Borrower's Guide

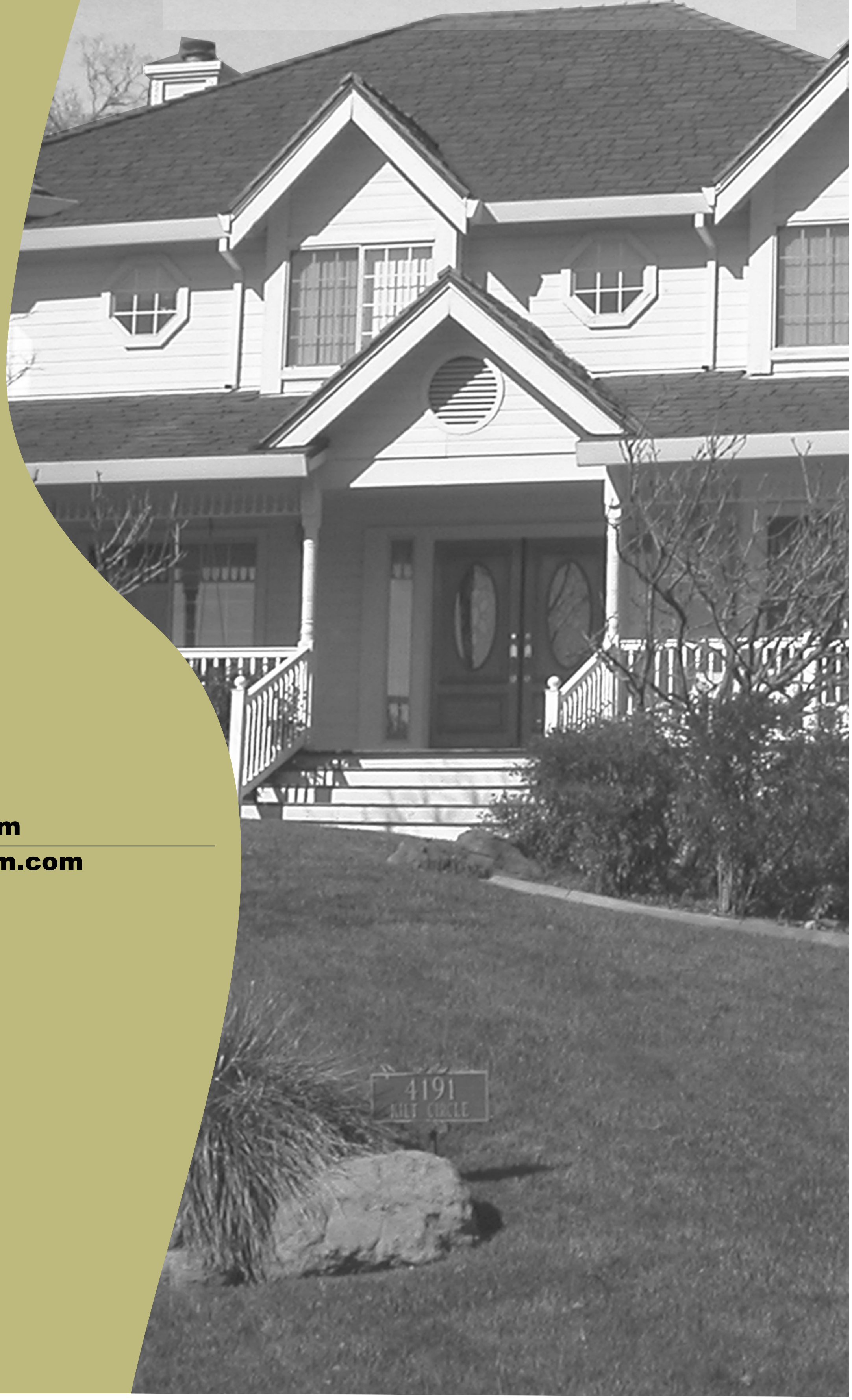

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Table of Contents

Selecting Your Lender

A very important part of purchasing a home is finding the right lender. Listed below are ways to choose a lender and characteristics you should look for when employing a lender.

Questions to Consider When Selecting Your Lender...

- What is his or her reputation within the community? Do they have references?
- Is the company well known in the area? How long has the company been in business?
- Is the lender a mortgage broker? Does the lender have access to a wide variety of loan programs?
- Can the interest rates be locked in and for how long? Is there a charge?

What NOT To Do When Looking For Your Lender...

- Do not call around asking for interest rate quotes.
- Rates quoted over the phone are rarely locked prices. This is one way the lender gets you to come into his/her office. Rates can be subject to change unless they are predetermined for a specific period of time.
- Interest rates can change daily. A quote you get today may not be available at the same price tomorrow.
- The interest rate you are quoted over the phone by a lender who knows nothing about you, may not be a program that fits your needs or qualifications.
- Do not agree to loan terms that you do not understand. A quality Loan Representative will explain rates and terms to your satisfaction.

The Loan Process

Step 1. The Application

The key to the loan process going smoothly is the initial application interview. At this time, the lender obtains all pertinent documentation so unnecessary problems and delays can be avoided.

Step 2. Requesting Documentation

Within 24 hours of application, the lender requests a credit report, an appraisal on the property, verifications of employment, mortgage or landlord ratings, a preliminary title report, picture ID, Certificate of Eligibility and DD214 (VA only), and any other necessary supporting documentation.

Step 3. Loan Submission

Once all the necessary documentation is in, the loan processor puts the loan package together and submits it to the underwriter for approval.

Step 4. Loan Approval

Loan approval generally takes anywhere from 24 to 72 hours. All parties are notified of the approval and any loan conditions must be received before the loan can close.

Step 5. Documents are Drawn

Within 1 to 3 days after the loan approval, the loan documents (including the note and deed of trust) are completed and sent to Chicago Title. The Escrow Officer calls the borrowers to come in when the papers are ready for final signature. At this time, the borrowers are told how much money if any, they will need to bring in to close the loan.

Step 6. Funding

Once all the parties have signed the loan documents, they are returned to the lender, who reviews the package. If all the forms have been properly executed, the funds are transferred by wire.

Step 7. Recordation

When Chicago Title receives the funding check from the lender, they make the lender's security for the loan a matter of public record. They do this by recording the note and deed of trust at the county recorder's office. Escrow is now officially closed.

Step 8. Congratulations, you have completed your refinance!

