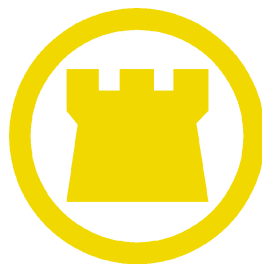




A Guide To Buying Your Home



CHICAGO TITLE COMPANY
Since 1847

CONGRATULATIONS! YOU ARE ABOUT TO BECOME A HOMEOWNER

In this brochure, you'll find information that will help you become familiar with the procedures and parties involved in your escrow process.

We'll answer many of your questions about escrow accounts, title insurance, the entire process, so you'll be more comfortable every step of the way throughout your home buying experience.

If you have remaining questions, we encourage you to call us or your real estate agent. We welcome the opportunity to serve you.



Chicago Title Company
Since 1847

What Do You Need to Know?

What is Escrow?

Escrow is the process by which the interests of all parties in a real estate transaction are protected, ensuring that all conditions of the sale have been met before property and money change hands.

The escrow is an independent depository wherein all funds, instructions, and documents for the purchase of your home are held, including your down payment, your lender's funds, documents for the new loan, hazard and title insurance, inspection reports, and the grant deed from the seller. 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 Company, who maintains the escrow account and impartially oversees the escrow process, making sure all conditions of the sale 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 beneficiary statement if debt or obligations are to be taken over by the buyer.
- Requesting a payoff demand from beneficiaries when the seller 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 purchase funds from the buyer.
- Receiving loan funds from buyer's lender.
- Closing the escrow pursuant to instructions supplied by the seller, buyer and lender.
- Recording the deed and any other documents.
- Disbursing funds as authorized by the instructions including charges for title insurance, recording fees, real estate commissions and loan payoffs.
- Preparing final statements for all parties involved that account for the disposition of all funds held in the escrow account.
- Requesting the title insurance policy.

Realizing the American Dream

Buying vs. Renting

Trends in home prices, personal income, and mortgage rates combined with the tax advantages of home ownership, make this an excellent time to turn the home of your dreams into a reality. If you're thinking of buying a home, you've probably already asked yourself, "Can I afford to buy?" Another good question to ask is, "Can I afford to continue renting?" No matter what you're currently paying for rent, your total cash outlay over a period of several years will probably add up to a much higher total than you may have realized. With the money you are currently spending on rent, you could be building equity in your own home. Keep in mind, too, that over the years your income most likely will increase faster than any increase in your mortgage payment. Rent payments, on the other hand, tend to increase - right along with your paycheck.

Mortgage Rates

Rates for conventional, 30-year fixed-rate mortgages are now at the lowest point in years. Increasingly popular alternate forms of financing may make your loan even more affordable. Your real estate agent or broker can provide information on the types of financing plans available to you.

Homeowner Tax Advantages

When you're figuring out how much you can afford to commit to monthly mortgage payments, don't forget the tax advantages of home ownership. Both property taxes and interest payments on a mortgage for an owner-occupied home are currently tax deductible. This means that as a homeowner, your annual taxable income could be substantially reduced by deducting the payments you make on property taxes and yearly mortgage interest. Ask your CPA, attorney, or tax preparer how buying a home would affect your tax situation.

Home Value Appreciation

In addition to tax advantages you can also benefit from any increase in the value of your home both through appreciation and improvements you add for your own comfort and enjoyment.

Contact A Real Estate Professional

Buying a home is probably one of the biggest investments you'll ever make. When it's your first home, it is especially important that you seek qualified assistance. Your real estate agent has the experience and expertise to help you find and purchase the home of your dreams.

