

TITLE TRAINING GUIDE



Lawyers Title
INSURANCE CORPORATION

Title Training Guide

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Advantages of Using a Title Insurance Company

What is the difference between a Title Insurance Company and a Title Company?

Title Insurance Company

A Title **Insurance** Company self-insures and issues a policy in its name backed by its assets and reserves. It is easily identified by the word **INSURANCE** in its corporate name.

In order to transact business in California, a Title **Insurance** Company must have a minimum of paid-in-capital, represented by shares of stock, of five hundred thousand dollars (\$500,000).

A Title **Insurance** Company's assets and reserves also stand behind their own escrow and sub-escrow functions in all transactions.

Most Title **Insurance** Companies have a strong network of direct operations (wholly owned) in most of the more heavily populated counties throughout the country, which facilitates transactions involving properties in other counties and states.

Title Company

A Title Company must rely on a Title Insurance Company to underwrite and issue its policies and is responsible for losses up to its negotiated "deductible" per policy, at which dollar amount the underwriting insurance company becomes liable in a claim.

In order to do business in California, a Title Company must maintain a net worth (excess of assets over liabilities and reserves), including a declining value portion of its title plant, based upon a schedule involving the annual total of recorded documents in that respective county.

The underwritten Title Company may conduct escrow business.

A Title Company is also limited by its approval limit (liability) in a large transaction and is at the mercy of its underwriter when a transaction calls for creative or subjective underwriting.



The Title Insurance Company's Role

The purchase of a home is often the largest single financial investment many people may make in their lifetime. The importance of fully protecting such an investment cannot be overstated. A basic home ownership protection essential to the security of the home is safe, sound, reliable title insurance.

What is Title Insurance?

It is the application of the principles of insurance to risks present in all real estate transactions. These risks are divided into two main categories: hidden hazards that cannot be detected in the examination of title, and human errors which will always be with us.

Examples of hidden hazards are forgery, incompetence of grantor or mortgagor, unknown heirs, fraud, impersonation, etc.

Title insurance differs from other types of insurance by protecting against future losses arising out of events that have happened in the past. There are no annual premiums. One premium, based on the amount of the sale or mortgage, is paid when the policy is issued and is good for the life of the policy. A lender's policy, insuring the lender, stays in effect until the loan is paid off. An owner's policy, insuring the buyer, is good as long as the owner or owner's heirs own the property.

Preliminary Title Report or Commitment for Title Insurance

The title company will search and examine the public records to investigate information surrounding title to the property. The title search is used to create a report provided to the lender or purchaser before closing and reveals the following:

- The legal owner of the property.
- That the "estate" or degree of ownership being sold is currently and accurately vested in the seller.
- Property tax status and other public or private assessments.
- The presence of any unsatisfied mortgages, judgments or liens that must be satisfied before "clear title" can be conveyed.
- Existing easements, restrictions, rights of way or other rights granted to others.

Teamwork

The title company is involved in the real estate transaction almost from the time the purchase agreement is signed, through and beyond the closing. Working mostly behind the scenes, but always in close coordination with real estate agents, lenders, escrow officers and legal counsel, the title company strives to carry out an important, complex procedure in an efficient and professional manner.

Home Buyer's Guide to Title Insurance

Title Insurance Policy Comparisons

CLTA (STANDARD)	HOMEOWNER'S POLICY
1. Someone else owns an interest in your title	
2. A document is not properly signed	
3. Forgery, fraud, duress, incompetency	
4. Defective recording of a document	
5. Unmarketability of title	
6. Lack of a right of access to and from the land	
7. Mechanic's lien protection	
8. Forced removal of residential structure — encroachments	
9. Forced removal of residential structure — restrictions	
10. Forced removal of residential structure — zoning	
11. Cannot use land for SFR due to zoning or restrictions	
12. Unrecorded liens by the homeowner's association	
13. Unrecorded easements	
14. Others have rights arising out of leases, contracts or options	
15. Pays rent for substitute housing	
16. Plain language	
17. *Building permit violations — forced removal	
18. *Subdivision law violations	
19. *Zoning violations — forced removal	
20. *Boundary wall or fence encroachment	
21. Restrictive covenant violations	
22. Post-policy defect in title	
23. Post-policy contract or lease rights	
24. Post-policy forgery	
25. Post-policy easement	
26. Post-policy limitation on use of land	
27. Post-policy encroachment by neighbor other than wall or fence	
28. Enhanced access — vehicular and pedestrian	
29. Damage to structure from use of easement	
30. Street address is correct	
31. Map shows correct location of the land	
32. Exercise of mineral rights	
33. Sale fails due to neighbor's encroachments	
34. Living trust coverage	
35. Coverage for spouse acquiring through divorce	
36. Automatic policy increase up to 150%	
37. Forced removal due to building setbacks	
38. Discriminatory covenants	
39. Insurance coverage forever	

Note: Items marked with an * are subject to a deductible and maximum liability, which is less than the policy amount. This chart is intended for comparison purposes only and is not a full explanation of policy coverage. Policy coverages are subject to the terms, exclusions, exceptions and deductibles shown in the policy.

Information deemed reliable but not guaranteed. (01/09)

The Interim Binder - CA

If no one has taken the time to tell you about the interim binder, this may be a very valuable piece of information. If you are already familiar with the binder, then you know the money-saving advantage that can be gained from its use. The binder was designed for a special purpose and cannot be used in every real estate transaction. The question to ask is "How long do you intend to keep this property?"

If the buyer intends to hold the property for up to four years, he/she can, before the end of the first three years, extend an already active binder for an additional year for only 15%.

Q: What is the purpose of the binder?

A: It allows the purchaser of real property to resell the same property and have a policy of title issued to his/her buyer at a fraction of the cost. (A binder is not a policy of title insurance, therefore, in the event of a claim, the purchaser of the binder must convert the binder into a policy and then make the claim.)

Q: How long is it good for?

