

# TICOR TITLE

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# ESCROW 101 GUIDE

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## TICOR TITLE PRESENTS

# ESCROW 101

This Escrow Guide is provided to assist the consumer in understanding the basics of the closing/settlement process in a typical real estate transaction. In many states, this is referred to as “Escrow.”

Ticor Title does not intend that this information be used as legal, tax or financial advice, and you should always consult your tax and legal advisor for your specific situation and transaction decisions.

Since 1893, Ticor has continued its tradition of extraordinary customer service in the real estate industry. In the 1800s, Title Insurance and Trust Company, commonly known as “TI”, opened for business in Los Angeles with about 30 employees. The company, now known as Ticor, has grown as a leading provider of title insurance nationwide.

Ticor is a proud member of the Fidelity National Financial, Inc. (NYSE:FNF) family of title companies, offering unsurpassed claims reserves, security and protection for our policy holders.

Please remember to specify “Ticor Title” for all of your title and escrow needs!



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Information is not intended to offer tax or legal advice. (01/21)



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## WHAT IS AN ESCROW?



During a real estate transaction, it is necessary to ensure protection for all parties, which is often done through a process called **“ESCROW.”**

An escrow is defined as a transaction where an impartial third party (escrow agent) acts as an agent to both parties (seller and buyer, borrower and lender, etc.), and acts only under instructions in delivering papers, completing and recording documents, and receiving and disbursing funds. These functions may vary by custom or law from state to state.

Also, in some states the term may be used in the plural to describe the funds the lender collects to pay taxes and insurance. Also known as Impounds.

The escrow is overseen by an escrow officer employed by an independent escrow company or title company. The process begins when a purchase contract and joint escrow instructions, earnest money and/or documents are deposited with the mutually agreed upon escrow officer.

### A FEW OF THE TASKS THE ESCROW OFFICER PERFORMS MAY INCLUDE:

- Receive and deposit earnest money
- Order payoff demands of existing liens
- Calculate and/or prorate taxes, liens, interest, rents, and insurance policies
- Make arrangements for title insurance for the buyer and lender
- Complete and/or receive documents relating to the escrow
- Receive loan funds from new lender once their conditions have been satisfied
- Arrange for recording of the conveyance documents, lien instruments and any other legal instruments required to transfer title to the property pursuant to the terms of the purchase agreement and lender's instructions
- Close escrow and disburse funds as agreed upon in the instructions
- Prepare closing statements for the parties showing disposition of funds



## YOUR ESCROW OFFICER'S ROLE

**An escrow officer is a highly-trained and experienced employee of a title company, independent escrow company or real estate broker.**



Ticor escrow officers are not only experts in the complexities of closing a real estate transaction, they are also accustomed to dealing with the public and working closely with real estate agents, lenders, and other real estate service providers involved in each transaction.

