ARIZONA

BUYER GUIDE

WFG National Title Insurance Company®
a Williston Financial Group company

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BUYING PROCESS

In the buying process there are several things to consider before and after your offer has been accepted by the seller. Here is an overview of the entire process.

- CONTACT A REALTOR®
- ONLINE HOME SEARCH
- LOAN PRE-QUALIFICATION
- IN-PERSON HOME SEARCH
- MAKE AN OFFER
- OPEN ESCROW
- HOME INSPECTION
- FUNDS TRANSFERED & TITLE EXCHANGED
- WELCOME HOME!

WHY USE A REALTOR®

The term "REALTOR®" identifies a real estate professional who is a member of the NATIONAL ASSOCIATION OF REALTORS® and abides by its strict Code of Ethics. They will direct, guide and represent you through the home-purchase process including:

- Monitoring the market for new listings and inform you of homes that meet your criteria
- Providing current and historical sales and listing data to help in gauging fair pricing
- Helping you explore financing options
- Preparing the Purchase Agreement according to your terms and ensure all documents are legally correct
- Negotiating price and other details of the offer in your best interest
- Ensuring that all disclosures are made
- Suggesting which professional inspections should or must be made on the property
- Handling any problems which may arise and recommend attorney services if necessary
- Overseeing the appraisal process
- Seeing that any repairs or requirements are met prior to the closing
- Accompanying you during the final walk-through
- Advising you as to any contractual changes which might be required prior to closing
- Keeping you fully informed of all activities that lead to the closing

REAL ESTATE DESIGNATIONS:

ABR - Accredited Buyer Representative
CBR - Certified Buyer Representative
CRS - Certified Residential Specialist
GRI - Graduate REALTOR® Institute
MRP - Military Relocation Professional
PSA - Pricing Strategy Advisor
RENE - Real Estate Negotiation Expert
CIPS - Certified International Property Specialist
CPM - Certified Property Manager

NATIONAL ASSOCIATION OF REALTORS®

WIRE FRAUD CHECKLIST

Every day, hackers try to steal money by emailing fake wire instructions. Criminals will use a similar email address and steal a logo and other information to make it look like the email came from your real estate agent or title company. You can protect yourself and your money by following the steps below.

- [ ] Don't send sensitive financial information via email.
- [ ] Call, don't email. Confirm your wiring instructions by phone using a known number before transferring funds.
- [ ] WFG will never email wiring instructions to you nor change WFG account information after it's been provided to you by our staff.
- [ ] Keep your email account clean, remove any stale messages. Hackers can watch your business patterns and use this information against you.
- [ ] Ask your bank to confirm the name on the account before sending a wire.
- [ ] Call your WFG escrow agent or your real estate agent within four to eight hours to confirm they have received your money.

This is for informational purposes only and should not be considered legal advice.

HOW TO TAKE OWNERSHIP

This important question is one that Arizona real property purchasers ask their real estate, escrow, and title professionals every day. Unfortunately, though these professionals may identify the many methods of owning property, they may not recommend a specific form of ownership, as doing so would constitute practicing law.

Because real property has become increasingly more valuable, the question of how parties take ownership of their property has gained greater importance. The vesting of title and exposure to creditor's claims can have significant probate implications in the event of death.

THE AMERICAN LAND TITLE ASSOCIATION (ALTA)

Advises those purchasing real property to give careful consideration to the manner in which title will be held. Buyers may wish to consult legal counsel to determine the most advantageous form of ownership for their particular situation, especially in the case of multiple owners of a single property. The ALTA has provided the following definitions of common vestings as an information overview. Consumers should not rely on these as legal definitions.

The ALTA urges real property purchasers to carefully consider their titling decisions prior to closing, and to seek legal counsel should they be unfamiliar with the most suitable ownership choice for their particular situation.

WAYS TO HOLD TITLE

Title to real property in Arizona is commonly held by individuals, in Sole Ownership or in Co-Ownership. There are several variations as to how title may be held in each type of ownership and the following summaries reference the more common examples. The way property is held can affect your taxes, inheritance, and your financial future. Be sure to consult your attorney and accountant to advise you.