A: The standard term is three years. However, the binder may be extended for another 365 days, for an additional 15% of the basic insurance rate.

Q: What is the cost of the binder and what will my costs be if I sell the property within the three-year period?

A: In each case, the cost will vary. Typically, the original seller pays the basic policy fee. The buyer pays an additional 10% of the scheduled insurance rate for the binder. When the property is resold, the title charge is the difference in the title premium between the original cost of the property and the premium for the resale price.

Example: Mr. Seller sells his property for \$80,000. Mr. Broker, knowing that this is going to be a short-term investment for his buyer, requests an Interim Binder before the close of escrow. The escrow closes and the charges are as follows: Mr. Seller pays a policy fee of \$555, his normal charge. Mr. Buyer pays \$56, or 10% of the basic rate for the binder. One year and eleven months later, Mr. Broker finds a buyer for the property, which is now worth \$100,000. The new seller now reaps the benefit of the binder he purchased when he bought the property. He now pays only for the increased insurance amount necessary to cover the increased price of the property.

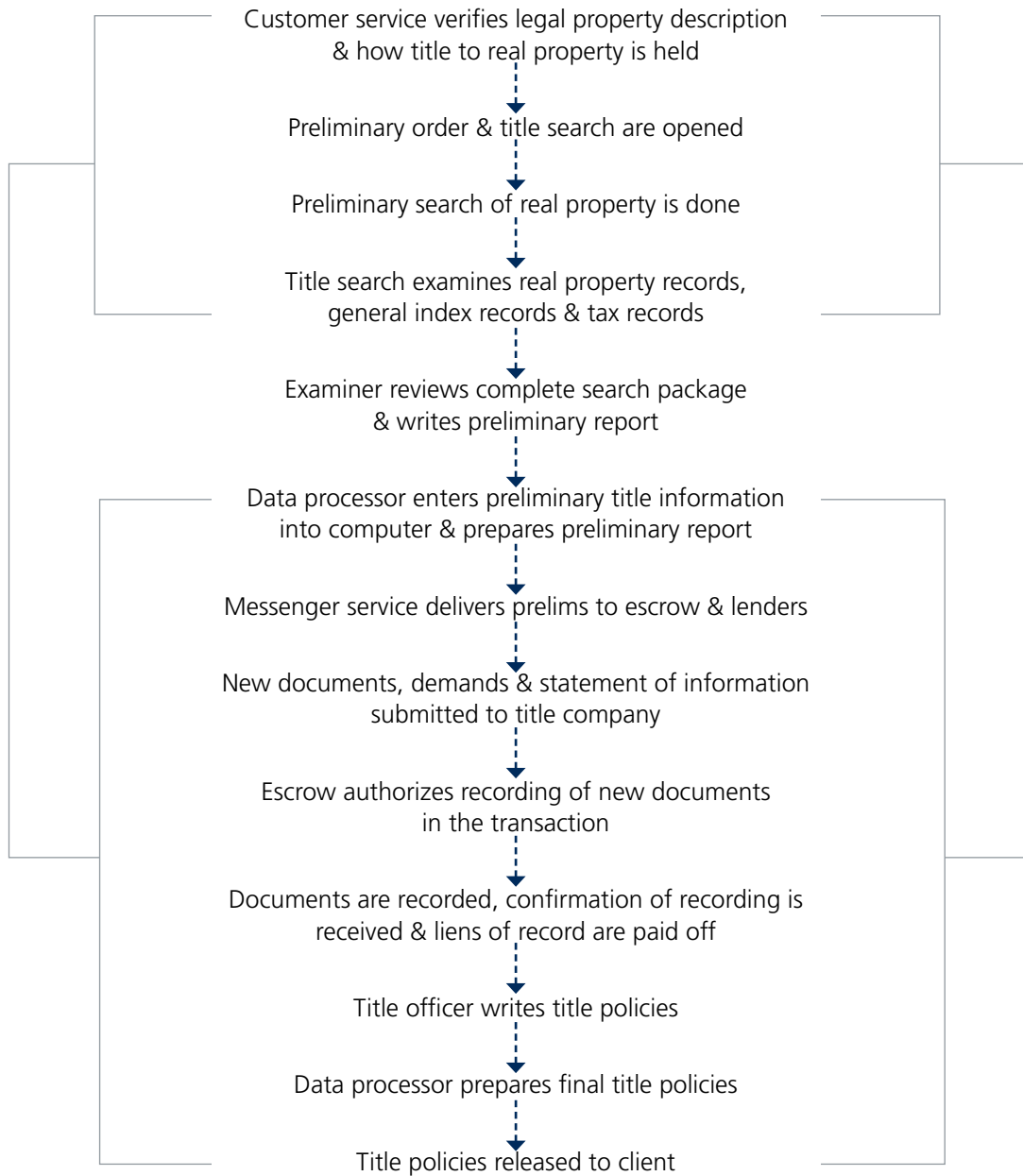
	\$515	(Short term rate of \$100,000 new sale)
—	\$444	(Short term rate on \$80,000 original sale)
	<u>\$ 71</u>	

The total cost for an owner's policy of title insurance is \$71 plus the 10% or \$56 paid up front when the property was purchased for a total of \$127, as compared to \$515, the normal short term rate fee for a home valued at \$100,000.

	\$515	(Short term rate on \$100,000)
—	\$127	(\$71 paid + 10% fee of \$56)
	<u>\$388</u>	TOTAL SAVINGS

Title Search Process

LIFE OF A TITLE SEARCH



Understanding Preliminary Title Reports

What is a preliminary report?

A preliminary report is a report prepared before issuing a title policy. This report shows the ownership of a specific parcel of land, together with liens and encumbrances which will not be covered under a subsequent title insurance policy.

What role does a preliminary report play in the real estate process?

The report contains the conditions under which the title company will issue a particular type of title insurance policy. It lists title defects, liens and encumbrances which would be excluded from coverage if the requested title insurance policy were to be issued as of the date of the preliminary report.