Reviewing Your Finances

Lenders will focus on these factors while considering your loan application:

1. Your income
2. Your savings
3. Your debts
4. Your credit history

The above items are analyzed to assess your credit risk and your ability to fulfill your commitment in paying back your loan. You may be able to assure your lender that you are a good risk by doing the following:

Increase Your Income

- If you will be receiving an increase in salary, ask your employer to verify this
- Convince your employer to increase your monthly salary in exchange for decreasing your incentive or profit sharing, as lenders will weigh salary more heavily than incentive and profit sharing
- Consider taking a position within your company that may offer you a higher salary
- If your spouse is unemployed, consider having your spouse find a job

Increase Your Savings

- Reduce expenses as much as possible
- Hold off on any major purchases
- Plan out your monthly budget, but most importantly, stick to it

Reduce Your Debt

- Pay-down any outstanding loans if they do not have a prepayment penalty attached. Remember that most loan programs require a 3% to 5% down payment and not all loans will have to be paid off.

Build a Good Credit History

- Make all your loan and credit card payments on time
- Do not bounce any checks
- File all your local, state, and federal tax forms and pay any applicable taxes on time
- Correct any credit problems that you may have

What Will My Lender Need From Me?

Below is a checklist of items that your lender may need to determine the loan amount you qualify for.

- Most recent pay check stubs representing one month**
- W-2's or 1099 from the past two years**
- Personal Tax Returns from the past two years**
- Bank statements for all checking and savings accounts from the past three months**
- Most recent statement showing number and market value of all securities held**
- Interlocutory and Final Divorce Documents** (if applicable)
- Award letter and most recent check from Social Security, Retirement, or Pension income** (if applicable)
- Loan information on real estate you currently own.** If you have rental properties, bring your rental lease agreements.
- Information on all outstanding loans and credit cards.** If you have a number of credit cards with outstanding balances, bring your most current statements showing your minimum payments and current balances.
- Copy of front and back of Alien Registration Card of H1 Visa** (if not a U.S. Citizen)
- Copy of Driver's License and Social Security Card** (FHA only)
- Original Certificate of Eligibility and DD214** (VA Only)
- Copy of School Diploma/Transcripts** (if employed for less than 2 years and you are recently out of school)
- Copy of Pink Slip** on any auto purchased within the last 3 years which does not have a loan balance
- A blank check** to pay for a Pre-Qualification Credit Report and/or appraisal

The Loan Process

Step 1: The Application

If your loan application is completed properly and all necessary documentation is provided to your Loan Consultant at the time of application, your loan process should go very smoothly.

Step 2: Ordering Documentation

Immediately upon receipt of your application, your Loan Consultant will order the necessary documentation for the loan. Any verifications will be mailed and, the credit report and appraisal will be ordered. You will also receive a Good Faith Estimate of your costs including details of your loan.

Step 3: Awaiting Documentation

Within approximately two weeks, all necessary documentation should be received by your Loan Consultant. Each item is reviewed carefully in case additional items may be needed from you to resolve any questions or problems.

Step 4: Loan Submission

Submitting your loan is one of the most important parts of the whole process. All the necessary documentation will be sent to the lender, along with your credit report and appraisal.

Step 5: Loan Approval

Loan approval may be obtained in stages. Usually, within 24 to 72 hours, your loan consultant should have approval from the lender. If the loan requires mortgage insurance, or if an investor needs to review the file, final approval could take up to another 24 to 48 hours. You do not have final loan approval until ALL the necessary parties have underwritten the loan.

Step 6: The Lender Prepares the Documents

As soon as the loan is approved and all requirements of the lender have been met, they will be able to prepare the documents. These documents will be sent to Chicago Title Company where they will be prepared for you to sign. Depending on the type of loan, your lender may require an impound account for tax installment payments. See page 6 for more information.

Step 7: Funding

After you have signed the documents and they have been returned to the lender, the lender will review them and make sure that all conditions have been met and all documents have been signed correctly. When this is completed, they will “fund” your loan. (“Fund” means the lender will give Chicago Title Company the money by check or wire)

Step 8: Recordation

The day after the lender funds the loan, Chicago Title Company will record the Deed of Trust with the respective county. Upon receipt of confirmation that the deed has been recorded, Chicago Title Company will then disburse monies to the appropriate parties. At this time and in most cases, your loan is considered complete.