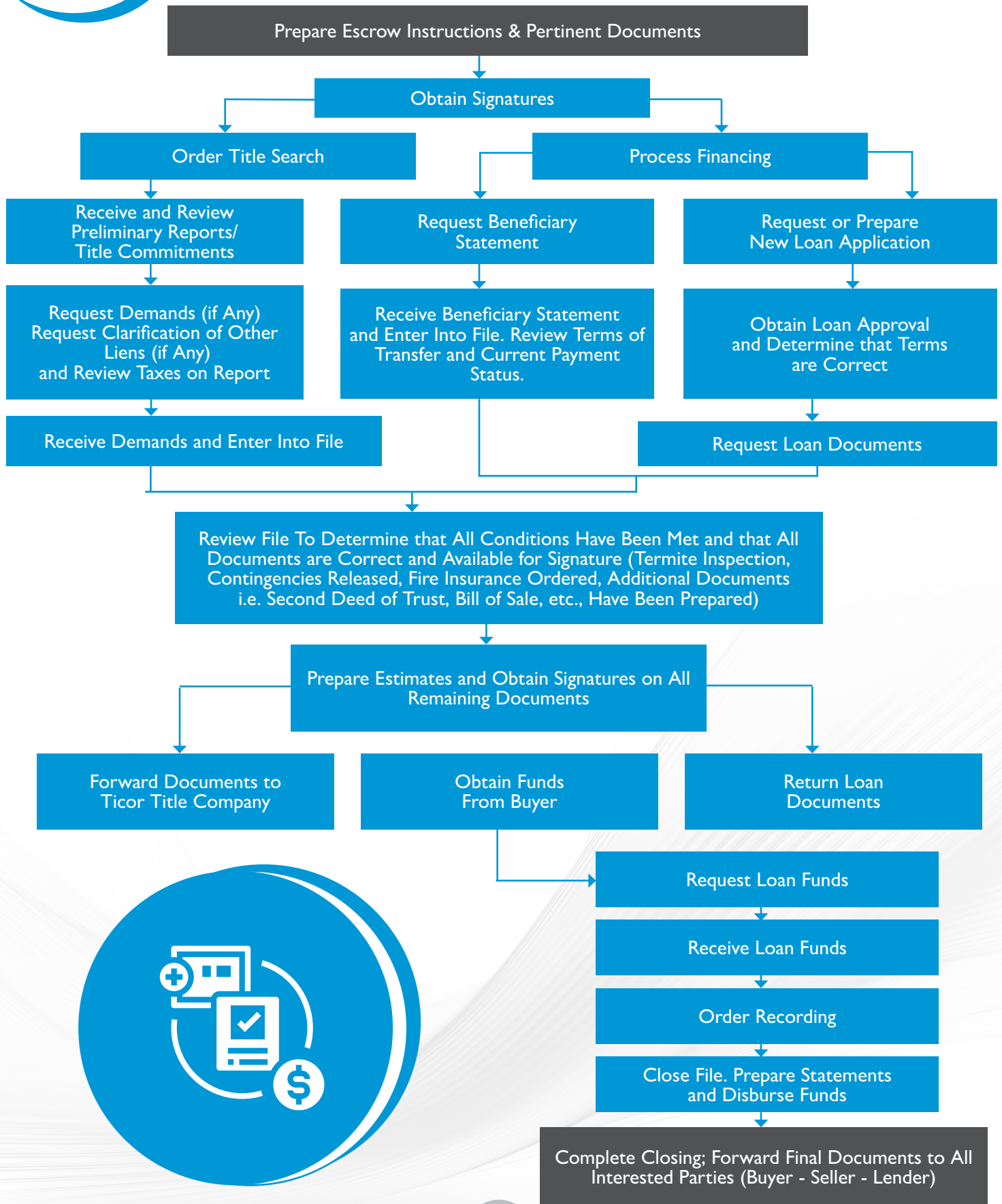
Most escrow officers learned their craft on the job. Most served an extended “apprenticeship” of several years before being promoted to escrow officer. In addition, many escrow and title companies provide escrow training. There are escrow schools, classes through the trade association the American Escrow Association and its state-level affiliates, and escrow classes at junior colleges and trade colleges.

The real test of an escrow officer's expertise is the coordination of many transactions simultaneously, all the while answering the telephone, coordinating the signing of documents, overseeing the work of an assistant, and frequently managing an office as well! An escrow officer likely has many years of experience and has closed thousands of escrows - each one individual and unique.





# LIFE OF AN ESCROW





## OPENING YOUR ESCROW



The selection of the escrow holder is normally done by agreement between the parties to a transaction. Typically, the escrow is opened by the buyer's or seller's real estate agent.

Escrow may be opened via telephone, email, website order form or in person, depending upon the preference of the real estate agent.

An "escrow number" is assigned and information is entered into the computer. Upon issuance of an escrow number, the escrow officer will order a Preliminary Title Report or Commitment for Title Insurance.

- The escrow officer will need some basic information in order to open and proceed with the escrow:
- Street address and parcel # if available
- Sales price
- Full names of all buyers and sellers and their marital status
- Contact information for all principals. Mailing address, phone numbers, email addresses.
- Existing lender name, loan number and contact information
- New lender contact information if applicable
- Homeowner's Association information, such as address and dues
- Homeowners Association (HOA) management company information (if any)
- Commission amounts

In general, the first item received is the buyer's earnest money deposit and a copy of the fully executed purchase and sale agreement. The escrow file will grow, item by item, until all of the conditions have been met and the escrow is ready to close.

Title, escrow and real estate companies are members of highly regulated industries. They are overseen by local, state and federal regulatory agencies, and must comply with extremely high standards of integrity and fiscal responsibility. However, escrow officers are not attorneys and may not give legal or tax advice.