WAYS TO HOLD TITLE (CONT.)

SOLE OWNERSHIP

A man or woman who is not married:
Example: Jane Doe, a single woman

An unmarried man/woman. A man or woman, who having been married are legally divorced
Example: Jane Doe, an unmarried woman

A married man/woman, as his/her sole and separate property:
When a married man or woman wishes to acquire title as their sole and separate property, the spouse must consent and relinquish all right, title, and interest in the property by signing a disclaimer deed or other written agreement.
Example: Jane Doe, a married woman, has her sole and separate property.

CO-OWNERSHIP

COMMUNITY PROPERTY WITH RIGHT OF SURVIVORSHIP

Under this form of property ownership, both spouses hold undivided shares of the whole. When one spouse dies, the surviving spouse gains ownership of the whole property without the need for probate, and both halves receive a new tax basis equal to the fair market values as of the date of death.

COMMUNITY PROPERTY

Any property acquired during a valid marriage is presumed to be community property. Excluded is any property acquired by gift, bequest, devise, descent, or as the separate property of either.
Example: Jane Doe and John Doe, wife and husband, as community property OR Jane Doe and John Doe, wife and husband

JOINT TENANCY

Joint and equal interests in land owned by two or more individuals created under a single instrument with right of survivorship
Example: Jane Doe and John Doe, wife and husband, as joint tenants

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 and may arise at different times. There is no right of survivorship; each tenant owns an interest, which on his or her death vests in his or her heirs or devisee.
Example: Jane Doe, a single woman, as to an undivided 3/4ths interest, and Sally Smith, a single woman, as to an undivided 1/4th interest, as tenants in common.

TRUST

Title to real property in Arizona may be held in trust. The trustee of the trust holds title pursuant to the terms of the trust for the benefit of the trust or beneficiary.

WAYS TO TAKE TITLE

COMMUNITY PROPERTY WITH RIGHT OF SURVIVORSHIP	COMMUNITY PROPERTY	JOINT TENANCY WITH RIGHT OF SURVIVORSHIP	TENANCY IN COMMON
Requires a valid marriage between two persons	Requires a valid marriage between two persons	Parties need not be married; may be more than two persons	Parties need not be married; may be more than two persons
Each spouse holds an undivided one-half interest in the estate	Each spouse holds an undivided one-half interest in the estate	Each joint tenant holds an equal and undivided interest in the estate, unity of interest	Each joint tenant holds an undivided fractional interest in the estate. May be disproportionate interest e.g. 20% and 80%; 40% and 60%; etc.
One spouse cannot partition the property by selling his or her interest	One spouse cannot partition the property by selling his or her interest	One joint tenant can partition the property by selling his or her joint interest	Each tenant's share can be conveyed, mortgaged, or devised to a third party
Requires signatures of both spouses to convey or encumber	Requires signatures of both spouses to convey or encumber	Requires signatures of all joint tenants to convey or encumber the whole	Requires signatures of all joint tenants to convey or encumber the whole
Estate passes to the surviving spouse outside of probate	Each spouse can devise (will) their one-half of the community property	Estate passes to surviving joint tenants outside of probate	Upon death, the tenant's proportionate share passes to his or her heirs by will or intestacy
No court action required to "clear" title upon the first death	Upon death, the estate of the decedent must be "cleared" through probate, affidavit, or adjudication	No court action required to "clear" title upon the death of joint tenant(s)	Upon death, the estate of the decedent must be "cleared" through probate, affidavit, or adjudication
Both halves of the community property are entitled to a "stepped up" tax basis as of the date of death	Both halves of the community property are entitled to a "stepped up" tax basis as of the date of death	Deceased tenant's share is entitled to a "stepped up" tax basis as of the date of death	Each share has its own tax basis

Note: Arizona is a community property state and property that is acquired by a husband and wife is presumed to be community property unless legally specified otherwise. Title may be held by one spouse as "Sole and Separate" if the married person acquires title as sole and separate, and his or her spouse executes a Disclaimer Deed to avoid the presumption of community property. Parties may choose to hold title in the name of an entity, e.g., a trust, corporation, or a limited liability company (general or limited). Each method of taking title has certain significant legal and tax consequences, therefore, you are encouraged to seek and obtain advice from an attorney or other qualified professional.