Types of Loans

- **Adjustable Rate Mortgage**
  Adjustable rate mortgages have an interest rate that is adjusted at certain intervals based on a specific index during the life of the loan.
- **Balloon Payment Loan**
  A fixed rate loan that is amortized over 30 years but becomes due and payable at the end of a certain term. May be extended or may roll-over into another type of loan.
- **Buy-Down Loan**
  Buy-Down loans are fixed rate loans where the interest rate and the payment are reduced for a specific period of time by passing the interest up front to subsidize the lower payment.
- **Community Home Buyer's Program**
  A fixed rate loan for first time home buyers with a low down payment, usually 3-5%, no cash reserve requirement and easier qualifying ratios. Qualifcation is subject to borrowers meeting income limits and attendance of a four hour training course on home ownership.
- **Conventional Loan**
  Conventional loans are sometimes more lenient with the appraisal and condition of the property. When you are buying a "fixer upper" you may need to use a conventional loan.
- **FHA Loan**
  FHA loans are insured by the Federal Housing Administration under H.U.D. They offer a low down payment and are easier to qualify for than conventional loans.
- **Fixed Rate Loan**
  A fixed rate loan has one interest rate that remains constant throughout the life of the loan.
- **Graduated Payment Mortgage**
  A fixed rate loan that has payments starting lower than a standard fixed rate loan, which then increases by a predetermined amount each year for a set number of years.
- **Mortgage Credit Certificate**
  A first time homebuyer program is subject to purchase price and income limits in some areas. It is actually a special tax credit and assists the buyer in qualifying for many loan programs.
- **Non-Qualifying Loan (Assumable)**
  Non-Qualifying loans are pre-existing loans which can be assumed by a buyer from the seller of a property without going through the qualifying process. The buyer pays the seller for their equity and then starts making payments.
- **VA Loan**
  VA loans are guaranteed by the Veterans Administration. A veteran must have 180 days of active service. The maximum VA loan is currently $203,000 with no down payment.

Mortgage Loan Checklist

In order to expedite the mortgage loan process, please be sure that you bring everything you need in order to make your appointment go as smooth as possible.

- ☐ **Copy of Driver's License and Social Security Card (FHA only)**
- ☐ **Residence History**
  - Past 24 months of residence with complete addresses
  - Length of time you lived at each residence
  - Name and address of landlord (if currently renting)
- ☐ **Employment History**
  - Most recent pay check stubs representing one month
  - Employers for the past two years with complete addresses
  - Dates of employment of each place
  - Two years of W-2s (most recent)
  - Two years of tax returns with all schedules and signed in blue ink (most recent)
  - Year-to-date profit and loss statement and current balance sheet (only if self-employed)
  - If there have been any gaps in your employment, be prepared to explain
- ☐ **Loans and Credit Cards**
  - Creditor's names and addresses
  - Account numbers
  - Current total balances you owe
  - Monthly installments, payments and how many months are left to pay
- ☐ **Accounts**
  - Name and address of each financial institution
  - Three months of bank statements for all accounts
  - All account numbers
  - All current balances and values
- ☐ **Current Real Estate**
  - Property addresses
  - Estimated market values
  - Outstanding loan balances
  - Amount of monthly payments
  - Amount of monthly rental income, if applicable
- ☐ **Personal Property**
  - Net cash value of your life insurance
  - Year, make, and value of your automobiles
  - Value of your furniture and other personal property
- ☐ **If applicable for the following:**
  - Interlocutory and Final Divorce Documents
  - Award letter and most recent check from Social Security, Retirement or Pension income
  - Copy of front and back Alien Registration Card of H1 Visa (if not a U.S. Citizen)
  - Certificate of Eligibility & DD214 (VA Only)
  - Copy of School Diploma/Transcripts (if employed for less than 2 years and/or recently out of school)
  - Copy of pink slip on any auto purchased within the last 3 years which does not have a loan balance.
- ☐ **Check for appraisal and credit report fees**

Closing Costs

Listed below are some typical closing costs you, as the borrower, may incur as part of your loan transaction. When you apply for a loan, you will receive a Good Faith Estimate of closing costs and settlement charges, along with a booklet that will explain these costs.

Appraisal Fee:
This is a one time fee. The appraisal is made by an independent fee appraiser.

Credit Report Fee:
A one time fee that covers the cost of the credit report.

Document Preparation Fee:
There may be a separate fee that covers the preparation of the final legal papers.

Loan Discount:
A one time fee used to adjust the yield on the loan to what market conditions demand. It is often called "points."

Loan Origination Fee:
The Lender's administrative costs in processing the loan are covered by this fee.

PMI Premium:
You might be required to pay an up front fee for mortgage insurance, depending on the amount of your down payment. Lenders may also require monies be placed into a reserve account held by them.

Prepaid Interest:
Depending on the time of month your loan closes, this per diem charge may vary from a full month's interest to that of a few days. If your loan closes at the end of the month, you may pay interest for only a day or so.

Taxes and Hazard Insurance:
You may be required to reimburse the seller for property taxes, prorated depending on the month in which you close. You will also need to pay a year's hazard insurance premium up front. Also, you might be required to put a certain amount for taxes and insurance into a special reserve account held by the lender.

Title and Escrow Fees:
Generally each party is responsible for cost or fees incurred on their behalf unless otherwise negotiated. Some common exceptions include title policy and escrow fees, city and county transfer fees and real estate commissions. Please refer to your Loan Agent for prevailing customs in the area.

What Do You Need to Know About Escrow?

What is Escrow?

Escrow is the process by which the interests of all parties in a refinance transaction are protected, ensuring that all conditions of the loan have been met before any money changes hands.

Escrow is an independent depository wherein all funds, instructions, and documents for the refinance of your home are held, including your lender's funds, documents for the new loan and hazard and title insurance. At the close of escrow, the "Escrow Holder" delivers these items to the appropriate parties, disburses the funds, and handles the associated paperwork.

What Does an Escrow Holder Do?

The Escrow Holder is a neutral third party, such as Chicago Title, that maintains the escrow account and impartially oversees the escrow process ensuring that all conditions of the refinance are properly met.

The Escrow Holder's Duties Include:

- Serving as the neutral agent and the liaison between all parties involved.
- Requesting a preliminary title search to determine the status of title to the property.
- Requesting a payoff demand from beneficiaries when the borrower is paying off debts.
- Complying with the Lender's requirements as specified in their instructions to escrow.
- Securing releases of all contingencies or other conditions imposed on the escrow.
- Preparing or securing the deed and other documents related to escrow.
- Prorating taxes, interest, insurance, and rents.
- Preparing escrow instructions.
- Receiving loan funds from the lender.
- Closing the escrow pursuant to instructions supplied by the borrower and lender.
- Recording the deed and any other documents.
- Disbursing funds as authorized by the instruction including charges for title insurance, recording fees, credit cards and loan payoffs.
- Preparing final statements for all parties involved that account for the disposition of all funds held in the escrow account.
- Requesting a Chicago Title Policy.