A preliminary report provides the opportunity to seek the removal of items referenced in the report which are objectionable to the buyer prior to purchase.

What should I look for when reading my preliminary report?

Pay particular attention to the extent of ownership rights. Review the ownership interest in the property you will be buying as well as any claims, restrictions or interests of other people involving the property. The most common form is "fee simple" or "fee" which is the highest type of interest an owner can have in land.

Liens, restrictions and interest of others which are being excluded from coverage will be listed numerically as "exceptions" in the preliminary report. Interests of third parties are not uncommon and may include easements given by a prior owner, which limit your use of the property. A printed list of standard exceptions and exclusions listing items not covered by your title insurance policy may be attached as an exhibit item to your report.

When and how is the preliminary report produced?

An order will be placed with the title company shortly after escrow is opened, which will then begin the process in producing the report. Processing the report entails the assembly and review of certain recorded matters relative to both the property and the parties to the transaction. The "exceptions" will remain listed as such unless they are eliminated or released prior to the transfer of title.

Is a preliminary report the same as title insurance?

Absolutely not. A preliminary report is a statement of terms and conditions of the offer to issue a title insurance policy, not a representation as to the condition of title. No contract or liability exists until the title insurance policy is issued to a particular insured person, which prevents others from claiming the benefit of the property.

Will the preliminary report disclose the complete condition of the title to a property?

No. It is important to understand that the preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land. It only reports the current ownership and matters that the title company will exclude from coverage if a title insurance policy should later be issued.

Who can I turn to for further information regarding preliminary reports?

Your real estate agent and your attorney, should you choose to use one, will help explain the preliminary report to you. You may also contact your local **Lawyers Title Representative**.

Understanding Statements of Information

Q: What is a Statement of Information?

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

Q. What does a Statement of Information do?

A: Every day documents affecting real property—liens, court decrees, bankruptcies, etc.—are recorded.

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

A properly completed Statement of Information will allow the title company to differentiate between

parties with the same or similar names when searching documents recorded by name. This protects all parties involved and allows the title company to competently carry out its duties without unnecessary delay.

Q. What type of information is requested in a Statement of Information?

A: The information requested is personal in nature, but not unnecessarily so. The information requested is essential to avoid delays in closing the transaction.

You, and if applicable, your spouse or registered domestic partner, will be asked to provide full name, social security number, year of birth, birthplace and information on citizenship. If applicable, you will be asked the date and place of your marriage or registered domestic partnership. Residence and employment information will also be requested, as will information regarding previous marriages or registered domestic partnerships.

Q. Will the information I supply be kept confidential?

A: The information you supply is completely confidential and only for title company use in completing the search of records necessary before a policy of title insurance can be issued.

Q. What happens if a buyer, seller or borrower fails to provide the requested Statement of Information?

A: At best, failure to provide the requested Statement of Information will hinder the search and examination capabilities of the title company, causing delay in the production of your title policy. At worst, failure to provide the information requested could prohibit the close of your escrow. Without a Statement of Information, it would be necessary for the title company to list as exceptions from coverage judgments, liens or other matters which may affect the property to be insured. Such exceptions would be unacceptable to most lenders, whose interest must also be insured.



Typical Title Clearance Problems

1. **ESTABLISHING FACT OF DEATH** - *Joint Tenancy*
2. **POWER OF ATTORNEY** - *Use of, Proper Execution*
3. **PHYSICAL INSPECTION RESULTS** - *Encroachment, Off-Record Easements*
4. **CLEARING LIENS, JUDGEMENTS**
5. **CLEARING CHILD/SPOUSAL SUPPORT LIENS**
6. **PROBATES**
7. **TRANSFER/LOANS INVOLVING CORPORATIONS/PARTNERSHIPS**
8. **BANKRUPTCIES**
9. **PROPER EXECUTION OF DOCUMENTS** - *Grantees Compare to Trustors, Proper Jurats, Notary Seals*
10. **LAST MINUTE CHANGE IN BUYERS**
11. **LAST MINUTE CHANGE IN TYPE OF COVERAGE**
12. **RECENT CONSTRUCTION**
13. **FAMILY TRUST**
14. **BUSINESS TRUST**
15. **PROPERTY RECENTLY FORECLOSED**

The above items will require added clearance and processing time for escrow and title. Avoid delays by providing information known to you on any of the above.



CLTA & ALTA Homeowner's Policies

These title insurance policies are not like any title policy you have ever seen before. "CLTA Policy" used to mean less coverage than "ALTA Policy". Not anymore—as long as you have a one to four family residence. The CLTA Homeowner's Policy and the ALTA Homeowner's Policy are identical. Note that the word "homeowner's" in the name of the policy distinguishes these policies from other forms of title insurance.

The following is an outline of the affirmative coverages you get with these new policies. Please refer to the policy for a complete explanation of exclusions, conditions, stipulations and deductibles. Each policy will also contain exceptions that pertain to the particular property and parties involved in each transaction.

BASIC COVERAGE

1. Someone else owns an interest in your title.
2. Someone else has rights affecting your title arising out of leases, contracts, or options.
3. Someone else claims to have rights affecting your title arising out of forgery or impersonation.
4. Someone else has an easement on the land.
5. Someone else has a right to limit your use of the land.
6. Your title is defective.

FUTURE TITLE DEFECTS

7. Any of covered risks 1 through 6 occurring after the policy date. (This means that for the first time, the policy covers post-policy adverse possession, prescriptive easements and recorded documents mistakenly or intentionally containing a description of the Insured's land.)

LIENS

8. Someone else has a lien on your title, including a:
 - A. Mortgage;
 - B. Judgment, state or federal tax lien, or special assessment;
 - C. Charge by a homeowner's or condominium association; or
 - D. Lien, occurring before or after the policy date, for labor and material furnished before the policy date.

