

# BUYERS GUIDE

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## Quick Reference

Your Escrow Number	
Your New Address	
City/State/Zip	

Title Contacts			
Title Officer		Email	
Assistant		Email	
Company		Phone	
Address		Fax	
City/State/Zip			

Escrow Contacts			
Escrow Officer		Email	
Escrow Assistant		Email	
Address		Phone	
City/State/Zip		Fax	



# Terms You Should KNOW

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## Appraisal

An estimate of value of property resulting from analysis of facts about the property; an opinion of value

## Annual Percentage Rate (APR)

The borrower's costs of the loan term expressed as a rate. This is not their interest rate.

## Beneficiary

The recipient of benefits, often from a deed of trust, usually the lender.

## Closing Disclosures (CD)

Closing Disclosures form designed to provide disclosures that will be helpful to borrowers in understanding all of the costs of the transaction. This form will be given to the consumer three (3) business days before closing.

## Close of Escrow

Generally the date the buyer becomes the legal owner and title insurance becomes effective.

## Comparable Sales

Sales that have similar characteristics as the subject real property, used for analysis in the appraisal. Commonly called "comps".

## Consummation

Occurs when the borrower becomes contractually obligated to the creditor on the loan, not, for example, when the borrower becomes contractually obligated to a seller on a real estate transaction. The point in time when a borrower becomes contractually obligated to the creditor on the loan depends on applicable State law. Consummation is not the same as close of escrow or settlement.

## Deed of Trust

An instrument used in many states in place of a mortgage.

## Deed Restrictions

Limitations in the deed to a parcel of real property that dictate certain uses that may not be made of the real property.

## Disbursement Date

the date the amounts are to be disbursed to a buyer and seller in a purchase transaction of the date funds are to be paid to the borrower or a third party in a transaction that is not a purchase transaction

## Earnest Money Deposit

Down payment made by a purchaser of real property as evidence of good faith; a deposit or partial payment.

## Easement

A right, privilege or interest limited to a specific purpose that one party has in the land of another.

## Endorsement

as to title insurance policy, a rider or attachment forming a part of the insurance policy expanding or limiting coverage.

## Hazard Insurance

Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyer often adds liability insurance and extended coverage for personal property.

## Impounds

A trust type of account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums, required to protect their security.

## Lien

A form encumbrance that usually makes a specific parcel of real property the security for the payment of a debt or discharge of an obligation. For example; judgments, taxes, mortgages, deeds of trust.

## Loan Estimate (LE)

Form designed to provide disclosures that will be helpful to borrowers in understanding the key features, costs and risks of the mortgage loan for which they are applying initial disclosures to be given to the borrower three (3) business days after application

## Mortgage

The instrument by which real property is pledged as security for repayment of a loan.

## PITI

A payment that includes Principal, Interest, Taxes and Insurance.

## Power of Attorney

A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an "Attorney-in-Fact".

## Recording

Filing documents affecting real property with the appropriate government agency as a matter of public record.

## Settlement Statement

Provides a complete breakdown of costs involved in a real estate transaction.

## TRID

TILA - RESPA Integrated Disclosures





# Key Professionals INVOLVED IN YOUR TRANSACTION

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## REALTOR

A REALTOR is a licensed real estate agent and a member of the National Association of REALTORS, a real estate trade association. REALTORS also belong to their state and local Association of REALTORS.

## REAL ESTATE AGENT

A real estate agent is licensed by the state to represent parties in the transfer of property. Every REALTOR is a real estate agent, but not every real estate agent has the professional designation of a REALTOR.

## LISTING AGENT

A key role of the listing agent or broker is to form a legal relationship with the homeowners to sell the property and place the property in the Multiple Listing Service.

## BUYERS AGENT

A key role of the listing agent or broker is to work with the buyer to locate a suitable property and negotiate a successful home purchase.

## MULTIPLE LISTING SERVICE (MLS)

The MLS is a database of properties listed for sale by REALTORS who are members of the local Association of REALTORS. Information on an MLS property is available to thousands of REALTORS.

## TITLE COMPANY

These are the people who carry out the title search and examination, work with you to eliminate the title exceptions you are not willing to take subject to, and provide the policy of title insurance regarding title to the real property.

## ESCROW OFFICER

an escrow officer leads the facilitation of your escrow, including escrow instructions preparation, document preparation, funds disbursement, funds disbursement and more.