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 BUYER(S)

Tenders a written offer to purchase (or accepts the Seller's counter-offer) accompanied by a good faith deposit amount.

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

Approves the preliminary report, and any property disclosure, or inspection reports called for by the purchase and sale agreement (Deposit Receipt).

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 instructions.

Approves any final changes by signing amendments to the escrow instructions or contract.

Deposits sufficient funds in the escrow to pay the remaining down payment and closing costs.

THE LENDER (when applicable)

Accepts the new loan application and other related documents from the Buyer(s) and begins the qualification process.

Orders and reviews the property appraisal, credit report, verification of employment, verification of deposit(s), preliminary 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 Buyer(s) of loan approval terms and commitment expiration date and provides a good faith estimate of the closing costs.

Deposits the new loan documents and instructions with the escrow holder for Buyer's approval and signature.

Reviews and approves the executed loan package and coordinates the loan funding with the escrow officer.

THE ESCROW OFFICER

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

Orders the title search and examination on subject property.

Acts as the impartial "stakeholder" or depository, in a fiduciary capacity, for all documents and monies required to complete the transaction per written instructions of the principals.

With authorization from the real estate agent or principal, 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 formal assumption package.

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

Prepares the escrow instructions and required documents together with a preliminary estimate of settlement charges, for the Buyer and Seller, in accordance with the terms of the sale.

Presents the instructions, documents, statements, loan package(s) and other related documents to the principal(s), for approval and signature.

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

Receives the balance of funds required from the Buyer and/or the proceeds of the loan from the lender.

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

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

Closes the escrow by preparing the final settlement statements, disbursing the proceeds to the Seller, paying off the existing encumbrances and other obligations. Delivers the appropriate statements, funds and remaining documents to the principals, agents and/or the lenders.

THE SELLER(S)

Accepts Buyer's offer to purchase and initial good faith deposit to open escrow.

Submits documents and information to the escrow holder, such as: addresses of lien holders, tax receipts, equipment warranties, home warranty contracts, any leases and/or rental agreements, etc.

Orders inspections, receives clearances and approves final reports and/or repairs to the property as required by the terms of the purchase and sale agreement (Deposit Receipt).

Approves and signs the escrow instructions, payoff demands, grant deed and other related documents required to complete the transactions.

Approves any final changes by signing amendments to the escrow instructions or contracts.

CHICAGO TITLE

Examines the title to the real property and issues a preliminary report.

Determines the requirements and documents needed to complete the transaction and advises the escrow officer and/or agents.

Reviews and approves the signed documents, releases and the order for title insurance, prior to the closing date.

When authorized by the escrow officer, records the signed documents with the County Recorder's office and prepares to issue the title insurance policies.



CHICAGO TITLE COMPANY
Since 1847

Proud to be a member of your real estate team.

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 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, it only protects the lender's interest in the property, not your investment, and it decreases as the mortgage is paid off. You need owner's title insurance to protect your ownership for the full amount you paid for the property.

How Does It Work?

Chicago Title Company 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 effected the 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 judgments filed against the seller?

What About Hidden Risks?

Claims that cannot be discovered by examination of the Public Records - called "hidden risks" - 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 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: The End Result

By obtaining a Chicago Title Insurance Title Policy, you are backed by the strength and security of the nation's number one title insurance family in America.