ENCUMBRANCES

9. Someone else has an encumbrance on your title.

MORE BASIC COVERAGE

10. Someone else claims to have rights affecting your title arising out of fraud, duress, incompetency or incapacity.

ACTUAL ACCESS

11. You do not have both actual vehicular and pedestrian access to and from the land, based upon a legal right.

CC&R VIOLATIONS

12. You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the land, even if the covenant, condition or restriction is excepted in Schedule B.
13. Your title is lost or taken because of a violation of any covenant, condition or restriction, which occurred before you acquired your title, even if the covenant, condition or restriction is excepted in Schedule B.

SUBDIVISION MAP ACT VIOLATIONS

14. Because of an existing violation of a subdivision law or regulation affecting the land:
 - a. You are unable to obtain a building permit;
 - b. You are forced to correct or remove the violation; or
 - c. Someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it.

The amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.

BUILDING PERMITS

15. You are forced to remove or remedy your existing structures, or any part of them—other than boundary walls or fences—because any portion was built without obtaining a building permit from the proper government office. The amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.

ZONING VIOLATIONS

16. You are forced to remove or remedy your existing structures, or any part of them, because they violate an existing zoning law or zoning regulation. If you are required to remedy any portion of your existing structures, the amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.
17. You cannot use the land because use as a single-family residence violates an existing zoning law or zoning regulation.

ENCROACHMENT OF INSURED'S STRUCTURES

18. You are forced to remove your existing structures because they encroach onto your neighbor's land. If the encroaching structures are boundary walls or fences, the amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.

ENCROACHMENT OF NEIGHBOR'S STRUCTURES

(Sale falls through)

19. Someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it because your neighbor's existing structures encroach onto the land.

ENCROACHMENT ONTO EASEMENT OR SETBACK

20. You are forced to remove your existing structures because they encroach onto an easement or over a building set-back line, even if the easement or building set-back line is excepted in Schedule B.

103.1 ENDORSEMENT

21. Your existing structures are damaged because of the exercise of a right to maintain or use any easement affecting the land, even if the easement is excepted in Schedule B.

EXERCISE OF MINERAL RIGHTS

22. Your existing improvements (or a replacement or modification made to them after the policy date), including lawns, shrubbery or trees, are damaged because of the future exercise of a right to use the surface of the land for the extraction or development of minerals, water or any other substance, even if those rights are excepted or reserved from the description of the land or excepted in Schedule B.

DISCRIMINATORY COVENANTS

23. Someone else tries to enforce a discriminatory covenant, condition or restriction that they claim affects your title which is based upon race, color, religion, sex, handicap, familial status, or national origin.

"ESCAPE ASSESSMENTS"

24. A taxing authority assesses supplemental real estate taxes not previously assessed against the land for any period before the policy date because of construction or a change of ownership or use that occurred before the policy date.

NEIGHBOR'S POST-POLICY ENCROACHMENT

25. Your neighbor builds any structures after the policy date—other than boundary walls or fences—which encroach onto the land.
26. Your title is unmarketable, which allows someone else to refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it.
27. A document upon which your title is based is invalid because it was not properly signed, sealed, acknowledged, delivered or recorded.

116 ENDORSEMENT

28. The residence with the address shown in Schedule A is not located on the land at the policy date.

MAP

29. The map, if any, attached to this policy does not show the correct location of the land according to the public records.

ETERNITY AND ADDITIONAL INSUREDS

30. This policy insures you forever, even after you no longer have your title. You cannot assign this policy to anyone else. This policy also insures: (1) anyone who inherits your title because of your death; (2) your spouse who receives your title because of dissolution of your marriage; (3) the trustee or successor trustee of a trust to whom you transfer your title after the policy date; or (4) the beneficiaries of your trust upon your death.