## EXPEDITING ESCROW



The escrow officer's intent is to make the closing go as smooth and error-free as possible, and to be an active participant in a successful transaction. Throughout the escrow process, securing timely and complete information is one of the keys to exceptional escrow service. You can be of tremendous assistance as the "information pipeline."

### IF YOU ARE OPENING THE ESCROW, PLEASE PROVIDE THE FOLLOWING:

- Complete street address (Avenue, Drive, Street, Number, etc.) and parcel number if possible.
- Full names and marital status of all buyer and sellers (initials are not enough). If a married couple or otherwise legally recognized union is involved, the first and last name of the spouse or partner is essential, along with addresses including email and phone numbers.
- Use of property: is it a rental or owner occupied?
- Names of any existing mortgage companies, including all lien holders and private parties, to be paid off at closing. Escrow will need the company name, loan number, address, telephone number.
- Homeowners Association (HOA) name and the contact information for its Management Company.
- Additional items such as termite report and/or completion, home protection invoice, natural hazard report invoices, etc.

### THE ESCROW OFFICER WILL ALSO NEED THE FOLLOWING FROM THE BUYER'S AGENT:

- Full names and marital status of all buyers (initials are not enough). If a married couple is involved, the first name of the wife as well as the husband is essential, along with addresses and phone numbers.
- How the buyer(s) wants to take title.
- New lender contact information.
- Fire/hazard insurance information for new policy or existing policy.

### AFTER THE ESCROW IS OPEN:

When calling the escrow officer, have the escrow number and buyer/seller's names available.

Keep the escrow officer informed on any matters that may affect the transaction.

Direct your client's questions to the proper representative, such as:

- Real Estate Agent: Physical aspects of property, conflicts, and terms of sale.
- Lender: Loan terms, credit report issues, etc.
- Escrow officer: Escrow instructions, documents and forms to be filled out.

**When escrow closes, celebrate another successful transaction!**





## RED FLAGS



A “red flag” is a signal to pay attention to!

These situations may cause delays or other problems within an escrow and must be addressed well before the escrow is expected to close. The Preliminary Title Report or Commitment for Title Insurance may reveal many red flags, so the escrow officer reviews it carefully. Real estate agents and parties to the transaction should also review the Preliminary Title Report for items which could cause delays. Life changes could be considered “red flags” as well.

### HERE ARE A FEW THINGS TO WATCH FOR:

- Bankruptcies
- Use of a business trust
- Clearing liens and judgments, including child or spousal support liens
- Encroachment or off-record easements
- Use of a family trust
- Foreclosure
- Probate
- Proper execution of documents
- Proper jurats, acknowledgments and notary seals
- Recent construction
- Transfers or loans involving corporations or partnerships
- Last minute change in buyers





## RED FLAGS EXAMPLES



### RED FLAG EXAMPLES

1. The buyer or seller has been involved in a bankruptcy: If the bankruptcy is still pending, obtain the contact information for the attorney. Escrow will need to work closely with the title company to determine if any additional requirements must be met. For example, if the seller is in bankruptcy the escrow cannot close until the property is released from any pending bankruptcy proceedings.
2. The seller or buyer intends for the proceeds being derived from or used to purchase the property be part of a tax-deferred exchange: To prevent delays in closing this transaction, obtain the contact information for the tax-deferred exchange accommodator. Your escrow officer will work closely with the exchange company to make sure all state and federal tax guidelines are followed.
3. If the Seller is married, but the spouse is not a record title holder the spouse may be required to sign a quitclaim deed conveying their community property interest in the property to the other spouse
4. If the clients do not speak English: Our diverse population includes many buyers, borrowers and sellers who do not speak English or for whom English is a second language. If you plan to use an interpreter, inform your escrow officer so that appropriate accommodations may be made for correspondence and the signing appointment.
5. The property is being sold because of a divorce: Is the divorce final and are the appropriate documents available? Has one spouse deeded the property to the other? If not, both the husband and wife will be required to sign all listing and escrow documents. Will two separate checks be required for proceeds? Do you have current addresses and other contact information for both parties?
6. One of the owners is recently deceased: Many red flag situations arise from the death of a property owner. If this is a sale, appropriate documents must be prepared in order to close the escrow. Is probate proceeding on the estate of the deceased? Was a family trust established prior to the death of the seller? If so, you need to know who the Successor Trustee is in order to obtain proper signatures. Involve your escrow officer early and save frustration for all.
7. One of the principals is using a Power of Attorney: Is the Power of Attorney legal, binding and sufficient to convey or purchase real property? The document should have been recorded in the county and state where the property is located, and should be less than two years old. Provide a copy of the document to your escrow officer as soon as possible.
8. Buyers want to hold title in the name of a trust: If they are getting a new loan, their lender may have additional requirements, so be sure to raise this issue as soon as possible.
9. Seller lives in another state or is selling a property other than the principal residence: Some states (such as California) require tax withholding on the sale of certain properties. Check with your escrow officer immediately to discuss special tax reporting situations.