WHAT IS ESCROW?

When your offer has been accepted and conveyed, escrow is opened. An escrow is an arrangement made under contract between a buyer and seller. As the neutral third party, escrow is responsible for receiving and disbursing money and/or documents. Both the buyer and seller expect the escrow agent to carry out their written instructions associated with the transaction and also to advise them if any of their instructions are not being met, or cannot be met. If the instructions from all parties to an escrow are clearly set out, the escrow officer can proceed on behalf of the buyer and seller without further consultation.

TYPICAL ROLES IN THE CLOSING PROCESS

THE SELLER/AGENT

- Delivers Purchase Sale Agreement to the escrow agent

THE BUYER/AGENT

- Deposits funds required to close with the escrow agent
- Approves the commitment for title insurance, or other items as called for by the Purchase Sale Agreement
- Executes the paperwork and loan documents necessary to close the transaction

THE LENDER

- Deposits loan documents to be provided to the buyer
- Deposits the loan funds
- Informs the escrow agent of the conditions under which the loan funds may be used

THE ESCROW AGENT

- Clears Title
- Obtains title insurance
- Obtains payoffs and release documents for underlying loans on the property
- Receives funds from the buyer and/or lender
- Prepares vesting document affidavit on seller's behalf
- Prorates insurance, taxes, rents, etc.
- Prepares a final statement (often referred to as the "HUD Statement" or "Settlement Statement") for each party, indicating amounts paid in conjunction with the closing of your transaction
- Forwards deed to the county for recording
- Once the proper documents have been recorded, the escrow agent will distribute funds to the proper parties
- Prepares the paperwork necessary to close the transaction!

Escrow is the process that gathers and processes many of the components of a real estate transaction. The sale is officially closed when the new deed is recorded and funds are available to the seller, in turn transferring ownership from the seller to the buyer. The escrow agent is a neutral third party acting on behalf of the buyer and seller.

TITLE COMMITMENT

The Title Commitment contains vital information which may affect the willingness and ability of the parties to close escrow.

THE INFORMATION IN THE TITLE COMMITMENT INCLUDES:

- The ownership of the subject property
- The manner in which the current owners hold title
- Matter of record which specifically affect the subject
- property or its owners
- A legal description of the property
- An informational plat map
- The type of title insurance offered by the title company
- Exclusion and exceptions in the Title Insurance coverage
- Recorded deeds of trust
- Easements
- Agreements
- Covenants, Conditions, and Restrictions (C.C. & R.'s)
- Taxes

Your real estate agent should review the Title Commitment as soon as it arrives, with particular attention to certain areas:

VERIFY THE OWNERSHIP VESTING

The name(s) on the Title Commitment should match the name(s) on the purchase contract. Sometimes the name of an unexpected owner will appear 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.

LIFE OF AN ESCROW

1. Receive and Review Purchase Contract, Earnest Money and
   Pertinent Instructions
   Open Escrow and Order Title Commitment
2. Obtain name of new lender
   Receive and review title report and distribute
3. Request payoff information, request clarification of other
   title exceptions (if any)
   Request financing information from buyer
4. Order payoff and HOA (if applicable) and any other title exceptions
5. Receive loan documents
   Finalize statements, escrow instructions, and pertinent documents
6. Forward documents for recording and recheck
   Obtain signatures and closing funds from buyer/seller
   Return loan documents and request loan funds
7. Receive loan funds on new loan(s)
8. Disburse funds
   Forward final documents to all interested parties (seller, buyer, lender, real estate agents, etc.)