# The Life of an ESCROW



The Buyer	The Seller	The Escrow Officer	The Lender
Chooses a Real Estate Agent	Chooses a Real Estate Agent	Upon receipt of order and earnest money deposit, orders title examination.	Accepts Buyer's application and begins the qualification process. Provides Buyer with Loan Estimate.
Gets pre-approval letter from Lender and provides to Real Estate Agent.	Accepts Buyer's offer to purchase.	Requests necessary information from buyers and sellers via opening packages.	Orders and reviews title commitment/preliminary report, property appraisal, credit report, employment and funds verification.
Makes offer to purchase. Upon acceptance, opens escrow and deposits earnest money.	Completes and returns opening package from First American Title. Including information such as forwarding address, payoff lender contact information and loan numbers	Reviews title commitment/preliminary report.	Collects information such as title commitment/ preliminary report, appraisal, credit report, employment and funds verification. Reviews and requests additional information for final loan approval.
Finalizes loan application with Lender. Receives a Loan Estimate from Lender.	Orders any work for inspection and/or repairs to be done as required by the purchase agreement.	Upon receipt of opening packages, orders demands for payoffs. Contacts buyer or seller when additional information is required for the title commitment preliminary report.	Underwriting reviews loan package for approval.
Completes and returns opening package from First American Title.	Escrow officer or real estate agent contacts the seller to schedule signing appointment.	All demands, invoices, and fees must be collected and sent to lender at least 10 days prior to loan consummation.	Coordinates with Escrow Officer on the preparation of the Closing Disclosure, which is delivered to Buyer at least 3 days prior to loan consummation.
Schedules inspections and findings. Reviews title commitment/preliminary report.	Documents are recorded and all proceeds from sale are received.	Coordinate with the lender on the preparation of the CD.	Delivers loan documents to escrow.
Provides all requested paperwork to Lender (bank statements, tax returns, etc.) All invoices and final approvals should be to the lender no later than 10 days prior to loan consummation.		Reviews all documents, demands and instructions and prepares settlement statements and any other required documents	Upon review of signed loan documents, authorizes loan funding.
Lender (or Escrow Officer) prepares CD and delivers to Buyer at least 3 days prior to loan consummation.		Schedules signing appointment and informs buyer of funds due at settlement	
Escrow officer or real estate agent contacts the buyer to schedule signing appointment.		Once loan is consummated. sends funding package to lender for review.	
Buyer consummates loan, executes settlement documents, & deposits funds via wire transfer.		Prepares recording instructions and submits docs for recording.	
Documents are recorded and the keys are delivered		Documents are recorded and funds are disbursed. Issues final settlement statement.	

# The Escrow PROCESS

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## WHAT IS AN ESCROW?

The escrow is the process of having a neutral party manage the exchange of money for real property. The escrow holder is known as an escrow or settlement officer or agent. The buyer deposits funds and the seller deposits a deed with the escrow holder along with all of the other documents required to remove all "contingencies" (conditions and approach and approvals) in the purchase agreement prior to closing.

## HOW IS AN ESCROW OPENED?

Once a purchase agreement is signed by all necessary parties, the agent representing the party who will pay the fee selects an escrow holder and the buyer's earnest money deposit and contract are submitted to the escrow holder. From this point, the escrow holder will follow the mutual written instructions of the buyer and seller, maintaining a neutral stance to ensure that neither party has an unfair advantage over the other. The escrow holder also follows the instructions of the Buyer's new lender, the seller's existing lender and both parties agents. the escrow holder ensures the transparency of the transaction, while carefully maintaining the privacy of the consumers.











# Your Escrow PROFESSIONAL MAY:

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- Open escrow and, if instructed to do so, deposit your good faith funds in a separate escrow account.
- Order a title search to determine ownership and status of the subject real property
- Issue a preliminary report and begin the process of eliminating the title exception you and your lender are not willing to take title subject to
- Request payoff information for the seller's loans, other liens, homeowner's association fees, etc.
- Coordinate with the buyer's lender on the preparation of the Closing Disclosure (CD)
- Prorate fees, such as real property taxes, per the contract, and prepare the settlement statement
- Set separate appointments allowing the seller and you to sign documents and deposit funds
- Review documents ensuring all conditions and legal requirements are fulfilled, request funds from lender
- When all funds are deposited, record documents with the County Recorder's Office to transfer the subject real property to you
- After the recordation is confirmed, close escrow and disburse funds, including Seller's proceeds, loan payoffs, etc.
- Prepare and send final documents to all parties involved



