purportedly but not legally, divorced.
- Duress in execution of instruments.



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TITLE INSURANCE

Obstacles...

The following items require additional clearance and processing time for escrow and title. Avoid delays by providing as much information as you can as soon as possible..

Bankruptcies

Probates

Foreclosures

Establishing Fact of Death (Joint Tenant)

Use & Proper Execution of Power of Attorney

Family Trust

Business Trust

Recent Construction

Physical Inspection Findings
(e.g. Encroachments, Off-Record Easements)

Clearing Liens & Judgments

Clearing Child/Spousal Support Liens

Proper Execution of Documents

Property Jurat's & Notary Seals

Transfers/Loans Involving Corporations/Partnerships

Last Minute Changes in Persons Buying Property

Last Minute Change in Type of Coverage



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PROPERTY TAXES

How the System Works...

Cities & Counties

Provide copies of all building permits issued.

Recorder's Office

Provides copies of all deeds and other instruments.

County Assessor

Assess all real estate and personal property (businesses, boats and airplanes) located throughout the County.

Auditor & Controller

Receives the assessments from the Assessor and applies the appropriate tax rate to determine the actual amount of property taxes owed.

Treasurer/Tax Collector

Mails out the property tax bills, collects the money and deposits it into the County Treasury.

Auditor & Controller

Allocates the money to over 260 local taxing agencies, including the County, Cities, and Schools.



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WAYS OF HOLDING TITLE

This table is for general information only. Before making any decision regarding your title be sure to consult with a real estate professional, attorney or tax advisor.

	Tenancy in Common	Joint Tenancy	Community Property
Parties	Any number of persons (can be husband and wife).	Any number of persons (can be husband and wife).	Only husband and wife.
Division	Ownership can be divided into any number of interests equal or unequal.	Ownership interests must be equal.	Ownership and managerial interests are equal except control of business is solely with managing spouse.
Title	Each co-owner has a separate legal title to his undivided interest.	There is only one title to the whole property.	Title is in the "Community." Each interest is separate but management is unified.
Possession	Equal right of possession.	Equal right of possession.	Both co-owners have equal management.
Purchaser's Status	Purchaser will become a tenant in common with the other co-owners.	Purchaser will become a tenant in common with the other co-owners.	Purchaser can only acquire whole title of community. Cannot acquire a part of it.
Death	On co-owners death his interest passes by will to his devisees or his heirs. No survivorship rights.	On co-owners death his interest ends and cannot be disposed of by will. Survivor owns the property by survivorship.	On co-owners death half belongs to survivor in severalty. Half goes by will to descendents devisees or by succession to survivor.
Successor's Status	Devisees or heirs become tenants in common.	Last survivor owns property in severalty.	If passing by will tenancy in common between devisee and survivor results.
Creditor's Rights	Co-owners interest may be sold on execution sale to satisfy his creditors. Creditor becomes a tenant in common.	Co-owners interest may be sold on execution to satisfy creditor. Joint Tenancy is broken, creditor becomes tenant in common.	Property of Community is liable for contracts of either spouse which are made after marriage and prior to or after January 1, 1975. Co-owners interest can not be sold on execution to satisfy creditor.
Presumption	Favored in doubtful cases except husband and wife case.	Must be expressly stated. Not favored.	Strong presumption that property acquired by husband and wife is community.



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Who Pays What in San Joaquin County

The Buyer generally pays:

One Half (1/2) Title Insurance policy premiums (ALTA Owners)

Lenders Title Insurance Policy

½ Escrow Fee*

Insurance as Required

Notary Fees*

Property Tax Proration
(from date of acquisition)

Special delivery/courier fees, if required

Document preparation fees*

Document recording charges*

Homeowner's Association transfer fee and prorata dues

Home Warranty according to contract

Inspection fees according to contract (termite*, roof, property, etc.)

Matters of record against the buyer (tax liens, judgement, etc.) and fees required to clear them

Lender's new loan charges* / fees associated with loan (appraisal, credit report, impounds, tax service, etc.*

ALTA inspection fee / per contract

Other Prorations (rents, water, insurance, etc.)