WHAT IS TITLE INSURANCE

Title insurance insures against financial loss from defects in title, liens or other matters. It protects both purchasers and lenders against loss by the issuance of a title insurance policy. Usually, during a purchase transaction the lender requests a policy (commonly referred to as the Lender's Policy) while the buyers receive their own policy (commonly referred to as an Owner's Policy).

It will protect against lawsuits if the status of the title to a parcel or real property is other than as represented, and if the insured (either the owner or lender) suffers a loss as a result of a title defect. The insurer will reimburse the insured for that loss and any related legal expenses.

HOW IS TITLE INSURANCE DIFFERENT THAN OTHER TYPES OF INSURANCE?

While the purpose of most other types of insurance is to assume risk through the pooling of monies for losses happening because of unforeseen future events (like sickness or accidents), the primary purpose of title insurance is to eliminate risks and prevent losses caused by defects in title arising out of events that have happened in the past. To achieve this, title insurers perform a thorough search and examination of the public records to determine whether there are any adverse claims (title defects) attached to the subject property. These defects/claims are either eliminated prior to the issuance of a title policy or their existence is excepted from coverage. The policy is issued after the closing of your new home, for a one time nominal fee, and is good for as long as you own the property.

WHAT'S INVOLVED IN A TITLE SEARCH?

- A title search is made up of three separate searches:
- Chain of Title – History of the ownership of the subject property
- Tax Search – The tax search shows the status of the taxes and assessments
- Judgment and Name Search – Searches for judgment and liens against the owners' and purchasers' name

AFTER THE THREE SEARCHES HAVE BEEN COMPLETED, THE FILE IS REVIEWED BY AN EXAMINER WHO DETERMINES:

- If the Chain of Title shows that the party selling the property has the rights to do so.
- If the taxes for the subject property show the existence of any special assessments against the land and whether or not these assessments are current or past due.
- Whether there are any unsatisfied judgments on the Judgment and Name Search against the previous owners, sellers, and/or purchasers.

Rights established by judgment decrees, unpaid federal income taxes, and mechanics liens all may be prior claims on the property, ahead of the buyer's or lender's rights. The title search will only uncover issues in title that are of public record and therefore allowing the title company to work with the seller to clear up these issues and provide the new buyer with title insurance.

Once the searches have been examined, the title company will issue a commitment, stating the conditions under which it will insure title. The buyer, seller, and the mortgage lender will proceed with the closing of the transaction after clearing up any defects in the title that have been uncovered by the search and examination.

WHY DO YOU NEED TITLE INSURANCE?

The purchase of a home is likely going to be one of the most expensive and important purchases you will ever make. You and your mortgage lender want to make sure the property is indeed yours and that no individual or government entity has any right, lien, claim, or encumbrance to your property.

The title insurance company's function is to make sure your rights and interests to the property are clear, that transfer of title takes place efficiently, and correctly, and your interests as a homebuyer are protected. Title insurance companies provide services to buyers, sellers, real estate developers and builders, mortgage lenders, and others who have an interest in the real estate transfer.

TITLE COMPANIES ISSUE TWO TYPES OF POLICIES:

- "Owners Policy" (which covers the homebuyer)
- "Lenders Policy" (which covers the bank, savings and loan, or other lending institution over the life of a loan).

BOTH ARE ISSUED AT THE TIME OF PURCHASE FOR A ONE-TIME PREMIUM.

The title company conducts an extensive search of public records to determine if anyone other than you has an interest in the property before issuing a policy. The search may be performed by title company personnel using either public records, or more likely, information gathered, reorganized, and indexed in the company's title "plant". With such a thorough examination of records, title problems can usually be found and cleared up prior to purchase of the property. Once a title policy is issued, if for some reason any claim, which is covered under your title policy, is ever filed against your property, the title company will pay the legal fees involved in defense of your rights as well as any covered loss arising from a valid claim. That protection, which is in effect as long as you or your heirs own the property, is yours for a one-time premium paid at the time of purchase.