What Do You Need to Know About Escrow? (cont'd)

Opening the Escrow

Your Loan Officer or mortgage broker may open the escrow for you. At the opening of escrow, you may be asked to provide identification information such as your birth date and social security number. This information remains confidential.

The Loan Process

After selecting your Lender and escrow is opened,your Escrow Officer will order demands and a preliminary title report, while the lender prepares and reviews the documents you have submitted. It is very important for you to provide complete information on each loan against your property as soon as possible so your Escrow Officer can order loan payoff demands. The information should include the name of the Lender, the lender's address, phone number and the loan number. If any of the loans are not being paid off, but subordinating, you need to inform your Escrow Officer immediately. When your loan is approved, the loan documents are sent to your Escrow Officer. Your Escrow Officer will then prepare you escrow instructions.

Signing Escrow Instructions

Your Escrow Officer or Loan Agent will contact you to make an appointment to sign your escrow instructions and final loan papers. Your Escrow Officer will tell you if any amount of money is due (in addition to your funds) to complete the refinance. This amount will include "closing costs" such as appraisal fees, loan fees, escrow charges, advance payments on property taxes and homeowner's insurance, the title insurance premium and the like.

Your Appointment

Before coming to sign escrow papers, make sure you have done the following:

- **Identify all your Lender's requirements** and make sure you have satisfied them. Your Loan Officer can assist you.
- **Obtain hazard/fire insurance**. Once your loan is approved, call your Escrow Officer with the insurance agent's name and telephone number. Your Escrow Officer will verify whether the policy meets your lender's requirements or not. You must have your policy in place before the lender will send your loan funds to escrow.
- **Obtain and bring with you a cashier's check or certified check** issued by a California institution, made payable to Chicago Title in the amount indicated to you by your Escrow Officer when you make the appointment to sign your escrow instructions. A personal check or out-of-state check could delay the closing.
- **Bring either your valid driver's license or passport** to your appointment so that your Escrow Officer or Notary Public can verify your identity.
- Before your appointment, you must **decide how you wish to hold title** to your home. We suggest you consult an attorney, tax consultant or other qualified professional.

After the Sign-off

After you have signed your escrow instructions and loan documents, your Escrow Officer will return them to your Lender for final review. The review usually occurs within a few days, after which the lender advises the Escrow Officer that they are ready to fund the loan. If all the conditions of the escrow have been satisfied, your Escrow Officer will inform you of the day escrow will close and will take care of the technical and financial details.

After the Close

After your existing loan is paid off, your Lender is required by law to issue a full reconveyance (release of their loan). The deed of reconveyance will be recorded and the original returned to you.

Proceeds

Your Escrow Officer will prepare a final settlement statement and issue you a check if there are any funds left in escrow. This will be available to you once the refinance is completed, documents are recorded and the escrow is closed.

The Life of an Escrow

It all begins with the offer and acceptance skillfully negotiated by the Real Estate Agents representing Buyer and Seller.

The Borrower(s)

Research and select Lender.

Applies for a loan, completing all required forms and often prepaying certain fees such as credit report and appraisal reports.

Approves the Preliminary Title Report.

Approves and signs the escrow instructions, new loan documents and other related instruments required to complete the transaction.

Fulfills any remaining conditions specified in the contract, lender's instructions and/or the escrow instructi ns.

Deposits sufficient funds if necessary into escrow to pay the remaining closing costs.

The Lender

Accepts the new loan application and other related documents from the borrowers and begins the qualification process.

Orders and reviews the property appraisal, credit report, verification of employment, verification of deposit, preliminary title report and other related information.

Submits the entire package to the loan committee and/or underwriters for approval. When approved, loan conditions and title insurance requirements are established.

Informs borrowers of loan approval, terms and commitment, expiration date and provides a good faith estimate of the closing costs.

Sends the new loan documents and instructions to Chicago Title for borrowers' approval and signature.

Reviews and approves the executed loan package and coordinates the loan funding with the Escrow Officer at Chicago Title.

The Escrow Officer

Receives an order for the title and escrow services for Chicago Title.

Orders the title search and examination on the subject property. Acts as the impartial "stakeholder" or depository, in fiduciary capacity, for all documents and monies required to complete the transaction.

With authorization from the borrowers, orders demands on existing Deeds of Trust and liens or judgements, if any. For an assumption or subject to loan, orders the beneficiary's statement or the formal assumption package.

Reviews documents received in the escrow: Preliminary Title Report, payoff or assumption statements, new loan package, and other related instruments. Reviews the condition in the lender's instructions, including the hazard and title insurance requirements.

Prepares the escrow instruction and required documents, together with a preliminary estimate of settlement charges for the borrowers.

Presents the instructions, documents, statements, loan package and other related documents to the borrowers for approval.

Reviews the signed instructions and documents, returns the loan package, and requests the Lender's funds.

Receives the balance of funds required from the borrowers (if any) and/or the proceeds of the loan from the Lender.

Determines when the transaction will be in the position to close and advises Lender and borrowers.

Assisted by title personnel, records the deed of trust and other documents required to complete the transaction with the County Recorder and orders the title insurance policy.

Closes the escrow by preparing the final settlement statements, paying off the existing encumbrances and other obligations. Delivers the appropriate statements, funds and remaining documents to the Lenders and borrowers.

What is Title Insurance and Why Do You Need It?

The deed to your new home is not enough to ensure clear title; it is merely an instrument whereby the seller transfers right of ownership to you. It doesn't prove that the person described as the seller is actually the clear owner, and it does not eliminate claims or rights that others may have in the property. You cannot determine from the deed what rights, liens or claims may be outstanding against your title.

You should be protected against any undiscovered claims that may arise in the future to threaten your title. A title insurance policy from Chicago Title Insurance Company provides this twofold protection in accordance with your instructions and within the parameters of the policy.

Although your mortgage lender will most likely have a title insurance policy for your loan with them, it only protects the lender's interest in the property, not your investment, and it decreases as the mortgage is paid off. You need an owner's title insurance to protect your ownership for the full amount you paid for the property.