## THE TITLE 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 overly stressed. Title insurance provides some types of protection.

### WHAT IS TITLE INSURANCE?

Title Insurance 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.

Examples of hidden hazards are forgery, incompetence of grantor or mortgagor, unknown heirs, fraud, impersonations, 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. A single 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

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 Title Report provided to the lender and/or buyer before closing, and reveals the following:

- Who the legal owner of the property is
- 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.





# UNDERSTANDING STATEMENTS OF INFORMATION



## WHAT'S IN A NAME?

Statements of Information provide title companies with the information they need to distinguish the buyers and sellers of real property from others with similar names. After identifying the true buyers and sellers, title companies may disregard the judgments, liens or other matters on the public records under similar names. To help you better understand this sensitive subject, the California Land Title Association has answered some of the questions most commonly asked about Statements of Information.

## WHAT IS A STATEMENT OF INFORMATION?

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.

## WHAT DOES A STATEMENT OF INFORMATION DO?

Every day, documents affecting real property liens, court decrees, and bankruptcies 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 transaction, the title company must ask, "Does this document affect the parties we are insuring?" Because, if it does, it affects property title and could, 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 carry out its duties efficiently, and without unnecessary delay.

## WHAT TYPES OF INFORMATION ARE REQUESTED IN A STATEMENT OF INFORMATION?

The information requested is personal in nature, but not unnecessarily so. The information requested is essential to avoid delays in closing the transactions. You and your spouse, if you are married, will be asked to provide full name, social security number, year of birth, birthplace, and information on citizenship. If you are married, you will be asked the date and place of your marriage. Residence and employment information will be requested as well as information regarding previous marriages if you are divorced.

## WILL THE INFORMATION I SUPPLY BE KEPT CONFIDENTIAL?

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

## WHAT HAPPENS IF A BUYER, SELLER OR BORROWER FAILS TO PROVIDE THE REQUESTED STATEMENT OF INFORMATION?

At best, failure to provide the requested Statement of Information will hinder the search and examination capabilities of the title company, causing delay in the production of your title policy. At worst, failure to provide the information requested could prohibit the close of your escrow. Without a Statement of Information, it may 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 may be unacceptable to most buyers and lenders, and could potentially result in the loss of the deal.



## VESTING “WAYS TO HOLD TITLE”



Community property states such as Arizona, California, Nevada and a few others require the buyer to provide marital status as well as instructions on how the name(s) will appear on the Deed.

The escrow officer often provides a form that will be filled in with the vesting choice at the beginning of the escrow. The form will also ask how the buyer intends to take title to the property (i.e., an Unmarried Man, a Married Woman as her Sole and Separate Property, Husband and Wife, etc). Vesting information must also be provided to the new lender so that loan documents may be prepared to reflect the buyer name(s) and vesting according to the buyer's wishes.



Your escrow or title company can provide you with a list of vesting choices, as well as descriptions of some of the consequences of each method of vesting. Although vesting choices vary by state, they concern either individuals (such as a married man and woman) or entities (such as a corporation, partnership or trust).

One of the most frequent questions asked of escrow officers is “How should I hold title?” Escrow officers are not attorneys and cannot give legal advice. Therefore, it is important that buyers take some time before the close of escrow to research and decide upon their vesting choice. There are important legal and tax ramifications inherent in the vesting choice, and clients are encouraged to speak with their legal or tax advisor.