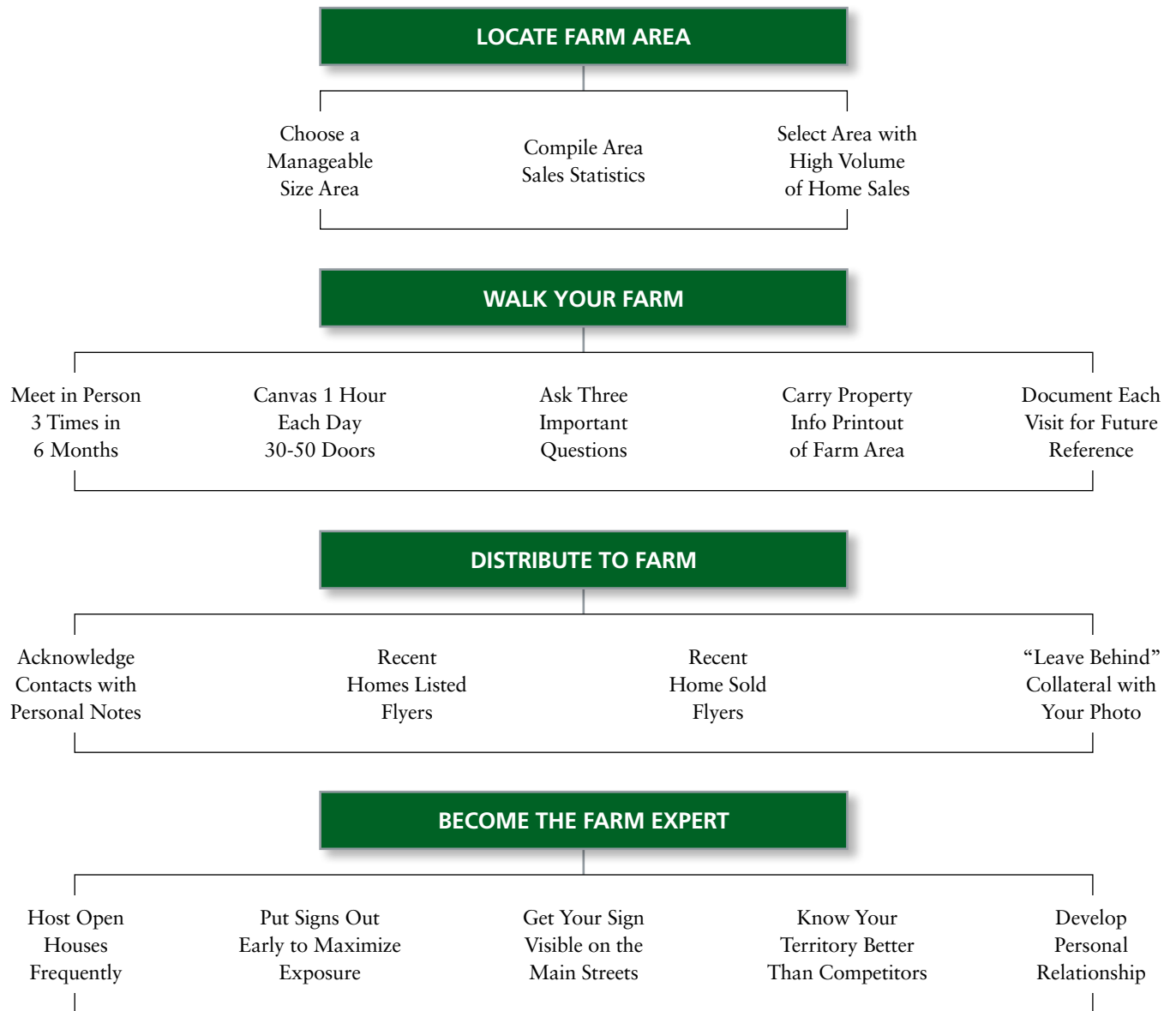
INFLATION

31. The policy amount will increase by ten percent (10%) of the policy amount shown in Schedule A each year for the first five years following the policy date shown in schedule A, up to one hundred fifty percent (150%) of the policy amount shown in Schedule A.

CLTA & ALTA HOMEOWNER'S POLICIES—DEDUCTIBLES

Coverage	Your Deductible Amount	Maximum Policy Liability
Covered Risk 14 (Subdivision Law Violation)	1% of policy amount or \$2,500 (whichever is less)	\$10,000
Covered Risk 15 (Building Permit)	1% of policy amount or \$5,000 (whichever is less)	\$25,000
Covered Risk 16 (Zoning)	1% of policy amount or \$5,000 (whichever is less)	\$25,000
Covered Risk 18 (Encroachment of Boundary Walls or Fences)	1% of policy amount or \$2,500 (whichever is less)	\$5,000

Farming Flowchart



Different Ways to Order Farms

- Sphere of Influence
- Owner Occupied
- Absentee Owner
 1. Renter (Address Only)
 2. Out of San Diego Owners
 3. Out of State Owners
- Single Family Residence, Condos, Units & Apartment Buildings
- Walking Farms
(3-Line Alpha Order)
- Number of Bedrooms & Baths
- Square Footage of Lot or Home
- Phone Numbers Only
- Type of Loan on Property

What is Escrow?

Escrow is a process that evolved to ensure protection for all parties to a real estate transaction. A “neutral third party” or “stakeholder” was nominated to hold the funds until the purchaser received appropriate assurance that the property had been transferred. An escrow may also be created for other purchases, although it is most commonly used during the transfer of real estate. Today the escrow is overseen by an escrow officer employed by an independent escrow company or title company. All parties are protected because the escrow holder will retain funds and documents until all the instructions are fulfilled.

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

- Receive and deposit earnest money
- Order information for payoff of existing liens
- Calculate and/or prorate taxes, liens, interest, rents and insurance policies
- Make arrangements for title insurance protection for the buyer and lender
- Prepare and/or receive documents relating to the escrow
- Request and receive funding from new lender when conditions have been satisfied
- Arrange for recording of the conveyance documents and any other legal instruments required to transfer title to the property pursuant to the terms of the purchase agreement

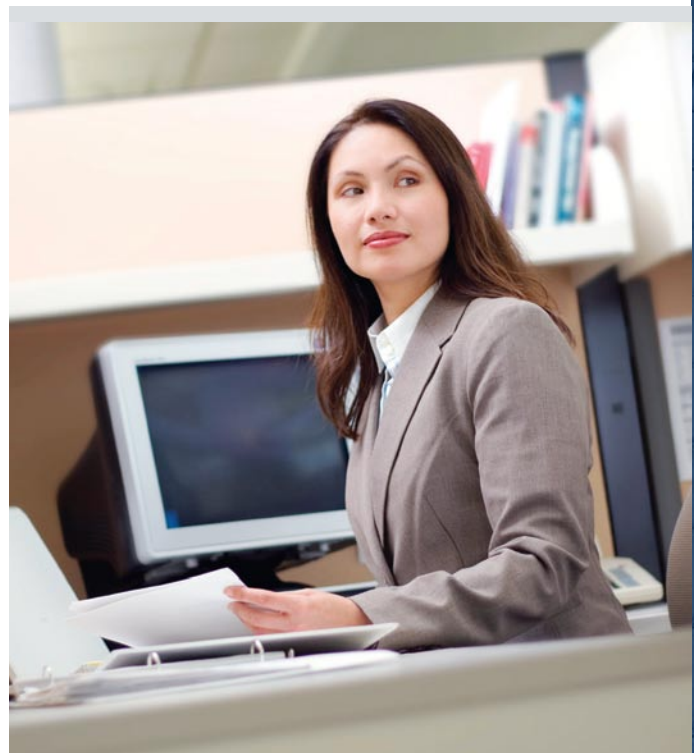
- Close the escrow and disburse funds as agreed upon in the instructions
- Prepare a closing statement for the parties showing disposition of funds

Definition of “Escrow” from Black’s Law Dictionary

A writing, deed, money, stock or other property delivered by the grantor, promissor or obligor into the hands of a third person, to be held by the latter until the happening of a contingency or performance of a condition, and then by him delivered to the grantee, promisee or obligee. A system of document transfer in which a deed, bond or funds is delivered to a third person to hold until all conditions in a contract are fulfilled.