The title company works to eliminate risks before they develop. This makes title insurance different from other types of insurance. Most forms of insurance assume risks by providing financial protection through a pooling of risks or losses arising from unforeseen events, like fire, theft, or accident. The purpose of title insurance, on the other hand, is to eliminate risks and prevent losses caused by defects in title that happened in the past. Risks are examined and mitigated before property changes hands. Eliminating risk has benefits to both of you, the home buyer, as well as the title company. It reduces the chance adverse claims might be raised, and by doing so reduces the number of claims that have to be defended or satisfied. This keeps costs down for the title company and your title premiums low. With title insurance you are assured that any valid claim against your property will be taken on by the title company, and that the odds of a claim being filed is slim.

TITLE INSURANCE COVERAGE

Not all risks can be eliminated by a title search, since certain "hidden defects" like forgeries, identity of person, and failure to comply with the law, cannot be disclosed by an examination of the public records. Where the preliminary title commitment is an offer to insure under certain circumstances, the title policy is a contract, providing coverage against such "hidden defects."

THESE HIDDEN DEFECTS MAY INCLUDE:

- A forged signature on a deed
- Impersonation of the real owner
- Mistakes in interpretation of wills or other legal documents
- Deeds delivered without the consent of the grantor
- Undisclosed or missing heirs
- Deeds and mortgages signed by persons of unsound mind, by minors or by persons supposedly single but are actually married
- Recording mistakes and missed recorded documents
- Falsification of records
- Errors in copying or indexing

In addition to indemnifying the insured against losses which result from a covered claim, the policy also provides for legal fees and defense against future claims against the property.

Extended Owner's and Lender's policies provide broader coverage and are available through the American Land Title Association (ALTA). Coverage is extended to certain matters that are off-record but which are generally discoverable by an inspection of the property or by questioning the parties in possession, such as:

- Unrecorded Liens and encumbrances
- Unrecorded easements
- Unrecorded rights of parties in possession
- Encroachments, discrepancies, or conflicts in boundary lines

ALTA Policies are available for lenders or owners, and a "Plain Language" ALTA Residential policy is also available for residential property of one to four units.

WHO PAYS FOR WHAT?

THE SELLER

- Document preparation fee for Deed
- Payoff of all loans in the seller's name (or existing loan balance if being assumed by Buyer)
- Interest accrued to lender being paid off
- Statement Fees, Reconveyance Fees, and any prepayment penalties to Payoff Lender
- Termite Inspection (according to contract)
- Home Warranty (according to contract)
- Any judgments, tax liens, etc. against the seller
- Tax proration (for any taxes unpaid at time of transfer of title)
- Any unpaid Homeowner's Association dues
- Recording charges to clear documents of record against seller
- Any bonds or assessments (according to contract)
- Any and all delinquent taxes
- Notary Fees
- Escrow Fee (one half)
- Title Insurance Premium of Owner's Policy

THE BUYER

- Title Insurance Premium for Lender's Policy
- Escrow Fee (one half)
- Document preparation (if applicable)
- Notary fees
- Recording charges for all documents in Buyer's name
- Termite Inspection (according to contract)
- Tax proration (from date of acquisition)
- Homeowner's Association transfer fee
- HOA proration (from date of acquisition)
- All new loan charges (except those required by lender for seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Assumption/Change of Record fees for takeover of existing loan (if applicable)
- Beneficiary Statement Fee for assumption of existing loan (if applicable)
- Inspection Fees (roofing, property inspection, geological)
- Home Warranty (according to contract)
- Fire Insurance Premium for first year
- Any bonds or assessments (according to contract)

PERSONAL PROPERTY VS. REAL PROPERTY

The distinction between personal property and real property can be the source of difficulties in a real estate transaction. A purchase contract is normally written to include all real property; that is, all aspects of the property that are fastened down or which are an integral part of the structure. For example, this would include light fixtures, drapery rods, attached mirrors, and trees and shrubs in the ground. It would not include potted plants, free-standing refrigerators, washer/dryer, microwave, bookcases, lamps, etc. If there is any uncertainty whether an item is included in the sale or not, it is best to be sure that the particular item is mentioned in the purchase agreement as being included or excluded.