# VESTING CHART

	Community Property	Joint Tenancy	Tenancy in Common	Tenancy in Partnership	Title Holding Trust	Community Property w/Right of Survivorship	Registered Domestic Partners
<b>Parties</b>	Only husband and wife	Any number of persons (can be husband and wife or registered domestic partners)	Any number of persons (can be husband and wife or registered domestic partners)	Only partners (any number of partners)	Individuals, groups of persons, or corporations, a living trust	Only husband and wife	Only partners that are registered with the California Secretary of State's Domestic Partners Registry
<b>Division of Interest</b>	Owners and managerial interests are equal (Except control of business is solely with managing spouse)	Ownership interest must be equal	Ownership can be divided into any number of interests equal or unequal	Ownership interest is in relation to interest in partnership	Ownership is a personal property interest and can be divided into any number of interests	Ownership and managerial interests are equal	Ownership and managerial interests are equal (except control of business is solely with managing domestic partner)
<b>Title</b>	Title is in the "community". Each interest is separate but management is unified	Equal right of possession	Each co-owner has a separate legal title to his/her undivided interest	Title is in partnership	Legal title is held by the trustee; beneficiary has equitable title	Title is in the "community." Management is unified	Title is in the "community." Each interest is separate but management is unified
<b>Possessions</b>	Both co-owners have equal management control	Equal right of possession	Equal right of possession	Equal right of possession but only for partnership purposes	Right of possession as specified in the trust provisions	Both co-owners have equal management and control	Both co-owners have equal management and control
<b>Conveyance</b>	Personal property (except "nwratio" without consent of other spouse; real property requires written consent of other spouse, and separate interest cannot be conveyed except upon death)	Conveyance by one co-owner without the others breaks the joint tenancy	Each co-owner's interest may be conveyed separately by its owner	Any authorized partner may convey whole partnership property for partnership purposes	Designated parties within the trust agreement authorize the trustee to convey property. Also, a beneficiary's interest in the trust may be transferred	Right of survivorship may be terminated pursuant to the same procedures by which a joint tenancy may be severed	Personal property (except "necessaries") may be conveyed for valuable consideration without consent of other partner; real property requires written consent of other partner, and separate interest cannot be conveyed except upon death





## VESTING CHART

	Community Property	Joint Tenancy	Tenancy in Common	Tenancy in Partnership	Title Holding Trust	Community Property w/Right of Survivorship	Registered Domestic Partners
<b>Death</b>	On co-owner's death, 1/2 belongs to survivor in severalty. 1/2 goes by will to descent's devisee or by succession to survivor	On co-owner's death, his/her interest ends and cannot be disposed of by will. Survivor owns the property by survivorship	On co-owner's death, his/her interest passes by will to devisee or heirs. No survivorship rights	On partner's death, his/her partnership interest passes to the surviving partner pending liquidation of the partnership. Share of deceased partner then goes to his/her estate	Successor beneficiaries may be named in the trust agreement, eliminating the need for probate	Upon death of spouse, his/her interest passes to the surviving spouse, without administration, subject to the same procedures as property held in joint tenancy	On co-owner's death, 1/2 belongs to survivor in severalty. 1/2 goes by will to descendant's devisee or by succession to survivor
<b>Successor's Status</b>	If passing by will, tenancy in common between devisee and survivor results	Last survivor owns property	Devisee or heirs become tenants in common	Heirs or devisees have rights in partnership interest but not specific property	Defined by the trust agreement, generally the successor becomes the beneficiary and the trust continues	Surviving spouse owns property	If passing by will, tenancy in common between devisee and survivor results
<b>Creditor's Rights</b>	Property of the community is liable for debts of either spouse, which are made before or after marriage. Whole property may be sold on execution sale to satisfy creditor	Co-owner's interest may be sold on execution sale to satisfy his/her creditor. Joint tenancy is broken. Creditor becomes a tenant in common	Co-owner's interest may be sold on execution sale to satisfy his/her creditor. Creditor becomes a tenant in common	Partner's interest may be sold separately by "Charging Order" by his/her personal creditor, or his/her share of profits may be obtained by a personal creditor. Whole property may be sold on execution sale to satisfy partnership creditor	Creditor may seek an order for execution sale of the beneficial interest or may seek an order that the trust estate be liquidated and the proceeds distributed	Property of community is liable for debts of either which are made before or after marriage; whole property may be sold on execution sale to satisfy creditor	Property of community is liable for debts of either partner, which are made before or after registration as domestic partners. Whole property may be sold on execution sale to satisfy creditor

Ticor Title has provided these comparisons for informational purposes only. These charts are not to be used to determine how you should acquire 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.