Assumption/change of records fee, for takeover of existing loan

The Seller generally pays:

One Half (1/2) Title Insurance policy premiums (ALTA Owners)

Real Estate Commission

½ Escrow Fee*

Documentary Transfer Tax
(\$1.10 per \$1,000 of sales price)

Notary Fees*

Property Tax Proration
(to date of acquisition)

Special delivery/courier fees, if required

Document preparation fees*

Document recording charges*

Homeowner's Association statement fee and prorata dues

Home Warranty according to contract

Work/repairs required according to contract (termite*, roof, property, etc.)

Matters of record against the Property or seller (loans, Tax liens, judgements, etc.) and fees required to clear them (statement fees, reconveyance/Trustee fees and pre-payment penalties)

Bonds & Assessments according to contract

ALTA inspection fee / per contract

Other Prorations (rents, water, insurance, etc.)

***On certain Government loans, these charges may be specified as seller's charges or may not apply**

MELLO-ROOS

THE REAL BENEFITS...

As always, today's families recognize the importance of living in a community that's as desirable as their home itself. MELLO-ROOS enables critical community facilities to be provided whenever they're needed at a lower cost ultimately to homeowners. By doing so, MELLO-ROOS ensures a higher quality of life for every family in that community. Perhaps most of all, MELLO-ROOS helps to preserve the value of your new home investment.

Where did MELLO-ROOS come from?

When Proposition 13 passed in 1978, It severely limited the ability of local governments to use property taxes to construct public facilities and services. As a result, Californians were forced to find new ways to fund public improvements in their respective locations.

The MELLO-ROOS Community Facilities Act of 1982 was co-authored by Senator Henry Mello of the Monterey area and Los Angeles Assemblyman Mike Roos.

Enacted by the California legislature, the Act enabled "Community Facilities Districts" (CFD's) to be established by local governments as a means of obtaining this crucial community funding. Today, the colloquial name for the Facilities Act of 1982 is simply "MELLO-ROOS."

What public facilities are funded by MELLO-ROOS?

School districts are the most common beneficiaries. Because state funds are not available to provide the quality of facilities necessary in every community in California, MELLO-ROOS makes the acquisition of timely financing possible.

How exactly is community funding provided?

Let's say for example, that plans for a new school are approved in your Community Facilities District. To finance the school, tax-exempt municipal bonds are issued.

These public bonds are repaid (or secured) over an extended time through the levy of a special tax (MELLO-ROOS) on properties that benefit from the facility. This tax is usually added to the annual property tax bills (over a 20-25 year period). Commercial and industrial property owners are also subject to MELLO-ROOS.



Courtesy of First American Title

MELLO-ROOS

THE REAL BENEFITS...

How much will I be assessed?

This will vary from one CFD to another. Typically, an adopted formula that relates to the size of a home (square footage or lot size) is used to determine the amount of an individual assessment.

In general, the special taxes and assessments do not exceed 1% to 1.5% of the market value of the new home. Moreover, the total amount of all annual taxes (including property tax) usually does not exceed 2% to 2.5% of the home's market value.

Will my MELLO-ROOS tax increase?

It can. However, this special tax can increase only at a maximum rate of 2% per year over a 25-year period.

On the other hand, it's also possible that the tax will decrease, should State or other funds become available that could be used to reduce existing bond indebtedness, or be used to construct new facilities in lieu of additional bond sales.

Can I choose how to pay for MELLO-ROOS?

Yes. As already mentioned, the special assessment can be added to your property tax bills until your portion of the tax is paid off. A schedule of maximum special tax payments over a period of 25 years is available to homeowners prior to the close of escrow.

Those who purchase a new home also have the option to pay for the MELLO-ROOS tax in its entirety at the time they buy. However, because statistics indicate that the average homeowner in California moves every 7 years, it's often prudent to spread the payments over time.