How Does it Work?
Chicago Title conducts a thorough search and evaluation of the Public Records, looking for situations that may cloud the title to your new home, such as:

- Are all taxes and special assessments paid?
- Does anyone have special rights to the property that would limit your ownership?
- Has the death of a former owner or the filing of a will affected title to the property?
- Are there undisclosed heirs or spouses of the seller?
- Are there any lawsuits or claims recorded against the property itself, or suits or judgements filed against the seller?

What about hidden risks?
Claims that cannot be discovered by examination of the Public Records are called "hidden risks" which could arise long after you've purchased the property.

Here are just a few of the most common hidden risks that can cause a loss of title or create an encumbrance on title:

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

What about premiums?
Unlike most forms of insurance, you would only pay for a Chicago Title Insurance policy only once, and this relatively modest charge insures your title for as long as you or your heirs own the property.

Title Insurance:
By obtaining a Chicago Title policy, you are backed by the strength and security of the nation's largest title insurer.

What is the Preliminary Title Report?

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

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

A Preliminary Title Report provides a list of the matters which will be shown as exceptions to coverage in a designated policy or policies of title insurance, if issued currently, covering a particular state or interest in land. It is designated to provide an interim, or "preliminary" response to an application for title insurance and is intended to facilitate the issuance of the designated policy or policies. It is normally prepared after application (order) for such policy(ies) of title insurance on behalf of the principals to a real property transaction, for the purpose of facilitating requirements relative to closing and policy issuance in form and content approved by those parties.

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

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

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

How You Take Title...

Advantages and Limitations

Title to real property in California may be held by individuals, either in Sole Ownership or in Co-Ownership. Co-Ownership of real property occurs when title is held by two or more persons. There are several variations as to how title may be held in each type of ownership. The following brief summaries reference eight of the more common examples of Sole Ownership and Co-Ownership

.Sole Ownership

1. **A Single Man/Woman**
   A man or woman who is not legally married. Example: John Doe, a single man.

2. **An Unmarried Man/Woman**
   A man or woman, who having been married is legally divorced. Example: John Doe, an unmarried man.

3. **A Married Man/Woman, as His/Her Sole and Separate Property**
   When a married man or woman wishes to acquire title in his or her name alone, the spouse must consent, by quitclaim deed or otherwise, to transfer thereby relinquishing all right, title and interest in the property. Example: John Doe, a married man, as his sole and separate property.

Co-Ownership

4. **Community Property**
   The California Civil Code defines community property acquired by husband and wife, or by either. Real property conveyed to a married man or woman is presumed to be community property, unless otherwise stated. Under community property, both spouses have the right to dispose of one half of the community property. If a spouse does not exercise his/her right to dispose of one-half to someone other than his/her spouse, then the one-half will go to the surviving spouse without administration. If a spouse exercises his/her right to dispose of half, that half is subject to administration in the state. Example: John Doe and Mary Doe, husband and wife, as community property.

5. **Joint Tenancy**
   A joint tenancy state is defined in the Civil Code as follows: "A joint interest is one owned by two or more persons in equal shares, by a title created by a single will or transfer, when expressly declared in the will or transfer to be a joint tenancy." A chief characteristic of joint tenancy property is the right of survivorship. When a joint tenant dies, title to the property immediately vests in the surviving joint tenant(s). As a consequence, joint tenancy property is not subject to disposition by will. Example: John Doe and Mary Doe, husband and wife, as joint tenants.

6. **Tenancy in Common**
   Under tenancy in common, the co-owners own undivided interests; but unlike joint tenancy, these interests need not be equal in quantity or duration, and may arise at different times. There is no right of survivorship; each tenant owns an interest which, on his or her death, vests in his or her heirs or devisees. Example: John Doe, a single man, as to an undivided 3/4ths interest, and George Smith, a single man, as to an undivided 1/4th interest, as tenants in common.

7. **Trust**
   Title to real property in California may be held in a title holding trust. The trust holds legal and equitable title to the real estate. The trustee holds title for the trustor/beneficiary who retains all of the management rights and responsibilities.

8. **Community Property with Right of Survivorship**
   Community Property of a husband and wife, when expressly declared in the transfer document to be community property with the right of survivorship, and which may be accepted in writing on the face of the document by a statement signed or initialed by the grantees, shall, upon the death of one of the spouses, pass to the survivor, without administration, subject to the same procedures as property held in joint tenancy.

The preceding summaries are a few of the more common ways to take title to real property in California and are provided for informational purposes only. For a more comprehensive understanding of the legal and tax consequences, appropriate consultation is recommended. There are significant tax and legal consequences on how you hold title. We strongly suggest contacting an attorney and/or CPA for specific advice on how you should actually vest your title.

Common Ways to Hold Title

	Parties	Division of Interest	Title	Possession	Conveyance
Community Property	Only Husband and Wife	Ownership & management of property is equal	Title is in the community property & each interest is separate but management is unified	Both co-owners have equal management and control	Require written consent of other spouse or actual conveyance by deed. Separate interest is devisable by will.
Community Property w/ Right of Survivorship	Only Husband & Wife should sign the acquisition deed to accept this special form of vesting title	Ownership & management of property is equal	Title is in the community property subject to special survivorship right	Both co-owners have equal management and control	Require both spouses to join for valid conveyance except for security for attorney fees
Joint Tenancy	Any number of persons can be Husband & Wife alone or with others. No corporations, no partnerships	Interests are equal and undivided. Yet each person controls his/her own interest.	Ownership is joint. Sale by one severs tenancy as to others	Equal right of possession	Conveyance by one owner severs the joint tenancy, but only as to that owner's interest
Tenancy in Common	Any number of persons and/or corporations and partnerships	Ownership can be divided into any number of interests, equal or unequal	Each co-owner has a separate legal title to his/her undivided interest	Equal right of possession	Each co-owner's interest may be conveyed separately by its owner
Partnerships	Any number of persons and/or corporations & partnerships MUST be at least two	Each partner's share is personal property in partnership entity	Ownership is by partnership entity only	Possession by partnership by managing partner(s)	Conveyance MUST be by designated general partners. All limited partners need to consent if sale is 100% of assets
Trust Arrangements	Any individual, group, partnership of corporations. Other special requirements	Ownership is a personal property interest & can be divided into any number of interests	Title is held by trustee or trustees pursuant to the trust agreement	Depends on provision in trust agreement	Designated parties in the trust instrument authorize the trustee to convey property. Also a beneficiary's interest may be sold separately (as personal property) unless restricted
Community Property Trusts	Only Husband & Wife	Property retains its character of community property	Title is held by trustee or trustees pursuant to the trust agreement	Depends on provision in trust agreement	By the trustee pursuant to the powers contained in the trust instrument

Disclaimer: The comparisons shown above are provided for informational purposes only. This chart should NOT be used to determine how you acquire your ownership in the property. It is strongly recommended that you seek professional advice from an attorney and/or your tax advisor to determine the legal and tax consequences of how your title should be vested.