# Understanding TITLE INSURANCE

Prior to the development of the title industry in the late 1800's, a home-buyer received a grantor's warranty, attorney's title opinion, or abstractor's certificate as assurance of home ownership. The buyer relied on the financial integrity of the grantor, attorney, or abstractor for protection. Today, home-buyers look primarily to title insurance to provide this protection. Title insurance companies are regulated by state statute. They are required to post financial guarantees to ensure that any claims will be paid in a timely fashion. They also must maintain their own "title plants" which house duplicates of recorded deeds, mortgages, plats and other pertinent county property records.

## WHAT IS TITLE INSURANCE?

Title insurance provides coverage for certain losses due to defects in the title that, for the most part, occurred prior to your ownership. Title insurance protects against defects such as prior fraud or forgery that might go undetected until after closing and possibly jeopardize your ownership and investment.

## WHY IS TITLE INSURANCE NEEDED?

Title insurance insures buyers against the risk that they did not acquire marketable title from the seller. It is primarily designed to reduce risk or loss caused by defects in title from the past. A loan policy of title insurance protects the interest of the mortgage lender, while an owner's policy protects the equity of you, the buyer, for as long as you or your heirs (in certain policies) own the real property.

## WHEN IS THE PREMIUM DUE?

You pay for your owner's title insurance policy only once, at the close of escrow. Who pays for the owner's policy and loan policy varies depending on local customs.





# How Title Insurance DIFFERS

## From Other Forms of Insurance

Unlike other forms of insurance, title insurance emphasizes loss prevention for the insured. Title professionals perform labor-intensive work to find and address title issues that could threaten your homeownership. This upfront analysis gives you, as a policy holder, the peace of mind that your title risk has been effectively reduced. In contrast, insurance based on loss assumption (such as auto or property and casualty insurance) requires little upfront work because claims cannot be predicted or prevented, and premium funds are needed only in the event of an accident or other covered issue. These types of insurance also require annual coverage payments, unlike title insurance which is paid for only once upon the purchase of your home or establishment of a new mortgage.

## The Importance of Title Protection

There are many title issues that could cause you to lose your real property or your mortgage investment. Even the most careful search of public records may not disclose the most dangerous threat: hidden risks. These issues may not be uncovered until years later. Without title insurance from a reputable and financially solvent company, the ownership of your home could be jeopardized

Here are some examples of title issues that may occur:

- Deeds by persons supposedly single, but secretly married
- Deeds in lieu of foreclosure given under duress
- Marital rights of spouse purportedly, but not legally, divorced
- Impersonation of the true owner of the land
- Deeds by minors
- Deeds by persons of unsound mind
- Deeds to or from defunct corporations
- Defective acknowledgments by notaries
- Duress in execution of instruments
- Erroneous reports furnished by tax officials
- Forged deeds, releases, etc.
- Mistakes in recording legal documents
- Surviving children omitted from will
- Administration of estate of persons absent but not deceased
- Birth or adoption of children after date of will
- Claims of creditors against real property sold by heirs or devisees
- Deed of community property recited to be separate property
- Deeds by foreign parties



# Vesting Ways to HOLD TITLE

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	TENANCY IN COMMON	JOINT TENANCY	COMMUNITY PROPERTY	COMMUNITY PROPERTY with Right of Survivorship
Parties	Two or more persons	Two or more natural persons	Spouses or domestic partners	Spouses or domestic partners
Division	Ownership can be divided into any number of interests, equal or unequal	Ownership interests must be equal	Ownership interests must be equal as between spouses or domestic partners	Ownership interests must be equal as between spouses or domestic partners
Creation	One or more conveyances (law presumes interests are equal if not otherwise specified)	Single conveyances (creating identical interests); vesting must specify joint tenancy	Presumption from language on the deed stating "as husband and wife" or "as domestic partners"; or specifying "as community property"	Single conveyance and spouses or domestic partners must indicate consent which can be on deed
Possession and Control	Equal	Equal	Equal	Equal
Transferability	Each co-owner may transfer or mortgage their interest separately	Each co-owner may transfer his/her interest separately but joint tenancy is severed and tenancy in common results	Both spouses or domestic partners must consent to transfer or mortgage	Both spouses or domestic partners must consent to transfer or mortgage
Liens Against One Owner	Unless married or domestic partners, co-owner's interest not subject to liens of other debtor/owner but forced sale can occur	Co-owner's interest not subject to liens of other debtor/owner but forced sale can occur if prior to co-owner's/debtor's death	Entire property may be subject to forced sale to satisfy debt of either spouse or domestic partner	Entire property subject to forced sale to satisfy debt of either spouse or domestic partner
Death of Co-Owner	Decedent's interest passes to his/her devisees or heirs by will or intestacy	Decedent's interest automatically passes to surviving joint tenant ("Right of Survivorship")	Decedent's 1/2 interest passes to surviving spouse or domestic partner unless otherwise devised by will	Decedent's 1/2 interest automatically passes to surviving spouse or domestic partner due to right of survivorship
Possible Advantages/ Disadvantages	Co-owners interests may be separately transferrables	Decedent's interest automatically passes to surviving joint tenant ("Right of Survivorship")	Qualified survivorship rights; mutual consent required for transfer; surviving spouse or domestic partner may have tax advantage	Right of survivorship; mutual consent required for transfer; surviving spouse or domestic partner may have tax advantages