We Encourage You To Review Your Preliminary Title Report

Your real estate agent should review the preliminary report as soon as it arrives with particular attention to certain areas:

- Verify the ownership vesting. The names on the report should match the names on the purchase contract. Sometimes the name of an unexpected owner will appear (i.e. a previous spouse or relative who died) and corrective documents may be required.
- Verify the property address. The plat map and legal description should match the address. An owner could own two properties adjacent to or across the street from each other causing confusion in identifying the correct property.
- Read the informational notes for pertinent items about the property (i.e. transfer taxes, monument fees, homeowner's association fees, etc).
- Carefully review the exceptions. Common exceptions include current taxes, bonds, deeds and trust, Mello-Roos assessment district items, Covenants, Conditions, and Restrictions (CC&R) and easements. Be sure the CC&R's or existing easements don't interfere with the buyer's future plans. For example, an easement across the backyard could have a profound effect on the buyer's ability to add a swimming pool later.
- ALWAYS look for surprises. If you can't locate an easement, if an unexpected deed of trust shows up, if you see an item you weren't aware of before; call the escrow officer or title company to discuss the matter. The responsibility for early detection and resolution of problems fall on the entire escrow team: the real estate agents, escrow and title companies, and sometimes the buyers and sellers as well. Below are a few of the common "red flags" that could cause delay in a transaction if the information is not known.

Red Flag Questions

(Your Escrow Officer needs to know:)

1. Current Marital Status
2. Will spouse be on title?
3. Previous marital status
4. Are you currently paying child support?

8 Common Ways to Hold Title

Variations on How to Take Title - Advantages and Limitations

Title to real property in California may be held by individuals, either by Sole Ownership or 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/her name alone, the spouse must consent, by quitclaim deed or otherwise, to the 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 as the property acquired by husband and wife, or either, during marriage, when not acquired as the separate property of 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 by will, but if there is no will, all of the property will go to the surviving spouse without administration. If a spouse exercises his/her right to dispose of one-half, that half is subject to administration in the estate.
Example: John Doe & Mary Doe, husband and wife, as community property.
Example: John Doe & Mary Doe, husband and wife.
Example: John Doe, a married man Sole Ownership Co-Ownership.

- 5. Joint Tenancy:**

A joint tenancy estate 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 & 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 arrive at different times. There is no right of survivorship; each tenant owns an interest which, on his/her death, vests in his/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 benefit of 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/tax consequences, appropriate consultation is recommended. There may be significant tax/legal consequences as to the manner in which title is held. We strongly suggest contacting an attorney and/or CPA for specific advice on how you should actually vest your title. (There may be charges associated with these services.)

It's Almost Time To Close On Your New Home

Signing Escrow Instructions

Your escrow officer or real estate agent will contact you to make an appointment to sign your escrow instructions and final loan papers. The escrow officer will tell you the amount of money you'll need (in addition to your loan funds) to complete the purchase. This amount will include "closing costs" such as appraisal fees, loan fees, escrow charges, advance payments on property taxes, homeowner's insurance, title insurance premium, inspection charges and the like.

Your Appointment To Sign Your Documents

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 or real estate agent can assist you.
- Obtain hazard/fire insurance.** Call your escrow officer with the insurance agent's name and telephone number. You must have your policy in place before the lender will send your loan funds to Chicago Title.
- Obtain and bring with you a cashier's check or certified check** issued by a California institution made payable to Chicago Title Company in the amount indicated to you by the escrow officer when you made the appointment to sign your escrow instructions.
- Bring either your valid driver's license or passport** to your appointment so the Notary Public can verify your identity.
- Before your appointment, you must **decide how you wish to hold title** to your new home. We suggest you consult a lawyer, tax consultant, or other qualified professional. We've provided a guide to the "8 Common Ways To Holding Title" in this guide for you.

After the Sign-Off

After you have signed your escrow instructions, the escrow officer will give them to the lender for a final review. The review usually occurs within a few days, after which, the lender advises the escrow officer that the lender is ready to fund the loan. If all the conditions of the escrow have been satisfied, the escrow officer will inform you of the date the escrow will close and will take care of the technical and financial details.

The Close of Escrow

Close of escrow signifies legal transfer of title and occurs when the grant deed is recorded with the County Recorder. As well, the lender's deed of trust on your home records concurrently with the grant deed. Recording usually occurs within one working day after loan funds are received in escrow. Several weeks after closing, the County Recorder's Office will mail you the original grant deed.