	Purchaser's Status	Effect of Death	Successors' Status	Creditor's Rights	Presumptions
Community Property	Purchaser can only acquire 100% of title of community. Both spouses must consent or convey. Cannot be a co-owner with his/her spouse	On the death of the first spouse, half interest belongs to the surviving spouse. Other half interest is devisable by will, or passes by succession under probate statutes	If the first spouse's interest is devised by will or passes by succession, remaining spouse and devises or heirs hold title as tenants in common	Property of the community is liable for debts of either spouse made before or during marriage. Entire property may be sold at execution sale to satisfy debt of either spouse	Strong presumption that any property acquired by either husband or wife during marriage is community property
Community Property w/ Right of Survivorship	Purchaser can only acquire 100% of the title. Both spouses must convey. Cannot be a co-owner with his/her spouse	On the death of the first spouse, the individual half interest passes to the surviving spouse, just the same as joint tenancy. No separate interest is devisable by will.	Due to surviving right, the surviving spouse owns 100% of the title	Property of the community is liable for debts of either spouse made before or during marriage. Entire property may be sold at execution sale to satisfy debt of either spouse	Property is specifically stated in the deed to be community property with right of survivorship
Joint Tenancy	Purchaser will become a tenant in common with the other co-owners in the property as to the purchaser's interest. Other owners may remain joint tenants	Upon each owner's death, his/her interest passes to the remaining survivors by operation of law. Such interests are not devisable by will	Unless joint tenancy is broken, last surviving joint tenant owns entire property interest, which is now devisable by will	Each owner is subjected to execution sale to satisfy debt. Joint tenancy is broken. Buyer at sale (usually Creditor) becomes tenant in common with other owners	Must be expressly stated that property acquired as joint tenancy
Tenancy in Common	Purchaser will become a tenant in common with the other co-owners in the property	Each owner's interest is devisable by will or passes by succession under probate statutes. No right of survivorship	Heirs or devisee become tenants in common with other owners	Each owner's interest is subject to execution sale. Buyer at sale (usually Creditor) becomes tenant in common with other owners	When conveyance is unclear, tenancy in common is presumed, unless community property presumptions apply
Partnerships	Purchaser acquires interest that partnership owned	Partners share in partnership is devisable by will or succession under probate statutes. May cause a dissolution of partnership dependent on terms of partnership agreement	Heirs or devisee have rights in partnership interest but not in specific property	Partnership real property only subject to execution sale by partnership creditor. If debt of individual partner, only that Partner's share (personal property) is subject to execution sale	Should be clear from conveyance that grantees have status. If not, could be found to be tenants in common
Trust Arrangements	Purchaser acquires interest held by the trustee. Beneficiary's interest may be conveyed separately (as personal property) unless restricted	Depends on terms of trust instrument. Death of trustee may terminate of convert trust to other arrangements. Successor beneficiaries may be named in the trust instrument	Depends on terms of trust instrument. Trust may terminate or other trust arrangements may be created	Creditor needs to obtain a final court order for any execution sale of the beneficial interest of an order to have specific trust property to be sold to satisfy the debt	Trust arrangement is ONLY created by written instrument. Conveyance MUST be to trustee of the trust. The trust itself is NOT a legal entity capable of holding title
Community Property Trusts	Purchaser acquires the interest held by the trustee	Trust instrument may provide for distribution on death of first spouse's half interest. May be devisable by will. Surviving spouse may elect to have his/her interest put under testamentary trust. Seek advice of counsel	Distribution depends on the terms of the trust instrument	Creditor needs to obtain final court order for execution sale to satisfy debts of either or both spouses	Property is still presumed to be community property. Status may change upon death, dissolution of marriage, revocation of the trust

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Impound Chart

Funding Month	First Payment Due	Impound Account
January	March	6 months
February	April	7 months
March	May	2 months
April	June	3 months
May	July	4 months
June	August	5 months
July	September	6 months
August	October	7 months
September	November	8 months
October	December	9 months
November	January	4 months
December	February	5 months

First Installment taxes must be paid for any loan funded after November 1.
Second Installment taxes must be paid for any loan funded after March 1.

First Installment Due: November 1 (Delinquent: December 10)
Second Installment Due: February 1 (Delinquent: April 10)

Real Property Tax Dates & Tax Information

- **March 1**
  Assessment Date.

  Taxes become a lien at 12:01 a.m. Not yet due and payable for the Fiscal Tax Year starting July 1. Thereafter title evidence must show taxes as a lien for the coming Fiscal Tax Year.

- **April 15**
  Last day to file for 100% Veterans or Homeowner's exemption.

  To be eligible for applicable exemptions you must own and occupy property on March 1.

- **July 1**
  Current fiscal tax year begins.

- **November 1**
  1st Installment Due.
  (First Installment- July 1 to December 31)

- **December 1**
  Last day to file for 80% Veterans or Homeowner's exemption.

- **December 10**
  1st Installment becomes delinquent at 5 p.m.

  10% penalty added to taxes due. If December 10th falls on a week end or holiday, taxes are not delinquent until 5 p.m. the next business day.

- **January 1**
  Calendar year begins.

- **February 1**
  2nd Installment Due.
  (Second Installment - January 1 to June 30)

- **April 10**
  2nd Installment becomes delinquent at 5 p.m.

  10% penalty plus $10 administrative charge attaches. If April 10th falls on a weekend or holiday, taxes are not delinquent until 5 p.m. the next business day.

- **June 30**
  Property tax may become defaulted.

  If you fail to pay either or both installments by 5 p.m., property tax becomes defaulted and additional costs and penalties accrue. If June 30th falls on a weekend or holiday, taxes must be paid by 5 p.m. of the preceding business day.

Reminder
Property may be sold at public auction after 5 years of delinquency.

How Property Taxes are Determined
Property taxes are governed by California State law and collected by the county. The County Assessor must first assess the value of your property to determine the amount of property tax.

Generally, the assessed value is the cash or market value at the time of purchase. This value increases not more that 2% per year until the property is sold or new construction is completed.

The Auditor-Controller applies the appropriate tax rates, which include the general tax levy, locally voted special taxes, and any city or district direct assessments. The Tax Collector prepares property tax bills based on the Auditor-Controller's calculations, distributes the bills, and then collects the taxes.