# IMPOUND ACCOUNTS

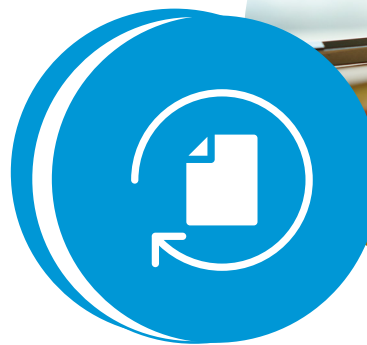
## CHANGE OF OWNERSHIP FILINGS

When property changes hands, local government agencies require notice of change of ownership. At the local level, this would be any county office that assesses or collects taxes. Reporting a change in the ownership of the property allows the local jurisdiction to assess the tax liability for each property as the title is transferred from seller to buyer.

The reporting documents vary from state to state, but require at minimum the names of the seller and buyer, assessor's parcel number or other property identifier, the property location and tax address. Also required is the total purchase price, limited terms of sale and signature of the new owner. The reporting document is recorded along with the conveyance documents evidencing a change in ownership. In California, the document is called a Preliminary Change of Ownership (PCOR), and it assists the local agency in identifying situations in which a property reassessment is allowed under Proposition 13. In Nevada, it is called the State of Nevada Declaration of Value.

Penalties or fines may be assessed from the governing body for failure to file the document as required by state or local laws. The escrow officer will need the customer to complete the document. The escrow officer will ensure it reaches the Recorder's Office along with the other documents pertinent to the change of ownership.

Some situations which appear to be a change of ownership are exempt from the filing of this type of document, including corrections to the record and status changes such as a change in vesting for estate or tax planning purposes.



## FEDERAL REQUIREMENTS

The Internal Revenue Service (IRS) requires settlement agents AKA escrow officers report certain information pertaining to sales of real property. Under the Tax Reform Act of 1986, reportable transactions include sales and exchanges of 1-4 family residential properties such as houses, townhomes and condominiums. Also reportable is stock in cooperative housing corporations and mobile homes without wheels. Specifically excluded from reporting are foreclosures and abandonment of real property, as well as financing or refinancing properties.

The escrow officer will ask the seller to complete a Certification for no Information Reporting or 1099-S Solicitation form required by the IRS. The seller is required to provide his or her correct taxpayer identification number (Social Security number), as well as the closing date of the transaction and gross proceeds of the transaction. Most settlement agents now transmit the reportable information electronically to the IRS at the end of the year. A hard copy of the form is included in the seller's closing documents for their records.

## PROPERTY TAXES

Homeowners pay property taxes to their appropriate assessment, collection or tax department in each county. A change in ownership or the completion of new construction could result in a change in the assessed value of the property and may result in the issuance of a supplemental property tax bill. Taxes are due on specific dates, and become delinquent when not paid (penalties are assessed for delinquent taxes). The yearly "tax calendar" varies by state.



## IMPOUND ACCOUNTS

In addition to standard property taxes, many jurisdictions also contain special assessment districts, which may have been formed as a means of financing infrastructure. Bonds may have been sold to finance the infrastructure and the ultimate property owner continues to make payments on the principal and interest on the bond. The bond issues vary in size and term. Other special city and county districts may be assessed for a variety of purposes, including street lights and traffic signals, street maintenance, certain educational purposes, etc.

### TRANSFER TAX

Transfer Tax is a tax collected by the County Recorder when an interest in real property is conveyed. It is paid at the time of recording, and is computed using the actual sales price. An amount, legislated by the state or county, is charged per \$500 or \$1,000 of the sales price. Although it is customary in some areas for the seller to pay this tax, in other areas custom and practice have dictated the buyer and seller split the payment.

Many cities have levied an additional tax within their jurisdictions. In some counties, these taxes are collected by the County Recorder along with county transfer tax, but in other areas a separate check will be mailed to the city. Your escrow officer is familiar with the taxes required and will coordinate payment of the appropriate amount.

### WITHHOLDING REQUIREMENTS (CALIFORNIA)

Real estate withholding is a prepayment of California state income tax for sellers of California real property. It is not an additional tax. It is a prepayment of the income tax due on the gain from the sale and any difference between the amount paid and the amount owed is refunded to the seller when a tax return is filed after the end of the taxable year. State law requires the buyer ensure the withholding is collected and remitted to the Franchise Tax Board or he/she may be subject to penalties. However, the buyer may delegate this responsibility to the escrow holder and the escrow holder may charge a fee for this service. The law requires the escrow agent to give written notice of the withholding requirement to the buyer.