Fun Fact

Escrow practices evolved from English common law. The word “escrow” is actually derived from the Middle English (12th to 15th century) word for “scroll”, on which all of the escrow instructions and lists of properties were recorded.



Who Pays for What in a S. California Transaction?

THE BUYER *Generally Pays For...*

- All new loan charges (except those required by lender for seller to pay)
- Assumption/Change of Records fee if take-over of existing loan
- Beneficiary Statement if assumption of existing loan
- City Transfer/Conveyance Tax (according to contract)
- Document preparation (if applicable)
- Escrow fee [50%] (except new VA loan-Seller pays all)
- Fire insurance premium (first year)
- Home warranty (according to contract)
- Inspection fees (property inspection, roofing, geological, etc.)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Next month's HOA fee(s)
- Notary fees
- Recording charges for all documents in buyer's name
- Tax proration (from date of closing)
- Pest inspection and/or work (according to contract) and corrections
- Title insurance premium for Lender's Policy

THE SELLER *Generally Pays for...*

- Any & all delinquent taxes
- Any bonds or assessments (according to contract)
- Any city Transfer/Conveyance Tax (according to contract)
- Any judgments, tax liens, etc. against the seller
- Any loan fees required by buyer's lender (government loans)
- Any unpaid homeowner's dues
- Document preparation fee for deed
- Documentary Transfer Tax (\$1.10 per \$1000 of sale)
- Escrow fee [50%] (except new VA loan-seller pays all)
- Home warranty (according to contract)
- Homeowner's association transfer fee-doc fees
- Interest accrued to lender being paid off, Statement fees, reconveyance fees and any prepayment penalties
- Notary fees
- Payoff of all loans in seller's name
- Real estate commission, when applicable
- Recording charges to clear all documents of record against seller
- Tax proration (for taxes accrued to date of closing)
- Pest inspection (according to contract)
- Pest work (according to contract)
- Title insurance premium for new Owner's Policy
- Zone disclosure report