Real Property Tax Dates & Tax Information (cont'd)

- **Can You Disagree With the Amount?**

  You may apply to the County Assessor to see if the office will change the valuation on your home.

  Additionally, Appeals Boards have been established for the purpose of resolving valuation problems. Appeals on regular assess ments may be filed between July 2 and September 15. Appeals on corrected assessments, escaped assessments (assessments that did not take place when they should have), or supplemental assessments must be filed no later than 60 days from the mailing date of the corrected, escaped or supplemental tax bill.

- **File An Appeal But Remember to Pay the Tax.**

  If you choose to appeal, still pay your tax installments in full by the appropriate deadlines or you may incur penalties. If your appeal is granted, a refund will be issued to you.

- **Did You Recently Purchase Property?**

  Although escrow prorates taxes and gives appropriate credit between buyer and seller, the actual taxes may not have been paid and you are responsible for any unpaid taxes at the close of escrow.

  Read your escrow papers and/or preliminary title report to determine if any portion of the annual taxes were paid by the previous owner before the close of escrow.

  The Tax Collector will not send a bill for the remainder of the year in which you acquired the property unless requested. If any taxes remain unpaid, call the Tax Collector and request a bill. When you call, be ready to give the Assessor's Identification Number of your property.

®

Understanding Supplemental Property Taxes

When was the Supplemental Real Property tax law enacted?
Governor George Deukmejaian signed the Supplemental Real Property Tax into law in July of 1983. It is expected to produce over $300 million per year in revenue to aid California's schools.

How do Supplemental Taxes affect the homeowner?
Supplemental Property Taxes only affect individuals who are buying property or initiating new construction. After the purchases or new construction is complete, the new owner will receive a bill for Supplemental Property Taxes, which will become a lien against the property as of the date of ownership changes or upon the date of completion.

When and how are the bills generated?
It's not easy to predict when the new property owner will be billed. It may be as soon as three weeks after escrow closes or the new construction is complete. It also might take six months or more, depending on what county the property is located in and the workloads of the County Assessor, County Controller/Auditor and the County Tax Collector.

The Assessor will appraise the property and advise the owner of the supplemental assessment amount. The property owner will then have the opportunity to discuss the valuation, apply for a Homeowner's Exemption and be informed of their right to file an Assessment Appeal. The Assessor then calculates the amount of the supplemental tax bill to the property owner. The bill will identify the amount of the supplemental tax and the date the taxes will become due and delinquent.

How will the amount of the bill be determined?
A formula is used to determine the tax bill. The total supplemental assessment will be prorated based on the number of months remaining until June 30, the end of the tax year.

The proration factor works like this: The Supplemental Tax becomes effective on the first day of the month following the month in which the change of ownership or completion on new construction actually occurred. If the effective date is July 1, then there will be no supplemental assessment of the current tax roll and the entire supplemental assessment will be made to the tax roll being prepared. If the effective date is not on July 1, the factors represent assessment on the current tax roll.

Example:
The County Auditor finds that the Supplemental Property Taxes would be $1,000 for a full year. The change of ownership took place on September 15 with the effective date being October 1. The supplemental property taxes would be subject to a proration factor of .75 and the supplemental tax would be $750.

Can the Supplemental Tax Bill be paid in installments?
All supplemental taxes are payable in two equal installments. The taxes are due on the date the bill is mailed and are delinquent on specified dates depending on the month the bill is mailed as follows:

1. If the bill is mailed within the months of July through October, the first installment will become delinquent on December 10 of the same year. The second installment will become delinquent on April 10 of the next year.

2. If the bill is mailed within the months of November through June, the first installment will become delinquent on the last day of the month following the month in which the bill is mailed. The second installment shall become delinquent on the last day of the fourth quarter calendar month following the date the first installment is delinquent.

Will Supplemental Property Taxes be prorated in escrow?
Not usually. Unlike ordinary annual taxes, the Supplemental Tax is a one-time tax due for the period from the date of new ownership or completion of the new construction, until the end of the tax year on June 30. The obligation for this is entirely that of the property owner.

Glossary

Buy Down - A fixed rate loan where the interest rate and payment are reduced for a specific period of time by paying the interest up front to subsidize the lower payment.

Cal-Vet Loans - Real estate loans available to Armed Forces Veterans from California, at low interest rates.

Chain of Title - The chronological order of conveyances of a parcel of land, from the original owner to the present owner.

Clear Title - Real property against which there are no liens, especially involuntary liens (mortgages).

Closing - In real estate sales, the final procedure in which documents are executed and/or recorded, and the sale (or loan) is completed.

Closing Costs - Expenses incidental to a sale of real estate, such as loan fees, appraisal fees, etc.

Closing Statement - The statement which lists the financial settlement between buyer and seller, and the costs each must pay.

Cloud on Title - An invalid encumbrance on real property, which, if valid, would affect the rights of the owner. For example: (**A**) sells lot 1, tract 1, to (**B**). The deed is mistakenly drawn to read Lot 2, tract 1. A cloud is created on lot 2 by the recording of the erroneous deed. The cloud may be removed by quitclaim deed, or if necessary, by court action.

Community Home Buyers' Program - A fixed rate loan with a low 3 to 5% down payment, no cash reserve requirement, and easier qualifying ratios. Subject to borrower meeting income limits and attendance of a 4 hour training course on home ownership.

Consideration - Anything which is, legally, of value, and induces one to enter into a contract.

Conventional Mortgage - A mortgage or Deed of Trust not obtained under a government insured program such as FHA or VA.

Conveyance - Transfer of title to land. Includes most instruments by which an interest in real estate is created, mortgaged or assigned.

Covenants, Conditions, and Restrictions (CC&Rs) - A term used in some areas to describe the restrictive limitations which may be placed on property.

Deed - Generally, an instrument given to pass fee title or easement to property that has to be recorded with the County Recorder.

Deed of Trust - An Instrument used in many states in place of a mortgage. Property is transferred to a trustee by the borrower (trustor), in favor of the lender (beneficiary), and reconveyed upon payment in full.

Deposit - Money given by the buyer with an offer to purchase. Shows good faith. Also called earnest money.

Discount Points - A negotiable fee paid to the lender to secure financing for the buyer. Discount points are up front charges to reduce the interest rate on the loan over the life or a portion of the loan's term. One discount point equals one percent of the loan amount.

Glossary

Disposable Income - Monthly income left over after fixed obligations and living expenses are paid for that period.

Documentary Transfer Tax - A state tax on the sale of real property, based on the sale price.

Down Payment - Cash portion of the purchase price paid by a buyer from his/her own funds.