### SELLERS CAN QUALIFY FOR AN EXEMPTION TO THE WITHHOLDING LAW. HERE ARE SOME OF THE EXEMPTION SITUATIONS:

- Principal residence
- Property that is part of a like-kind exchange
- Properties under \$100,000
- Sales that result in zero-gain or loss for state tax purposes
- Property owned by certain corporations and partnerships
- Property ownership by tax-exempt entities



The escrow holder will provide a state withholding form to the seller to help determine if any of the exemptions apply. The withholding guidelines can seem quite complex escrow officers are not accountants and cannot give tax advice. Further information is also available through the Franchise Tax Board.





### Good Funds

Occasionally, parties to the escrow are required to bring in additional funds to complete the transaction. Most states have laws which stipulate that the escrow cannot proceed unless the funds are “good” (i.e. have cleared the appropriate banking institution and are available for use).

For this reason, funds due at closing should be by a transfer of funds (wire) between accounts through the Federal Reserve Banks or any federally-chartered bank or credit union. Any other remittance could add several days to the processing time and will cause delays in the escrow closing.





## CLOSING COSTS



Closing costs amount to approximately 11% of the total sales price of a home, according to the California Land Title Association. These charges usually include a real estate commission, loan fee, escrow charge, title insurance premium, pest and other inspections, and costs for other services provided during the closing process. Below is a list of common closing costs.

### LOAN FEES

These are fees that the lender charges to process, approve and make the mortgage loan.

### APPRAISAL FEE

This charge, which may vary significantly for different properties, pays for a statement of property value for the lender, made by an independent appraiser or by a member of the lender's staff. The appraiser inspects the property and the neighborhood, and considers sales prices of comparable properties and other factors in determining the value. The appraisal does not, however, necessarily detect or discuss defects in the property or title to the property. Your lender may provide a copy of the appraisal to you upon request although they may not be required to do so unless specified in state law.

### CREDIT REPORT FEE

A credit report shows your credit history. The lender uses the information in a credit report to help decide whether or not to approve your loan and how much money to lend you.

### LENDER'S INSPECTION FEE

This charge covers inspections, often of newly constructed housing, made by employees of your lender or by an outside inspector.

### MORTGAGE INSURANCE APPLICATION FEE

This fee covers the processing of an application for mortgage insurance which may be required on certain home loans.

### ASSUMPTION FEE

A fee which is charged when a buyer "assumes" or takes over the duty to pay the seller's existing loan.



## CLOSING COSTS



### INTEREST

Lenders usually require that borrowers pay at the close of escrow the interest that accrues on the loan from the date of funding to the beginning of the period covered by the first monthly payment.



### PMI (MORTGAGE INSURANCE)

Mortgage insurance protects the lender from loss due to payment default by the borrower. The lender may require the first premium or a lump sum premium, covering the life of the loan in advance, in escrow. With this insurance protection, the lender is willing to make a larger loan, thus reducing your down payment requirements.



### HAZARD INSURANCE PREMIUM

This premium prepayment is for insurance for the borrower and the lender against loss due to fire, windstorm, and natural hazards. The coverage may be included in a Homeowner's Policy which insures against additional risks such as personal liability and theft. Often the first year's premium is prepaid in escrow. The policy may not protect against loss caused by flooding. If your mortgage is federally insured and your property is within a special flood hazard area identified by FEMA, you may be required by federal law to carry flood insurance on your home.



### TITLE CHARGES

These may cover a variety of services performed by title companies and others and include fees directly related to the transfer of title and fees for recording, transfer tax, etc. The borrower may pay all, a part or none of the cost for owner's and lender's title insurance depending on the terms of the sales contract or local custom. A one-time premium may be charged for the lender's title policy which protects the lender against loss due to problems or defects in connection with the title. The insurance is usually written for the amount of the mortgage loan. The borrower will be responsible for all, part or none of the cost depending on the sales contract or local custom.



### ESCROW SERVICES

Fees will be charged for the services performed by the escrow officer. Typically responsibility for payment of this fee is negotiated between buyer and seller when the sales contract is signed.