SIGNING AND MORE

An appointment is required for the signing. Please call your Escrow Officer to arrange a convenient time. There are several acceptable forms of identification which may be used during the escrow process, including: A current driver's license; Passport; and State of Arizona Department of Motor Vehicles ID card.

PAYING OFF YOUR EXISTING LOANS

Unless the buyer takes over the seller's existing loan(s), the loan(s) will be paid off at the close of escrow. The seller will need to furnish complete information to the escrow officer and real estate agent on each loan against the property and will need to provide the name of each lender. The escrow officer will need this information to order the loan payoff demands so the loan(s) may be paid off correctly at the close of escrow. Homeowners Association information may also be required if the property being sold is a condominium, townhouse, or property located in a planned unit development. All of this information will help to insure the timely closing of escrow.

DISCLOSURES AND CONTINGENCIES

During the process of selling the property, the seller will be asked to fill out a property disclosure form which is required by law. In this document, the seller will inform the buyer of any significant facts he/she has about the conditions of the property. Your real estate agent or escrow officer can assist you with these. There will be various contingency dates in your real estate sales contract. You should be very aware of these and be sure that the actions required are performed in a timely manner. Such contingencies include the buyer's loan approval, approval of the Preliminary Title Report, approval of structural pest control and other inspections. Stay closely in touch with your real estate agent regarding these important dates.

AFTER THE BUYER'S LOAN IS APPROVED

When the buyer's loan is approved and the loan documents are sent to the escrow officer handling the transaction, the escrow officer contacts the buyer to schedule a signing appointment and collect the final closing funds. The escrow officer will collect any and all necessary documents needed from the seller, together with the executed Grant Deed if it has not already been handed to escrow.

AFTER COMPLETION OF THE SIGN-OFF

After the seller and the buyer have signed all necessary instructions and documents, the escrow officer will return them to the new lender for a final review. Following the review, the lender is ready to fund the buyer's loan, and advises the escrow officer so that the necessary work can be completed to record the documents and "close" escrow.

WHAT IS "CLOSE" OF ESCROW?

It signifies the legal transfer of title to the property from the seller to the buyer and is the end of the transaction. Usually, the Grant Deed and Deed of Trust are recorded within one working day of the escrow holder's receipt of loan funds.

WHEN ARE THE PROCEEDS RECEIVED FROM THE SALE?

A final settlement statement and the seller's net sales proceeds are available to the seller the day the sale is completed, documents are recorded and the escrow is closed. The seller may receive his/her proceeds in the form of a company check or wired funds.

REAL ESTATE TERMINOLOGY

ADDENDUM
A list or other material added to a document, letter, contractual agreement, escrow instructions, etc.

AGENCY
Agency is the relationship that occurs when a Broker represents a Buyer or Seller in a real estate transaction. An Agent has fiduciary duties to the Client, such as confidentiality, accounting, reasonable care, loyalty, obedience, advocacy, and disclosure.

ANNUAL PERCENTAGE RATE
The yearly interest percentage of a loan, as expressed by the actual rate of interest paid. The A.P.R. is disclosed as a requirement of federal truth-in-lending statutes.

APPRAISAL
A valuation of property by the estimate of an appraiser. The appraiser can use any number of valuation methods to determine the appropriate value, including the current market value of similar properties, quality of property, and valuation models.

AS IS
In an "AS IS" contract, the Seller is saying the property will be sold in its existing physical condition and the Buyer is taking the property's condition into account when making an offer. The clause does not negate a Seller's common law duty to disclose known latent material defects.

ASSUMPTION
Agreement by a Buyer to assume the liability under an existing note secured by a mortgage or deed of trust. The Lender usually must approve the new debtor in order to release the existing debtor (usually the Seller) from liability.

BENEFICIARY
As used in a trust deed, the Lender is designated as the beneficiary, i.e., obtains the benefit of the security.