Who Pays What In Your County?

	CONTRA COSTA	ALAMEDA	MONTEREY	SANTA CLARA	SAN FRANCISCO	SAN MATEO
• Title insurance policy premiums	BUYER	BUYER	S / B	S / B	BUYER	SELLER
• Escrow fee *	BUYER	BUYER	S / B	SELLER	BUYER	BUYER
• Notary fees *	S / B	S / B	S / B	S / B	S / B	S / B
• Property tax proration (from date of acquisition)	BUYER	BUYER	BUYER	BUYER	BUYER	S / B
• Special delivery/courier fees, if required	S / B	S / B	S / B	S / B	S / B	S / B
• Document preparation fees *	S / B	S / B	S / B	S / B	BUYER	S / B
• Document recording charges *	BUYER	BUYER	BUYER	S / B	BUYER	S / B
• Homeowners' association transfer fee and prorated dues	SELLER	SELLER	SELLER	S / B	BUYER	S / B
• City conveyance tax *	S / B	S / B	N/A	S / B	SELLER	S / B
• Home warranty according to contract	SELLER	SELLER	S / B	SELLER	S / B	S / B
• Inspection fees according to contract (termite*, roof, property, geological, etc.)	S / B	BUYER	BUYER	BUYER	BUYER	S / B
• Matters of record against the buyer (tax liens, judgments, etc.) and fees required to clear them	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
• Fire insurance premium for first year	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
• Assumption/change of records fee, for takeover of existing loan	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
• Lender's new loan charges *	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
• Interest on new loan from date of funding to 30 days prior to first payment date	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
• Other prorations (rents, insurance, etc.), if applicable	BUYER	BUYER	BUYER	S / B	BUYER	S / B
• Real estate commission	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER
• Document transfer tax (Based on sales price)	SELLER \$1.10 per thousand\$	SELLER \$1.10 per thousand\$	SELLER \$1.10 per thousand\$	SELLER \$1.10 per thousand\$	SELLER* \$6.80 per thousand\$ *	SELLER \$1.10 per thousand\$
• Property tax proration (to date of acquisition)	SELLER	SELLER	SELLER	SELLER	SELLER	S / B
• City costs *	N/A	SELLER	SELLER	N/A	SELLER	SELLER
• Work/repairs required according to contract	SELLER	SELLER	SELLER	SELLER	SELLER	S / B
• Matters of record against the property or seller (loans, tax liens, judgements, etc.) and fees required to clear them (statement fees, reconveyance/trustee fees and prepayment penalties)	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER
• Bonds and assessments according to contract	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER

*This guide is for informational purposes only.
Closing costs are allocated between buyer and seller on the basis of tradition, but are subject to negotiation in the sale of real property.*

**On certain Government loans, these charges may be specified as seller's charges or may not apply.
Check with your escrow officer for additional costs which may be unique to your city.*

*** \$6.80 amount is based on a sales price between \$250,001. to \$999,999.*

Important Real Property Tax Dates To Plan For

January 1st
Assessment Date

July 1st
Current Fiscal Tax Year Begins

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

December 10th
First Installment Becomes Delinquent At 5 PM

January 1st
Calendar Year Begins

February 1st
Second Installment Due (Second Installment - Jan 1 - June 30)

April 10th
2nd Installment Becomes Delinquent at 5 PM

June 30th
Last Day To Pay Current Tax Installments Before Being Considered in Default



Chicago Title
Since 1847

Glossary

These definitions are to acquaint the homebuyer with terms commonly used in real estate transactions. These terms are intended to be general and brief and are not complete and wholly accurate when applied to all possible uses of the term. Please consult your real estate agent for more information or questions regarding these terms.

Adjustable Rate Mortgage (ARM): A mortgage with an interest rate that changes over time in line with movements in the index.