Encumbrance - A claim, lien, charge, or liability attached to and binding real property. Any right to, or interest in, land which may exist in one other than the owner, but which will not prevent the transfer of fee title.

Equity - The market value of real property, less the amount of existing liens.

Execute - To put into effect: carry out. To make valid, as by signing a deed.

Fair Credit Reporting Act - A Federal law giving one the right to see his/her credit report so that errors may be corrected. A lender refusing credit based on a credit report must inform the buyer which company issued the report. The buyer may see the report without charge if refused credit.

Federal Home Loan Banks - A system of 11 regional banks established by the Home Loan Bank Act of 1932 in order to keep a permanent supply of money available for home financing.

Fee Simple - An estate under which the owner is entitled to unrestricted powers to dispose of the property, and which can be left by will or inherited. Commonly, a synonym for ownership.

F.H.A. (Federal Housing Administration) - A Federal Agency which insures first mortgages, enabling lenders to loan a very high percentage of the sale price.

FHLMC (Freddie Mac) - Federal Home Loan Mortgage Corporation. A Federal Agency purchasing first mortgages, both conventional and federal insured, from members of the Federal Reserve System and the Federal Home Loan Bank System.

First Mortgage - A mortgage having priority over all other voluntary liens against the property it is liening on.

Fixed Rate Mortgage - A mortgage having a rate of interest which remains the same for the life of the mortgage.

Flood Insurance - Insurance indemnifying banks against loss by flood damage. Required by lenders (usually banks) in areas designated (federally) as potential flood areas. The insurance is private but federally subsidized.

FNMA (Fannie Mae) - Federal National Mortgage Association. A private corporation dealing in the purchase of first mortgages, at discounts.

GNMA (Ginnie Mae) - Government National Mortgage Association. A Federal Association, working with F.H.A., which offers special assistance in obtaining mortgages, and purchases mortgages in a secondary capacity.

Good Faith - Having good intentions, such as a buyer putting a deposit for a house or when a lender discloses all information/costs to the loan.

Glossary

Grant Deed - One of the many types of deeds used to transfer real property. Grantee - one to whom a grant is made, generally the buyer. Grantor - one who grants property or property rights.

Hazard Insurance - Real Estate insurance protecting against loss caused by fire, natural causes, vandalism, etc., depending upon the terms of the policy.

Homeowner's Association - (1) An association of people who own homes in a given area, formed for the purpose of improving or maintaining the quality of the area. (2) An Association formed by the builder of condominiums of planned developments, and required by statute in some states. The builder's participation as well as the duties of the association are controlled by statute.

Homeowner's Insurance - Includes the coverage of Hazard Insurance plus added coverage such as personal liability, theft outside of the home (items stolen from the insured's car), and other such coverage.

Housing Starts - Number of houses on which construction has begun. The figures are used to determine the availability, housing, need for real estate loans, need for labor and materials, etc.

Impound Account - Account held by lender for payment of taxes, insurance, or other periodic debts against real property. The borrower pays a portion of, for example, the yearly taxes, with each monthly payment. The lender pays the tax bill from the accumulated funds.

Index - An index used to adjust the interest rate of an adjustable rate mortgage loan. For example: the change in U.S. Treasury securities (T-bills) with a 1 year maturity. The weekly average yield on securities, adjusted to a constant maturity of one year, which is the result of weekly sales, may be obtained weekly. This change in interest rates is the "index" for the change in the specific adjustable rate mortgage.

Instrument -A legal document, such as a deed, mortgage, will, lease, etc.

Interest Rate - The percentage of an amount of money which is paid in order to borrow money for a specified amount of time.

Interest Rate Cap - The maximum interest rate increase of an adjustable rate loan. For example: 6% loan with a 5% interest rate cap would have a maximum interest for the life of the loan which would not exceed 11%.

Joint Tenancy - An undivided interest in property, taken by two or more joint tenants. The interests must be equal, occurring under the same conveyance, and beginning at the same time. Upon the death of a joint tenant, the interest passes to the surviving joint tenants, rather that to the heirs of the deceased.

Late Charge - A charge to the borrower for failure to pay an installment payment on time.

Lease - An agreement by which an owner of real property gives the right of possession to another for a specified period of time and for a specified consideration (rent). Title does not pass.

Legal Description - A method of geographically identifying a parcel of land, which is acceptable in a court of law. A description of a parcel of land sufficient to identify the property such as a lot and tract number.

Glossary

Lien - An encumbrance against property for money, either voluntary or involuntary. All liens are encumbrances but all encumbrances are not liens.

Lis Pendens - A legal notice recorded to show pending litigation relating to real property, and giving notice that anyone acquiring an interest in said property subsequent to the date of the notice may be bound by the outcome of the litigation.

Loan Origination Fee - A one time set up fee charged by a lender.

Loan Package - The file of all items necessary for the lender to decide to give or not to give a loan. These items would include the information on the prospective borrower (loan application, credit report, financial statement, employment letters, etc.) and information on the property (appraisal, survey, etc.).

Maintenance Reserve - Money reserved to cover anticipated maintenance costs.

Maker - One who executes (signs) as the maker (borrower) of a note.

Marketability - Saleability. The probability of selling property at a specific time, price and terms.

Marketable Title - Title which can be readily marketed (sold) to a reasonably prudent purchaser aware of the facts and their legal meaning concerning liens and encumbrances.

Market Price - The price a property brings in a given market. Commonly used interchangeably with market value, although not truly the same.

Material Fact - A fact upon which an agreement is based, and without which, said agreement would not be made.

Maturity - (1) Termination period of a note. For example: A 30 year mortgage has a maturity of 30 years.

Mechanic's Lien - A lien created by statute for the purpose of securing priority of payment for the price or value of work performed and materials furnished in construction or repair of improvements to land, and which attaches to the land as well as the improvements.

Moisture Barrier - Insulating materials used to prevent the build up of moisture (condensation) in walls and other parts of a building.

Mortgage - The party lending the money and receiving the mortgage. Some state treat the mortgagee as the "legal" owner, entitled to rents from the property. Other state treat the mortgage as a secured creditor, the mortgagor being the owner. The latter is the more modern and accepted view.

Mortgage Credit Certificate (MCC) Program - A first time home buyer program subject to purchase price and income limits and limited to certain counties. The MCC program is actually a special tax credit and assists buyers in qualifying on almost any loan program.

Mortgage Insurance - Insurance written by an independent mortgage insurance company protecting the mortgage lender against loss incurred by a mortgage default, thus enabling the lender to lend a higher percentage of the sale price. The Federal government writes this form of insurance through the FHA and VA.

