

Home Buyer's Guide

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The Largest Independent Brokerage in the Desert



Welcome to the exciting journey of finding and purchasing the home of your dreams! Cherie Miller and Associates Yucca Valley, Cherie Miller and Associates Palm Springs, Pioneertown Realty, Morongo Valley Realty, Joshua Tree Realty, and 29 Palms Realty are here, not only to see that you find the home of your dreams at the best possible terms, but also to help you throughout the closing process!

Buying a home in today's market is a complex, stressful undertaking that can be overwhelming. One of our professional, knowledgeable, local agents will be happy to assist you in this sometimes difficult process.

Stop into one of our five boutique locations and let a local expert help you find your next home, parcel of land or other investment property. This booklet will explain the particulars of buying a home. You will find it useful to familiarize yourself with the various documents and procedures you will encounter during the home-buying process.

PLEASE NOTE THAT SOME PAGES IN THIS GUIDE INCLUDE INFORMATION FOR THE SELLER. THE INFORMATION WILL HELP YOU BETTER UNDERSTAND THE ENTIRE PROCESS OF BUYING/SELLING REAL ESTATE.

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Determining your Wants & Needs

Use the list of questions to help you determine what to look for when shopping for your new home.

Name _____

Address _____

Home Phone _____

Work Phone _____

Children _____ Ages _____

Why have you decided to move? _____

When would you like to move? _____

How long have you been looking? _____

What do you like most about your present home? _____

What do you like least about your present home? _____

Is your home currently on the market? _____

If so, what is the listing price? _____

Are there any areas, neighborhoods or homes you prefer? _____

What type of home are you looking for? _____

Bedrooms _____ Baths _____ Family room _____

Floor Plan _____ Sq.Ft. _____ Eat-in Kitchen _____

Stories _____ Fireplace _____ Dining Room _____

Lot Size _____ Yard _____ School District _____

Play Area _____ Pool _____ Air Conditioner _____

Any other needs or features _____

Top 10 Buyer's Questions

1. When can you tell me the amount of funds required to close escrow?

Upon receipt of your loan documents and preparation of your escrow instructions, Escrow will contact your real estate agent and/or you to let you know the amount of funds you will need to close escrow.

2. Who will call me to schedule an appointment?

Normally, your real estate agent will call you. However, sometimes your escrow company will call you to make arrangements for your signing.

3. Can I give you a personal check?

No. According to California State Law, all funds must be in the form of a cashier's check or via wire transfer. However, teller's checks are accepted as long as they are drawn from a California banking institution. Please verify that your bank will issue a teller's check. Let them know that you are purchasing a home and the check is being issued to a title company.

4. When do I get my keys?

At the close of escrow, your real estate agent will contact you regarding the disbursement of the keys. Usually this is by noon on the day you close escrow unless other arrangements have been made.

5. How much time should I allow for my signing appointment?

Please allow approximately 45-60 minutes for your signing appointment.

6. What will the escrow officer explain to me at my appointment?

Escrow instructions with terms of sale per your purchase contract, the estimated escrow statement, preliminary report, etc. The escrow officer will explain any reports and inspections that may be required on the property. You will receive a complete package of all documents you have signed so that you may take it home for further review. Should you have any questions after reviewing your package, please do not hesitate to contact your escrow officer.

7. What is a Statement of Information?

Statements of Information provide title companies with the information they need to distinguish the buyers and sellers of real property from others with similar names. After identifying the true buyers and sellers, title companies may disregard the judgments, liens, or other matters on the public records under similar names.

8. When should I shop for homeowner's/fire insurance?

We suggest that you start shopping for homeowner's/fire insurance as soon as your offer is accepted (it is a good idea to call your current insurer first). Know the age of your home when shopping for insurance. Please have your agent contact your escrow officer when you have made your decision.

9. What will I need to take to the Title Company when I go in to sign my papers?

You will need to bring a cashier's check payable to the Title Company (if the amount was given to you previously). Bring a valid driver's license, California ID card, valid passport, or Military ID.