1. "Persons" includes a natural person as well as validly formed cooperation, limited partnership, limited liability company or general partnership. Trust property is vested in the trustee (usually a natural person or corporation).

2. Transfers to and/or later from only one spouse/domestic partner may require a quitclaim deed or Interspousal Transfer Deed from the other spouse/partner for title insurance purpose.

3. Under Civil Code §683.2, when there are more than 2 joint tenants and one party severs the joint tenancy, the effect of the severance as between the severing joint tenant and the other joint tenants is that a tenancy in common relationship exists, without the right of survivorship. The remaining joint tenants continue to hold title as joint tenants among themselves.

4. If co-owners are spouses/domestic partners, the property may be subject to legal presumption of "community property"; and we require the consent of both spouses/domestic partners to convey or encumber title, notwithstanding vesting showing as "tenants in common" or as "joint tenants".

5. Parties should consult with their own legal and tax advisors for guidance.

# What Happens Next FOR THE BUYERS

## IDENTITY STATEMENT

You will be asked to fill out an Identity Statement that enables our title department to distinguish you from others with identical names during our search of County records. It also provides basic information that will be useful to your escrow officer.

## HOME LOAN

Unless you are paying cash, assuming a loan, or the seller is financing, you will need to apply for a home loan if you have not already done so. Apply as soon as possible to comply with the purchase contract and prior to insuring to avoid delaying the closing.

## RESPONSE TO SELLER'S NOTICES

If directed by the contract, you may receive the following items which require a response from you:

- Seller's property disclosure statement listing any existing problems known to the seller
- Information pertaining to the Homeowners Association (HOA) or Planned Unit Development (PUD), such as Covenants, Conditions and Restrictions (CC&Rs), if applicable
- Flood hazard disclosure if the real property is in a flood area
- Independent inspections, such as termite and septic, and any repairs as required

## PRELIMINARY REPORT

You will receive a copy of the preliminary report when we complete the title search. If you have questions about the preliminary report, contact your real estate agent or your escrow officer.

## CONSIDER THIS

One escrow transaction could involve over 20 individuals, including real estate professionals, buyer, seller, attorney, escrow officer, escrow technician, title officer, loan officer, loan processor, loan underwriter, home inspector, termite inspector, insurance agent, home warranty representative, contractor, roofer, plumber, pool service, and so on. And often one transaction depends on another.

When you consider the number of people involved, you can imagine the opportunities for delays and mishaps. While your experienced real estate professional, escrow, and title team can't prevent unforeseen problems from arising, they can help to ensure as smooth a closing as possible.



## Your Preliminary Report

A Preliminary Report contains three important elements:

1. Dated formal report;
2. The specific description of the title on a particular parcel of land;
3. The conditions under which First American is willing to insure the property by the later issuance of a policy of title insurance.

Preliminary reports are "furnished in connection with an application for title insurance and are offers to issue a title policy subject to stated exceptions and such other matters as may be incorporated by reference." Ins. C §12340.11 The report is an offer to issue a title policy. A preliminary report is not a representation as to the condition of title to real property. It is solely a statement of the terms and conditions under which the insurer is willing to issue its title policy, if an offer is accepted.