BUYER-BROKER AGREEMENT
An employment agreement between a Buyer and a Broker that employs the Broker to locate property and negotiate terms and conditions acceptable to the Buyer for the purchase of a home. The Buyer usually agrees to work exclusively with the Broker and the compensation the Buyer is obligated to pay is often offset by any compensation the Broker receives from the Listing Agent.

CLOSE OF ESCROW
The date that title passes from Seller to Buyer and documents are recorded.

CHAIN OF TITLE
The chronological order of conveyance of a parcel of land from the original Owner (usually the government) to the present Owner.

CLOSING DISCLOSURE
Provided to the borrower at least three business days before he or she becomes contractually obligated for the loan (generally when final loan documents are signed). Like the Loan Estimate, the Closing Disclosure lists information about the loan terms, monthly payments and closing costs. However, these are not estimates, but the actual and final terms of the loan. The two forms work together so borrowers can easily compare them and ensure they are getting the terms promised to them. The Closing Disclosure is required to be used if the loan is subject to the requirements of the Final Rule of the CFPB, effective Oct. 3, 2015.

CLOSING STATEMENT
An all-inclusive summary itemizing debits and credits to each party, Seller and Buyer, and presented in the form of a balance sheet.

CLOUD ON TITLE
An invalid encumbrance on real property, which if valid, would affect the rights of the Owner. The cloud may be removed by quitclaim deed, or, if necessary, by court action.

COMPARABLE SALES
Sales of properties used as comparisons to determine the value of a specific property.

CONDITIONS, COVENANTS & RESTRICTIONS (CC&RS)
CC&Rs are recorded against the home and are an enforceable contract. The CC&Rs empower the homeowner's association, if there is one, to control certain aspects of the home. A Homebuyer should always carefully read the CC&Rs (and any other association documents) because the Buyer will be obligated to comply with all the rules and restrictions.

CONTRACT
A contract for the sale of a home must be signed and in writing to be enforceable.

REAL ESTATE TERMINOLOGY

CONTINGENCY
A contingency is a clause in a contract that requires the completion of a certain act before the parties are obliged to perform their contractual obligations. The most common contingencies are financing, acceptable property condition, and condition of title.

CONVEYANCE
Transfer of title to a property. Includes most instruments by which an interest in real estate is created, mortgaged, or assigned.

COUNTEROFFER
An offer (instead of acceptance) in response to an offer. For example: A offers to buy B's house for X dollars; B, in response, offers to sell to A at a higher price. B's offer to A is a counteroffer.

DEED
Written instrument by which the ownership of land is transferred from one person to another.

DEED OF TRUST
An instrument used in many states in place of a mortgage. Property is transferred to a trustee by the Borrower (Trustor), in favor of the Lender (Beneficiary) and reconveyed upon payment in full.

DEPOSIT
Money given by the Buyer with an offer to purchase. Shows good faith.

DISCLOSURE
To make something known. All disclosures should be in writing when dealing with real estate interests and real property.

DUE ON SALE CLAUSE
An acceleration clause that requires full payment of a mortgage or deed of trust balance when the secured property changes ownership.

EASEMENT
The right to use another person's land for a specified purpose, such as for public utilities, ingress and egress, etc.

ESCROW
A procedure in which a third party acts as a stakeholder for both the Buyer and the Seller, carrying out both parties' instructions and assuming responsibility for handling all the paperwork and distribution of funds.

ESCROW ACCOUNT:
Account held by Lender for payment of taxes, homeowner's insurance, and other periodic debts against real property required to protect their security interest.

FAIR MARKET VALUE
Price that probably would be negotiated between a willing Seller and a willing Buyer in a reasonable time.

FIXTURES AND PERSONAL PROPERTY
A fixture is an item that was once personal property, but is affixed to the home in such a manner as to become part of the home itself. A Buyer purchases the fixtures affixed to the home, but personal property is not part of the transaction unless it is listed in the contract. The contract should specifically identify all items that are to be conveyed in the transaction.