Why can't builders bear the cost of these facilities?

They can. But ultimately the builder must recover these considerable costs in the form of higher home prices. Commercial construction loans acquired by builders typically incur higher rates of interest than CFD financing, which accrues at significantly lower rates.



Courtesy of First American Title

PROCRASTINATION

A Reluctant Investor's Lament

I hesitate to make a list
Of all the countless deals I've missed;
Bonanzas that were in my grip – I
watched them through my finger's
slip;
The windfalls which I should have
bought
Were lost because I over-thought;
I thought of this, I thought of that,
I could have sworn I smelled a rat,
And while I thought things over twice
Another grabbed them at the price.

It seems I always hesitate,
Then make up my mind much too
late.

A very cautious man am I
And that is why I never buy.

When tracts rose high on Sixth and
Third,
The prices asked I felt absurd;
Whole block fronts – bleak and black
with soot – Were priced at thirty
bucks a foot!
I wouldn't even make a bid,
But others did – yes, others did!
When Tucson was cheap desert land,
I could have had a heap of sand;
When Phoenix was the place to buy,
I thought the climate much too dry.

“Invest in Dallas – that's the sport!”
My sixth sense warned me I should
not.

A very prudent man am I,
And that is why I never buy.

A corner here, ten acres there,
Compounding values year by year,
I chose to think and as I thought,
They bought the deals I should
have bought.
The golden chances I had then,
Are lost and will not come again.

Today I cannot be enticed,
For everything's so overpriced.
The deals of yesterday are dead;
The market's soft – and so's my
head!

Last night I had a fearful dream,
I know I wakened with a scream.
Some Indians approached my bed
– For trinkets on the barrelhead;
(In dollar bills worth twenty-four
and nothing less and nothing
more),
They'd sell Manhattan Isle to me,
The most I'd go was twenty-three.
The redmen scowled: “Not on a
bet!”
And sold to Peter Minuit.

At times a teardrop drowns my
eye,
For deals I had and did not buy.
And now life's saddest words I pen
–

“If only I'd invested then!”

Farm and Land Realtor Magazine~~October 1917



Courtesy of First American Title

CHECKLIST

Before you move...

Tell Everyone You're Moving

- ❑ Post Office.
- ❑ Charge accounts, credit cards.
- ❑ Subscriptions: Notice requires several weeks.
- ❑ Friends and relatives.

Bank

- ❑ Transfer funds, arrange check-cashing in new city.
- ❑ Obtain cashier's check necessary for closing real estate transaction. Be sure to ask your bank if this check is drawn on a California institution.
- ❑ Arrange credit references.

Insurance

- ❑ Notify company of new location for coverage's: life, health, fire and auto.

Utility Companies

- ❑ Gas, light, water, telephone and fuel.
- ❑ Get refunds on any deposits made.

Delivery Service

- ❑ Laundry, newspaper, milk, changeover or other services.

Medical and Dental History

- ❑ Ask Doctor and Dentist for referrals. Transfer needed prescriptions, eyeglasses and X-rays. Obtain birth records, medical records, etc.

Church, Club and Civic Organizations

- ❑ Transfer memberships. Get letters of introduction.

Pets

- ❑ Ask about regulations for licenses, vaccinations, tags, etc.



CHECKLIST

Don't forget to...

- ❑ Empty freezer. Plan use of foods.
- ❑ Defrost freezer and clean refrigerator. Place charcoal to dispel odors.
- ❑ Have appliances serviced for moving.
- ❑ Remember arrangements for TV and antenna. Clean rugs or clothing before moving. Have them moved and wrapped.
- ❑ Check with your moving counselor: Insurance coverage, packing and unpacking labor, arrival day, various shipping papers, method and time of expected payment.
- ❑ Plan for special care needs of infants.

On moving day...