### THE PRELIMINARY REPORT CONSISTS OF THE FOLLOWING:

- Cover Page
- Exclusions from coverage
- Preprinted exceptions
- Typewritten exceptions - property specific

Included in the Preliminary Report is information which identifies the form of policy which the title company is offering to issue. The Preliminary Report details the various exceptions and exclusions which will be reflected in the policy. The Preliminary Report also provides the legal description for the property that is the subject of the report as well as the record owner of the Subject Property.

The Preliminary Report explained on the pages that follow is used by all members of the California Land Title Association.

Sometimes items show up against a parcel of real property because another person has a name similar to an involved party. This is one reason we ask for an Identity Statement, to determine if items are inaccurate and can be deleted.

# What to Avoid During The CLOSING PROCESS

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## AVOID CHANGING JOBS

A job change may result in your loan being denied, particularly if you are taking a lower-paying position or moving into a different field. Don't think you're safe because you've received approval earlier in the process, as the lender may call your employer to re-verify your employment just prior to funding the loan.

## AVOID SWITCHING BANKS OR MOVING YOUR MONEY TO ANOTHER INSTITUTION

After the lender has verified your funds at one or more institutions, the money should remain there until needed for the purchase.

## AVOID PAYING OFF EXISTING ACCOUNTS UNLESS YOUR LENDER REQUESTS IT

If your loan officer advises you to pay off certain bills in order to qualify for the loan, follow that advice. Otherwise, leave your accounts as they are until your escrow closes.

## AVOID MAKING ANY LARGE PURCHASES

A major purchase that requires a withdrawal from your verified funds or increases your debt can result in your not qualifying for the loan. A lender may check your credit or re-verify funds at the last minute, so avoid purchases that could impact your loan approval.





Your NOTES:



# Closing Your Escrow:

## THE CLOSING DISCLOSURE

Once the loan is approved and all invoices and paperwork have been provided, the lender and escrow officer will collaborate on the preparation of the Closing Disclosure (CD). In order to close on time, all paperwork and invoices should be submitted at least 10 days prior to the expected close of escrow date. The borrower must receive the CD at least three days\* prior to consummation of the loan (typically the signing date). The escrow officer will also prepare an estimated settlement statement and inform the buyer of the balance of the down payment and closing costs needed to close escrow.

\*For purposes of the Closing Disclosure "business day" is defined as every day except Sundays and Federal legal holidays.

## THE CLOSING OR SIGNING APPOINTMENT

The escrow holder will contact you or your agent to schedule a closing or signing appointment. In some states, this is the "close of escrow." In some others, the close of escrow is either the day the documents record or that funds are disbursed. Ask your escrow holder if you would like clarification about your state's laws.

You will have a chance to review the settlement statement and supporting documentation. This is your opportunity to ask questions and clarify terms. You should review the settlement statement carefully and report discrepancies

to the escrow officer. This includes any payments that may have been missed. You are responsible for all charges incurred even if overlooked by the escrow holder, so it's better to bring these to their attention before closing.

The escrow holder is obligated by law to have the designated amount of money before releasing any funds. If you have questions or foresee a problem, let your escrow holder know immediately.

## DON'T FORGET YOUR IDENTIFICATION

You will need valid identification with your photo I.D. on it when you sign documents that need to be notarized (such as a deed). A driver's license is preferred. You will also be asked to provide your social security number for tax reporting purposes, and a forwarding address.

## WHAT HAPPENS NEXT?

If you are obtaining a new loan, your signed loan documents will be returned to the lender for review. The escrow holder will ensure that all contract conditions have been met and will ask the lender to "fund the loan." If your loan documents are satisfactory, the lender will send funds directly to the escrow holder. When the loan funds are received, the escrow holder will verify that all necessary funds are in. Escrow funds will be disbursed to the seller and other appropriate payees. Then, you'll receive the keys to your home!

# After The Closing

We recommend you keep all records pertaining to your home together in a safe place, including all purchase documents, insurance, maintenance, and improvements

## HOME WARRANTY REPAIRS

If you have a home warranty plan with First American Home Buyers Protection, please call them directly and have your home warranty number available.

## RECORDED DEED

The original deed to your home will be mailed directly to you by the County Recorder, generally within four to six weeks.

## TITLE INSURANCE POLICY

First American Title will mail your policy to you in about two to three weeks

## PROPERTY TAXES

You may not receive a tax statement for the current year on the home you buy; however, it is your obligation to make sure the taxes are paid when due. Check with your mortgage company to find out if taxes are included with your payment. For more information





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