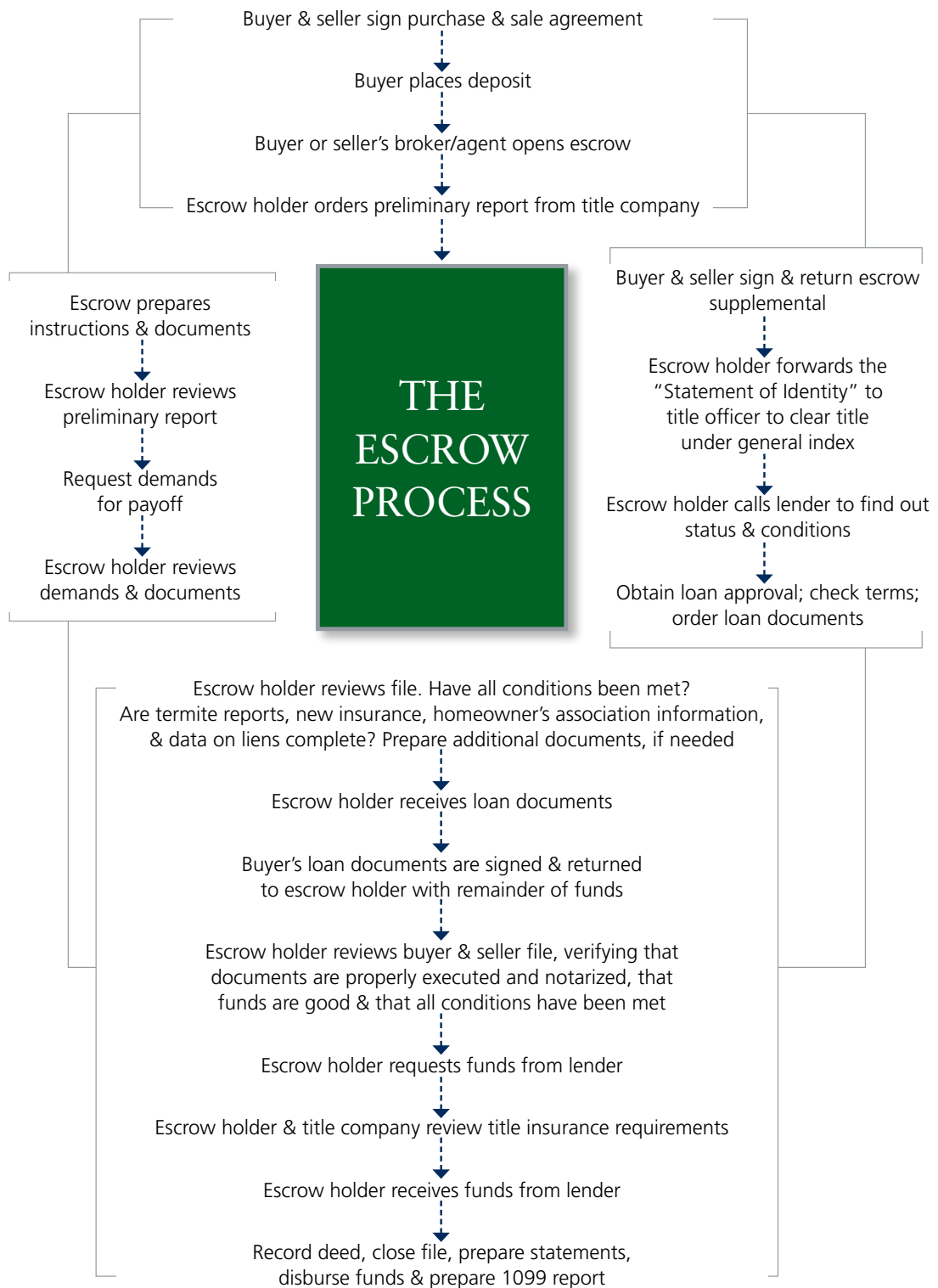


Steps for a Successful Escrow

1. Ask for your **ESCROW REFERENCE NUMBER** to use for all future communications.
2. **READ** the Commitment for Title Insurance or Preliminary Report. If you do not understand an item, contact your escrow or title officer.
3. **COMMUNICATE** with your escrow officer, keeping him/her informed of all related issues such as payoffs, releases, loan approvals, etc.
4. **INFORM** your escrow officer of any changes. Make sure all changes are in writing. Remember, with rare exceptions, escrow officers act only on mutual instructions.
5. **UNDERSTAND** the tax calendar, debits, credits prepaid interest, impounds, etc. Ask questions if you do not understand. Familiarize yourself with typical closing costs.
6. **ALLOW TIME** for your escrow officer to review the loan documents prior to the signing appointment.
7. Make sure that **FUNDS** are deposited into escrow on time. (Closing funds are by certified/cashier's check or wire.)
8. **CHECK** all documents upon receipt and before returning them to verify the following:
 - Changes are all initialed.*
 - Signatures are correct, signed exactly as shown, with middle initials and spelling.*
 - Notaries, when required, are completed and the seal is clearly placed.*
 - Vesting is shown correctly.*
 - Addresses and phone numbers are supplied for all future correspondence.*
 - Addendums are executed.*



Escrow Flowchart



Sole Ownership vs. Co-Ownership—California

Title to real property in California may be held by individuals either in Sole Ownership or in Co-Ownership. Co-Ownership of real property is title held by two or more persons. There are several variations on how title may be held in each type of ownership.

The following are brief summaries of the more common examples of sole ownership and co-ownership.

SOLE OWNERSHIP

1. **A SINGLE MAN/WOMAN:** A man or woman who is neither legally married, nor a Registered Domestic Partner.
e.g. John Doe, a single man.
2. **AN UNMARRIED MAN/WOMAN:**
A man or woman who is legally divorced. e.g. John Doe, an unmarried man.
3. **A MARRIED MAN/MARRIED WOMAN/REGISTERED DOMESTIC PARTNER AS HIS/HER SEPARATE PROPERTY:**
When a married man, married woman or Registered Domestic Partner wishes to acquire title in his/her name alone, the spouse or other Registered Domestic Partner must consent by quitclaim deed or other recordable written instrument. The spouse or other Registered Domestic Partner thereby relinquishes his/her community interest in the property.
e.g. John Doe, a married man, as his sole and separate property.

VS

CO-OWNERSHIP

4. **THE CALIFORNIA FAMILY CODE DEFINES COMMUNITY PROPERTY AS A PROPERTY ACQUIRED BY HUSBAND AND WIFE, OR EITHER, DURING MARRIAGE, WHEN NOT ACQUIRED AS THE SEPARATE PROPERTY OF EITHER.**
On January 1, 2005, most of the community property rules became applicable to Registered Domestic Partners. Real property conveyed to a married man, married woman or Registered Domestic Partner will be presumed to be community property unless otherwise stated. Under community property rules, both spouses or both Registered Domestic Partners have the right to dispose of one-half of the community property by will. If one of the spouses or one of the Registered Domestic Partners dies without a will, the deceased's interest may pass to the survivor without the need for administration in Probate. If one spouse or Registered Domestic Partner exercises his/her right to dispose of his/her one half of the community property, that interest will be subject to administration by a Probate Court. e.g. John Doe and Mary Doe, Husband and Wife.
5. **JOINT TENANCY:**
A Joint Tenancy is defined in the California Civil Code as: "[a] joint interest is 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..." The chief characteristic of Joint Tenancy property is the right of survivorship. When one joint tenant dies, the title to the property immediately vests in the surviving joint tenant(s). Joint Tenancy property is not subject to disposition by will.
e.g. 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 which need not be equal in size. There is no right of survivorship, thus upon death of a tenant in common the interest vests in the heirs or devisees of the deceased. e.g. John Doe, a single man, as to an undivided $\frac{3}{4}$ interest, and George Smith, a single man, as to an undivided $\frac{1}{4}$ interest, as tenants in common.
7. **COMMUNITY PROPERTY WITH RIGHTS OF SURVIVORSHIP (EFFECTIVE JULY 1, 2001):**
Spouses may add the right of survivorship aspect of joint tenancy to community property. Registered Domestic Partners may take advantage of this mechanism as well. Upon death of a spouse or Registered Domestic Partner, the title will pass to the survivor automatically. Specific language in the deed is required.
e.g. John Doe and Mary Doe, Husband and Wife, as community property with the right of survivorship.

Understanding Closing and Title Costs



IT'S THE BIG DAY...

The day you go to the title or escrow company, sign your name on the dotted line, hand over a check and prepare to take ownership of your new home. It's also the day that you and the seller will pay "closing" or settlement costs, an accumulation of separate charges paid to different entities for the professional services associated with the buying and selling of real property.

Q:WHAT SERVICES WILL I BE PAYING FOR WHEN I PAY CLOSING COSTS?

A: You will usually be paying for such things as real estate commissions, appraisal fees, loan fees, escrow charges, advance payments such as property taxes and homeowner's insurance, title insurance premiums, pest inspections and the like.

Q:HOW MUCH SHOULD I EXPECT TO PAY IN CLOSING COSTS?

A: The amount you pay for closing costs will vary; however, when buying your home and obtaining a new loan, an estimate of your closing costs will be provided to you pursuant to the Real Estate Settlement Procedures Act after you submit your loan application. This disclosure provides you with a good faith estimate of what your closing costs will be in the real estate process. An itemized list of charges will be prepared when you close your transaction and take title to your new property.

Q:CAN I PAY FOR MY CLOSING COSTS IN INSTALLMENTS?