- ❑ Carry enough cash or traveler's checks to cover cost of moving services and expenses until you make banking connections in the new city.
- ❑ Carry jewelry and documents yourself, or use registered mail.
- ❑ Plan for transporting pets. They are poor traveling companions if unhappy.
- ❑ Carry traveler's checks for quick available funds.
- ❑ Let close friends or relatives know the route and schedule you will travel, including overnight stops. Use them as message headquarters.
- ❑ Double-check closets, drawers, shelves to be sure they are empty.
- ❑ Leave all old keys needed by new tenant or owner with Realtor or neighbor.



Courtesy of First American Title

CHECKLIST

At your new home...

- ❑ Obtain services of telephone, gas, electricity, internet provider and water.
- ❑ Check pilot light on stove, water heater, incinerator & furnace.
- ❑ Have appliances checked.
- ❑ Ask the mailman for mail to be held for your arrival.
- ❑ Have new address recorded on driver's license.
- ❑ Visit city offices and register for voting.
- ❑ Register car for new license plates.
- ❑ Obtain city inspection sticker and transfer motor club membership.
- ❑ Apply for state driver's license.
- ❑ Register family in new place of worship.
- ❑ Register children in school.
- ❑ Arrange for medical services; doctor, dentist, etc.



Courtesy of First American Title

GLOSSARY

Terms you may need to know...

AMORTIZED LOAN A loan that is completely paid off, interest and principal, by a series of regular payments that are equal or nearly equal.

APPRECIATION An increase in value of real estate.

ASSUMPTION The taking of title to property by a grantee wherein they assume liability for payment of an existing note secured by a mortgage or deed of trust.

CLOSING The final settlement of a real estate transaction.

CONTRACT FOR DEED A contract ordinarily used in connection with the sale of 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.

CONTRACT OF TITLE A summary or digest of the conveyances, transfers and other facts relied on as evidence of title, together with any other elements of record which may affect the marketability of the title.

CONVENTIONAL MORTGAGE A mortgage securing a loan made by investors without government underwriting (i.e. which is not FHA insured or VA guaranteed).

COUNTER-OFFER A rejection of an offer by a seller along with an agreement to sell the property to the potential buyer on terms differing from the original offer.

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

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 to increase the rate of return to the lender so as to approximate the market level.



Courtesy of First American Title

EARNEST MONEY DEPOSIT Down payment evidenced as good faith.

EASEMENT Created by grant of agreement for a specific purpose, an easement is the right, privilege or interest which one party has in the land of another.

ESCROW The provisions of an agreement or contract; when everything is deposited to enable carrying out of the instruction, it is called a complete or perfect escrow.

FHA LOAN A loan which has been insured by the federal government, guaranteeing its payment in case of default by the owner.

FMHA LOAN A loan insured by the federal government similar to FHA loan usually used for residential properties in rural areas.

FEE APPRAISAL The act or process of estimating values of real estate or any interest therein for a fee.

JOINT TENANCY Joint ownership by two or more persons with right of survivorship. Joint tenants own equal interest and have equal property rights.

LAND CONTRACT A contract ordinarily used in connection with sale of property where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the seller.

LIEN A form of encumbrance which usually makes property security for the payment of a debt or discharge of an obligation. Examples include judgments, taxes, mortgages, deeds of trust, etc.

MARKETABLE TITLE Merchantable 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 a debt or obligation; procedure for foreclosure in event of default is established by statute.



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ORIGINATION FEE A fee charged the borrower by the lending Institution.

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

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.

REAL PROPERTY Land and whatever by nature or artificial annexation is a part of it.

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.

SUBDIVISION A parcel of land that has been divided into smaller parts.

TENANCY IN COMMON Ownership by two or more persons who hold undivided interest without right of survivorship; interests need not be equal.

TERM OF MORTGAGE The period during which mortgage must be paid.

TRUST ACCOUNT An account separate and apart and physically segregated from broker's own accounts, in which broker is required to deposit all funds collected for clients.

VA LOAN A loan guaranteed by the Veteran's Administration.

WARRANTY DEED A deed used to convey real property which contains warranties of title and quiet possession, and the grantor agrees to defend the premises against the lawful claims of third persons.



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