### RECORDING AND TRANSFER FEES

The sales contract or local custom determines how fees are split between buyer and seller. The buyer usually pays the fees for legally recording the new deed and mortgage loan. The county charges a transfer tax and many cities also have transfer tax fees.



### PEST AND OTHER INSPECTIONS

Inspections for termites or other pest infestation of the home may incur fees. Payment is determined by sales contract or custom.





## WHO PAYS WHAT



There are a variety of services required to close a real estate transaction and some fees that may apply. “Who Pays What” is dictated by the traditions and practices in each area or what the parties mutually agreed upon, and varies from state to state (and even county to county). FHA and VA loans may have certain requirements on who can pay for a specific fee or how much can be contributed. Here is a general guide to fees and services that may be required. Remember, many items including who pays for what in the real estate contract are negotiable.

### SELLER

- Real estate commission as specified in listing agreement or sales contract
- Any applicable city, county or real property transfer taxes
- Payoff of all loans in seller’s name including:
  - Principal balance plus interest
  - Any demand, reconveyance or other fees
  - Any prepayment penalties
  - Preparation of documents
- Any judgments, tax liens, etc. against the seller
- Any unpaid property tax amount at time of transfer
- Any unpaid homeowner association dues
- Any bonds or assessments (if specified in contract)
- Any delinquent taxes
- Termite inspection and/or work (if specified in contract)
- Home warranty (if specified in contract)
- Notary fees, if applicable
- One-half of the escrow or sub-escrow fees (if customary in your area)
- Title insurance premium (if customary in your area)
- Recording charges to clear all documents of record against seller



## WHO PAYS WHAT



### BUYER

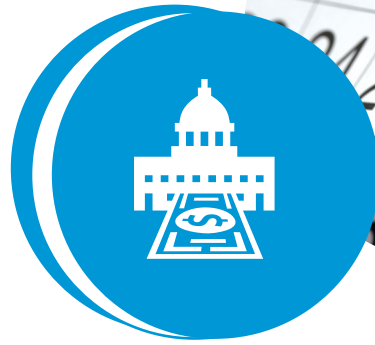
- Real estate commission as specified in listing agreement or purchase contract
- Loan charges as required by lender, including:
  - Any loan origination fees or funding fees
  - Credit report
  - Preparation of documents
  - Pre-paid interest
  - Appraisal fee
- Impounds for taxes and fire insurance (as required by lender)
- Termite Inspection and/or work (if specified in contract)
- Other inspection fees (if specified in contract or required by lender)
- Home warranty (if specified in contract)
- Any applicable city, county or real property transfer taxes (as specified in contract)
- Title insurance premium (if customary in your area)
- Lender's title insurance premium and endorsement fees as required by lender
- One-half of escrow or sub-escrow fees (if customary in your area)
- Recording charges for all documents in buyer(s) name

Your real estate agent, loan officer and escrow officer are the best source of information specific to your area and your circumstances.



## TAX CALENDAR

**TAX CALENDARS** can vary and are subject to change, so please be aware and always check with your county for your specific tax deadlines.



**Here are some examples:**

### CALIFORNIA

- The tax year runs from July 1 through June 30. Taxes are paid in 2 installments.
- First half (July 1 through December 31) taxes are due on November 1 and delinquent on December 10.
- Second Half (January 1 through June 30) taxes are due on February 1 and delinquent April 10.

### NEVADA

Tax bills are mailed once a year and received in July/August. The fiscal tax year runs from July 1 to June 30. Taxes are paid in four installments through the year:

- Third Monday in August and delinquent 10 days later.
- First Monday in October and delinquent 10 days later.
- First Monday in January and delinquent 10 days later.
- First Monday in March and delinquent 10 days later.





## SAMPLE FORMS

Since forms change from year to year, and may vary from county to county, ask your local Ticor Escrow Officer for current sample forms mentioned throughout this book.

- Statement of Identity/Information (“S of I” or “SI”)
- Preliminary Change of Ownership “PCOR” (California)
- Declaration of Value (Nevada)
- Certification for no Information Reporting (for 1099-S)
- Withholding Certificate for Sellers (California)



This image shows a blank sheet of white paper with horizontal grey ruling lines. On the left edge, there is a blue binder ring. The bottom right corner features a decorative graphic consisting of several overlapping, curved, light-grey bands that sweep upwards and to the right.



## NOTES

[illegible]





Lined area for taking notes, consisting of 15 horizontal lines.