Glossary

Mortgagor - The party who borrows the money and gives the mortgage.

Multiple Listing - An exclusive listing, submitted to all members of an association, so that each may have an opportunity to sell the property.

Note - A unilateral agreement containing an express and absolute promise of the signer to pay to a named person, or order, or bearer, a definite sum of money at a specified date or on demand. It usually provides for interest and is generally secured by mortgage or trust deed.

Notice of Action - A recorded notice that real property may be subject to a lien, or even that the title is defective, due to pending litigation. Notice of a pending suit, also called "Lis Penens".

Notice of Cessation - A notice stating that work has stopped on a construction project. Done to accelerate the period of filing a mechanic's lien.

Notice of Completion - A notice, recorded to show that a construction job is finished. The length of time in which mechanic's liens may be filed depends upon when and if a notice of completion is recorded.

Notice of Default - A notice filed to show that the borrower under a mortgage or deed of trust is in default (behind on the payments).

Offer - A presentation or proposal for acceptance, in order to form a contract. To be legally binding, an offer must be definite as to price and terms.

Origination Fee - A fee made by a lender for making a real estate loan. Usually a percentage of the amount loaned, such as one percent.

Owner Occupied - Property physically occupied by the owner.

Ownership - Rights to the use, enjoyment, and alienation of property, to the exclusion of others. Concerning real property, absolute rights are rare, being restricted by zoning laws, restrictions, liens, etc.

Payment Cap - A maximum amount for a payment under an Adjustable Mortgage Loan, regardless of the increase in the interest rate. If the payment is less than the interest alone, negative amortization is created.

Payoff - The payment in full of an existing loan or other lien.

Personal Property - Any property which is not designated by law as real property.

Piggyback Loan - A loan made jointly by two or more lenders on the same property under one mortgage or trust deed. One 90% loan, for example, any have one lender loaning 80% and another (subordinate) lender loaning the top 10% (high risk portion).

PITI (Principal, Interest, Taxes and Insurance) - Used to indicate what is included in a monthly payment on real property. Principal, interest, taxes (property) and insurance (hazard) are the four major portions of a usual monthly payment.

Glossary

Power of Attorney - An authority by which one person (principal) enables another (attorney-in-fact) to act for him. (1) General power authorizes sale, mortgaging, etc., of all property of the principal. Invalid in some jurisdictions. (2) Special power specifies property, buyers, price and terms. How specific it must be varies in each state.

Preliminary Title Report - A report showing the condition of title before a sale or loan transaction. After completion of the transaction, a title insurance policy is issued.

Prepaid Items - Those expenses of property which are paid in advance and will usually be prorated upon sale, such as taxes, insurance, rent, etc.

Prepayment Penalty - A penalty under a note, mortgage, or deed of trust, imposed when the loan is paid before it is due.

Principal - (1) The person who gives authority to an agent or attorney. (2) Amount of debt, not including interest. The face value of a note, mortgage, etc.

Private Mortgage Insurance - Insurance against a loss by a lender in the event of default by a borrower (mortgagor). The insurance is similar to insurance by a government agency such as FHA, except that it is issued by a private insurance company. The premium is paid by the borrower and is included in the mortgage payment.

Promisee - One to whom a promise has been made, such as the lender under a promissory note.

Promisor - One who makes a promise. The borrower under a promissory note.

Promissory Note - A Promise in writing, and executed by the maker, to pay a specified amount during a limited time, or on demand, or at sight, to a named person, or on order, or to bearer.

Proration - To divide (prorate) property taxes, insurance premiums, rental income, etc., between buyer and seller proportionately to time of use, or the date of closing.

Public Records - Usually at a county level, the records of all documents which are necessary to give notice. The records are available to the public. All transactions for real estate should be recorded.

Purchase Agreement - An agreement between a buyer and seller of real property, setting forth the price and terms of the sale.

Quitclaim Deed - A deed operating as a release: intended to pass any title, interest, or claim which the grantor may have in the property, but not containing any warranty of a valid interest or title in the grantor.

Real Estate - (1) Land and anything permanently affixed to the land, such as buildings, fences, and those things attached to the buildings, such as light fixtures, plumbing and heating fixtures, or other such items which would be personal property if not attached. The term is generally synonymous with real property, although in some states a fine distinction may be made. (2) May refer to rights in real property as well as the property itself.

Glossary

Reconveyance - An instrument used to transfer title from a trustee to the equitable owner of real estate, when title is held as collateral security for a debt. Most commonly used upon payment in full of a trust deed. Also called a deed of reconveyance or release.

Recording - Filing documents affecting real property as a matter of public record, giving notice to future purchasers, creditors, or their interested parties. Recording is controlled by statute and usually requires the witnessing and notarizing of an instrument to be recorded.

Recording Fee - The amount paid to the recorder's office in order to make a document a matter of public record.

RESPA - Real Estate Settlement Procedures Act. A Federal statute effective June 20, 1975, requiring disclosure of certain costs in the sale of residential (one to four family) improved property which is to be financed by a Federally insured lender.

Right of Survivorship - The right of a survivor of deceased person to the property of said deceased. A distinguishing characteristic of a joint tenancy relationship.

Sales Contract - Another name for a sales agreement; purchase agreement, etc.

Second Mortgage - A mortgage which ranks after a first mortgage in priority. Properties may have two, three, or more mortgages, deeds of trust, or land contracts, as liens at the same time. Legal priority would determine whether they are called a first, second, third, etc. lien.

Septic System - A sewage system, whereby waste is drained through pipes and a tile field (a system of clay tiles and gravel) into a septic tank. Found in areas where city or county sewers have not yet been installed.

Septic Tank - An underground tank into which a sanitary sewer drains from a building. The sewage is held until bacterial action changes the solids into liquids or gasses, which are then released in the ground.

Simple Interest - Interest computed on principal alone, as opposed to compound interest.

Special Assignment - Lien assessed against real property by a public authority to pay costs of public improvements (sidewalks, sewers, street lights, etc.) which directly benefits the assessed property.

Specific Performance - An action to compel the performance of a contract, when money damages for breach would not be satisfactory.

Statement of Identity - Also called Statement of Information, a confidential form filled out by buyer and seller to help a title company determine if any liens are recorded against either. Very helpful when people with common names are involved.

Statute - A law which comes from a legislative body. A written law, rather than law established by court cases.

Subordinate - To make subject to or junior to.

Succession - The passing of real property by will or inheritance, rather that by grant or deed or any other form of purchase.

Notes

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