Adjustment Period: The length of time between interest rate changes on an ARM. For example; a loan with an adjustment period of one year is called a one year ARM, which means that the interest rate can change once a year.

Amortization: Repayment of a loan in equal installments of principal and interest, rather than interest-only payments.

Annual Percentage Rate (APR): The total finance charge (interest, loan fees, points expressed as percentage of the loan amount).

Assumption of Mortgage: A buyer's agreement to assume the liability under an existing note that is secured by a mortgage or deed of trust. The lender must approve the buyer in order to assume the loan.

Beneficiary: Lender.

Cap: The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.

CC&R's: Covenants, Conditions, and Restrictions. A document that controls the use, requirements and restrictions of a property.

Certificate of Reasonable Value (CRV): A document that establishes the maximum value and loan amount for a VA guaranteed loan.

Closing Statement: The financial disclosure statement that accounts for all of the funds received and expected at the closing, including deposits for taxes, hazard insurance, and mortgage insurance.

Contingency Clause: A provision in some ARM's to a fixed rate loan, usually after the first adjustment period. The new fixed rate is generally set at the prevailing interest rate for fixed rate mortgages. This conversion feature may cost extra.

Due on Sale Clause: An acceleration clause that requires full payment of a mortgage or deed of trust when the secured property changes ownership.

Earnest Money: The portion of the down payment delivered to the seller or escrow agent by the purchaser with a written offer as evidence of good faith.

Federal National Mortgage Association:

Popularly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by VA, as well as conventional home mortgages.

Fee Simple: An estate in which the owner has unrestricted power to dispose of the property as he wishes including leaving by will or inheritance. It is the greatest interest a person can have in real estate.

Finance Charge: The total cost a borrower must pay, directly or indirectly, to obtain credit according to Regulation Z.

Graduated Payment Mortgage: A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

Home Inspection Report: A qualified inspector's report on a property's overall condition. The report usually includes an evaluation of both the structure and mechanical systems.

Home Warranty Plan: Protection against failure of mechanical systems with the property. Usually includes plumbing, electrical, heating systems and installed appliances.

Index: A measure of interest rate changes used to determine changes in an ARM's interest rate over the term of the loan.

Joint Tenancy: An equal, undivided ownership of property by two or more persons. Upon death of any owner, the survivors take the decedent's interest on the property.

Lien: A legal hold or claim on property as security for a debt or charge.

Loan Commitment: A written promise to make a loan for a specified amount on specific terms.

Loan to Value Ratio: The relationship between the amount of the appraised value of the property, expressed as a percentage of the appraised value.

Margin: The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

Negative Amortization: Negative amortization occurs when monthly payments fail to cover the interest cost. The interest that isn't covered is added to the unpaid principal balance, which means that even after several payments you could owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that aren't high enough to cover the interest.

Origination Fee: A fee or charge for establishing a new loan.

PITI: Principal, interest, taxes and insurance.

Point: An amount equal to 1% of the principal amount of the investment or note. The lender assesses loan discount points at closing to increase the yield on the mortgage to a position competitive with other types of investments.

Prepayment Penalty: A fee charged to a mortgagor who pays a loan before it is due.

Private Mortgage Insurance (PMI): Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.

Purchase Agreement: A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under stated terms and conditions. Also called a sales contract, earnest money contract or agreement for sale.

Realtor: A real estate broker or associate active in a local real estate board affiliated with the National Association of Realtors.

Tenancy in Common: A type of joint ownership of property by two or more persons with no right of survivorship.

Title Insurance Policy: A policy that protects the purchaser, mortgagee or other party against losses.

VA Loan: A loan that is guaranteed by the Veterans Administration and made by a private lender.



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When You Have Questions...