A: No, and it is easy to understand why. Many different parties will have fulfilled their responsibilities and be awaiting payment upon closing. The title or escrow company will disburse monies to those parties, pursuant to the escrow instructions, when funds are available.

Q: WILL I BE ALLOWED TO WRITE A PERSONAL CHECK TO COVER MY CLOSING COSTS?

A: Your closing funds should be in the form of a cashier's check made payable to the title company or escrow office in the amount requested. A personal check may delay the closing or may be unacceptable to the title or escrow company. An out-of-state check could also cause a delay in your closing due to possible delays in clearing the check.

Q:HOW MUCH CAN I EXPECT TO PAY FOR TITLE INSURANCE?

A: This point is often misunderstood. Although the title company or escrow office usually serves as a meeting ground for closing the sale, only a small percentage of total closing fees are actually for title insurance protection. Your title insurance premium may actually amount to less than one percent of the purchase price

of your home, and less than ten percent of your total closing costs. The title policy is good for as long as you and your heirs own the property with the payment of only one premium.

Q:WHO WILL PAY FOR TITLE INSURANCE CHARGES, THE BUYER OR THE SELLER?

A:The question of who pays closing costs is a matter of agreement between the buyer and seller. Usually this agreement is based on the customary practice in your county.

Q:WHY ARE SEPARATE OWNER’S AND LENDER’S TITLE INSURANCE POLICIES ISSUED?

A:Both you and your lender will want the security offered by title insurance. Your home is an important purchase, and you will want to be certain your home is yours, all yours. Title insurance companies insure your rights and interests in order to protect you against claims. Your lender is looking to insure the enforceability of their lien on your property and marketability.

Q:WHAT DOES MY TITLE DOLLAR PAY FOR?

A:Title insurers, unlike property or casualty insurance companies, operate under the theory of “risk elimination.” Risk elimination can only be accomplished after an intensive period of risk identification. Title companies spend a high percentage of their operating revenue each year collecting, storing, maintaining and analyzing official records for information that affects title to real property. The issuance of a title insurance policy is highly labor-intensive. It is based upon the maintenance of a title “plant” or library of title records, in many cases dating back over a hundred years. Each day, recorded documents affecting real property are posted to these plants so that when a title search on a particular parcel is requested, the information is already organized for rapid and accurate retrieval. Trained title experts are able, with the aid of their extensive title plants, to identify the rights others may have in your property, such as recorded

liens, legal actions, disputed interests, rights of way or other encumbrances on your title. Before closing your transaction, you can seek to “clear” those encumbrances which you do not wish to assume. The goal of title companies is to conduct such a thorough search and evaluation of public records that no claims will ever arise. Of course, this is impossible - we live in an imperfect world, where human error and changing legal interpretations make 100 percent risk elimination impossible. When claims do arise, title insurance companies have professional claims personnel to make sure that your property rights are protected pursuant to the terms of your policy. To conclude, when you pay for your title insurance policy, you are paying for a team of professionals who have worked together to deliver you a title insurance policy which represents protection for your ownership of real property.

Should you have further questions, contact your Lawyers Title representative. Remember, the title or escrow officer is not a legal counsel and cannot give you legal advice.

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Mello-Roos Tips

WHAT IS A MELLO-ROOS FEE?

A Mello-Roos fee is a separate charge on a property tax bill in addition to the 1% property tax rate allowed by Proposition 13. The funds are used exclusively to pay for public facilities such as police and fire departments, schools, parks, roads and libraries.

HOW ARE MELLO-ROOS ASSESSMENT FEES ESTABLISHED?

Mello-Roos fees are normally established at the request of a major developer to finance the necessary public facilities to serve the new development. The public agency issues tax-exempt bonds to pay for these public facilities over a number of years. (Commercial and industrial property owners are also subject to Mello-Roos.)

WHO AUTHORIZED THE ESTABLISHMENT OF MELLO-ROOS DISTRICTS?

The Mello-Roos Community Facilities Act of 1982 was co-authored by Senator Henry Mello and Assemblyman Mike Roos and authorized by State law to allow any public agency to implement fees and issue the necessary tax-exempt bonds.

HOW CAN I DETERMINE IF MY PROPERTY IS IN A MELLO-ROOS DISTRICT?

Your property tax bill will identify Mello-Roos fees as a Community Facilities District (CFD), followed by a number and the amount of tax.

HOW MUCH IS A TYPICAL MELLO-ROOS ASSESSMENT FEE?

Typically, a formula that relates to the size of the home (lot size or square footage) is used to determine the amount of an individual assessment. The amount of taxes is established before the home is built and is not based on the current value of the property.

HOW LONG WILL THESE MELLO-ROOS FEES LAST?

Typically, the bonds are paid off in 20 years, but state law allows up to 40 years. Those who purchase a new home have the option to pay for their Mello-Roos tax in its entirety at the time of purchase.

WILL MY MELLO-ROOS FEE 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 this 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.

WHO CAN I CONTACT REGARDING MELLO-ROOS FEES?

Contact your local County Assessor's office. They have the phone numbers and names of persons to call for each Mello-Roos District.



Information deemed reliable but not guaranteed.



Lawyers Title
INSURANCE CORPORATION



- *Advantages of Using a Title Insurance Company*
- *The Title Insurance Company's Role*
- *Home Buyer's Guide to Title Insurance*
- *The Interim Binder - CA*
- *Title Search Process*
- *Understanding Preliminary Title Reports*
- *Understanding Statements of Information*
- *Typical Title Clearance Problems*
- *CLTA & ALTA Homeowner's Policies*
- *Farming Flowchart*
- *Different Ways to Order Farms*
- *What is Escrow?*
- *Who Pays for What in a Southern California Transaction?*
- *Steps for a Successful Escrow*
- *Escrow Flowchart*
- *Sole Ownership vs. Co-Ownership*
- *Understanding Closing and Title Costs*
- *Mello-Roos Tips*