HOMEOWNERS' ASSOCIATION (HOA)
An association of people who own real property in a given area, formed for the purpose of improving or maintaining the quality of the area. Also an association formed by the builder of condominiums or planned developments, and required by statute in some states. The builder's participation as well as the duties of the association is controlled by statute.

HOMEOWNER'S INSURANCE
Property insurance protecting against loss caused by fire, some natural causes, vandalism, etc., depending upon the terms of the policy.

HOMESTEAD EXEMPTION
A homestead exemption protects equity in a home in case of bankruptcy. The homestead exemption is usually automatic, meaning you do not have to file a homestead declaration to claim it in bankruptcy.

LIEN
An encumbrance against a property for the repayment of a debt. Examples include judgments, taxes, mortgages, and deeds of trust.

LISTING AGREEMENT
An employment contract between a Seller and a Listing Broker, that establishes the duties of the Broker and the terms under which the Broker will earn a commission.

REAL ESTATE TERMINOLOGY

LOAN ESTIMATE
Usually provided to the borrower within three business days of applying for a mortgage loan. It includes the terms of the loan, the projected payments, and an estimate of the closing costs. Since the Loan Estimate is uniform from Lender to Lender, it can be used to compare and shop for the best mortgage to fit a borrower's situation. The form is required to be used if the loan is subject to the requirements of the Final Rule of the CFPB, effective Oct. 3, 2015.

MORTGAGE
The instrument by which real estate is pledged as security for the repayment of a loan.

MORTGAGE INSURANCE
Insurance written by an independent mortgage insurance company protecting the Lender against loss incurred by a mortgage default, thus enabling the Lender to lend a higher percentage of the sales price.

MULTIPLE LISTING SERVICE (MLS)
The MLS is a repository of information on homes for sale. The MLS is also a means by which Broker participants make offers of compensation to other Broker participants for bringing a ready, willing, and able Buyer for the property.

PITI
Payment that combines the Principal, Interest, Taxes, and Insurance.

POINTS
An amount equal to 1 percent of the mortgage loan. Lenders can charge a point as an origination fee to cover the cost of making the loan. A discount point can be paid by the Borrower to lower the interest rate on the loan.

POWER OF ATTORNEY
An authority by which one person (principal) enables another (attorney) to act for him or her.

PURCHASE AGREEMENT
An agreement between a Buyer and Seller of real property, setting forth the price and terms of the sale.

QUITCLAIM DEED
A Deed operating a release; intended to pass any title, interest, or claim that the Grantor may have in the property, but not containing any warranty of a valid interest or title by the Grantor.

RECORDING
Filing documents affecting real property with the County Recorder as a matter of public record.

RIGHT OF FIRST REFUSAL
A first right of refusal is a provision in a contract that requires the Owner of a home to give another party (usually a tenant) the first opportunity to purchase or lease the property before it is offered for sale to another.

SUBDIVISION
The division of one parcel of land into smaller parcels (lots) created by filing a subdivision plat with the governmental authority (city or county) and receiving approval from the governmental authority.

TITLE:
The evidence one has of right to possession of land.

TITLE COMMITMENT
The title commitment reflects the condition of the title to the property. The commitment tells the Buyer whether the taxes and assessments are paid, whether there are deed restrictions, liens, and easements on the property, and what the requirements are to the issuance of title insurance on the property.

TITLE INSURANCE
There are generally two title insurance policies issued at close of escrow, Owner's Title Insurance and the Lender's Title Insurance. The Owner's policy is an insurance policy that protects the homeowner from defects in the title to the home, such as a forged deed. The Lender's policy protects the Lender against the same sort of title defects until the loan is paid.

WARRANTY DEED
A deed that conveys fee title to real property from the Grantor (usually the Seller) to the Grantee (usually the Buyer).

§1031 EXCHANGE
A tax-deferred or §1031 exchange is a transaction involving the transfer of investment or income property and the receipt of like-kind property that will be used as income or investment property. When certain criteria are met, as set forth in section 1031 of the Internal Revenue Code, the income taxes on any gain realized from the sale of the relinquished property are deferred.

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