About:

Your sales agreement
Loan requirements/finances
Final amounts needed to close escrow, other closing matters
Escrow instructions
Possession and keys to the home
Title insurance

Call Your:

Real Estate Agent
Lender or Real Estate Agent
Escrow Officer
Real Estate Agent
Escrow Officer
Title Company, Escrow Officer

Alameda County

Stoneridge Escrow Department
(925) 251-0167

Market Center/Development Services
(925) 227-9700
6120 Stoneridge Mall Road, Suite 120
Pleasanton

Albany (510) 527-2453
1320 Solano Ave.

Castro Valley (510) 538-1600
3365 Castro Valley Blvd.

Fremont (510) 742-0800
39420 Liberty St.

Livermore (925) 447-4411
1952 Fourth St.

Livermore (925) 296-2584
1654 Second St.

Montclair (510) 987-7177
6210 Medau Pl., Oakland

Oakland (510) 451-8888
1 Kaiser Plaza, Suite 745

Pleasanton (925) 416-9111
4637 Chabot Dr.

New Home Center
Pleasanton (925) 847-0181
6120 Stoneridge Mall Road
Suite 150

Pleasanton (925) 461-1132
4725 First St., Suite 150

Contra Costa County

Market Center
Walnut Creek (925) 974-4700
590 Ygnacio Valley Road, Suite 300

Customer Service
Walnut Creek (888) 430-4288
590 Ygnacio Valley Rd., Suite 300

Blackhawk (925) 296-5060
4185 Blackhawk Plaza Circle, Suite 104

Brentwood (925) 240-7847
1185 G-1 Second St.

Contra Costa Cont.

Danville (925) 820-5700
190 Hartz Avenue

El Sobrante (510) 222-4750
3575 San Pablo Dam Road, Suite 100

Orinda (925) 296-5000
140 Brookwood Road, Suite 100

Walnut Creek (925) 256-9101
1777 N. California Blvd., Suite 100

Walnut Creek, Growers Square
1646 N. California Blvd., Suite 106

Commercial/Special Projects Center
1646 N. California Blvd., Suite 106
(888) 656-0669

Monterey County

Carmel (831) 625-5676
26609 Carmel Center Place

Monterey (831) 375-2262
250 Bonifacio Place

Salinas (831) 424-8011
50 Winham Street

San Francisco County

Market Center
San Francisco (415) 788-0871
388 Market Street, Suite 1300

San Francisco (415) 922-6850
2001 Union Street, Suite 200

San Francisco (415) 759-9100
1400 Noriega Street

San Francisco (415) 359-2500
One Daniel Burnham Court

San Mateo County

Daly City (650) 301-8000
355 Gellert, Suite 130

San Bruno (650) 716-2340
195 El Camino Real

San Carlos (650) 620-3400
189 El Camino Real

San Mateo Cont.

San Mateo (650) 343-1774
400 S. El Camino Real, Suite 150

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Almaden (408) 972-7016
5406 Thornwood Drive, Suite 190

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686 Blossom Hill Road

San Jose
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4075 Evergreen Village Square, Suite 180

Campbell (408) 371-4100
1374 E. Hamilton Ave.

Cupertino, (408) 253-9050
20100 Stevens Creek Blvd., Suite 190

Gilroy (408) 842-8211
8060 Santa Teresa Blvd., Suite 100

Hollister (831) 637-7441
330 Tres Pinos Road, Suite C2

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419 S. San Antonio Rd, Suite 211

Los Gatos (408) 354-8130
634 N. Santa Cruz Ave., Suite 100

Milpitas (408) 263-0986
1402 Dempsey Road

Palo Alto (650) 324-1984
437 Lytton Ave.

Saratoga (408) 973-1900
12156 Saratoga-Sunnyvale Rd.

Morgan Hill (408) 778-6162
18525 Sutter Blvd., Suite 100

Customer Service/Market Center

San Jose (408) 292-4212
110 W. Taylor St.

Taylor Street Escrow
San Jose (408) 283-3500
110 W. Taylor St.

Commercial Department
San Jose (408) 292-4212
110 W. Taylor St.