10. When will I get my Grant Deed showing proof of ownership?

Escrow closes the day the deed records with the county and you become the owner of your home. It could take 6-10 weeks from that date for the county to mail you the original signed recorded deed.



Real estate transactions are complicated and can be confusing. Cherie Miller & Associates, Joshua Tree Realty, and 29 Palms Realty will be happy to answer any questions that you may have.



Budgeting to Buy

Synopsis

For many prospective buyers, it can be difficult to accumulate enough cash for a down payment. Investigate some creative strategies to save money and raise extra funds.

Co-Sign on the Dotted Line

Many lenders will allow your parents to pay all of the down payment if they co-sign the loan. This means that your parents' names will go on the title. They'll also be jointly responsible for mortgage payments. You may eventually be able to refinance the loan in your name only, after you accumulate some equity in the property or improve your financial situation. Consult a real estate attorney.

If you want to buy a house, start by estimating what you can afford and make a budget to buy. Many prospective buyers find it difficult to accumulate enough cash for a down payment, especially if they are saddled with heavy debt. With some discipline and creative strategies, you can probably come up with more cash than you think. Check your current finances and investigate ways to save and raise extra funds.

- **Write down your monthly income, savings, and spending.** If you have a lot of high-interest credit card debt, try to move your balances to cheaper cards and plan to spend a year paying off as much of that debt as possible.
- **Identify your long-term financial goals.** Owning a house and saving enough for retirement are examples of long term goals.
- **Make a home-buying savings plan.** Open a savings account just for this purpose and make regular deposits, even if you put aside just \$20 a week.
- **Look for other sources of down payment funds, such as a Roth Individual Retirement Account (IRA).** First-time buyers now have access to \$10,000 of these funds penalty-free under certain conditions.
- **Cut back on non-essential spending.** Your friends and relatives will understand that you can't spend \$20 to go to dinner and the movies if you say you're saving to buy a house. Your children will understand, too. In fact, saving to buy a house can be a family activity.
- **Make saving for a house fun.** Chart your progress on paper and post it somewhere to remind yourself of your goal.

Raising the Money 20 ways to come up with a down payment

1. Ask your parents, other relatives, or friends for help. If they can't give or lend any money, perhaps they'll agree to co-sign the loan.
2. Sell (or borrow against) other real estate you own.
3. Sell securities you own, or borrow against them through a loan from the stock brokerage.
4. Sell collectibles or heirlooms you own.
5. Cash in (or borrow against) the built-up value of any life insurance you have.

6. Invest in the book Home Buying for Dummies by Eric Tyson and Ray Brown.
7. Borrow against your retirement funds. If you add too much to your debt burden however, you may not be approved for a loan.
8. Ask for help from your place of worship or other nonprofit organization. Fannie Mae has a "3/2" loan program that allows you to make a 3 percent down payment if a bona fide nonprofit puts down the other 2 percent.
9. Sell a boat, RV, or second car you own and use the cash for the down payment.
10. Get a second job. It'll help you raise cash, and the extra income will improve your chances of qualifying for a loan. You can quit later.
11. Look for an investment partner who'll put up some or all of the cash in an equity-sharing partnership. You make the monthly payments and the two of you split the eventual resale profits.
12. Change withholding taxes on your salary (if permitted) in anticipation of higher deductions when you get a mortgage. Your take-home pay will increase, giving you more funds to put toward a down payment.
13. Look for loan programs such as VA or FHA that require little or nothing down.
14. Use a lease option that lets you rent the house now and buy it after you save.
15. Look for a home with an assumable loan. Instead of buying out the owner's equity, ask the seller to carry back a second mortgage for an equal amount. That way you can buy the home without a down payment.
16. Pawn something you own and use the proceeds for a down payment. You can get the item back after you've moved in and can afford to pay the pawnbroker back.
17. Refinance your car or other vehicles and add the proceeds to your down payment.
19. Withdraw money from your IRA. Be sure to seek advice from your tax consultant or tax attorney.
20. Look for foreclosure properties that require little or no down payment.

Save to Own

Once you buy a house, don't give up your savings discipline. Start an emergency reserve fund. You may need to fix the plumbing or refinish those original wood floors under the carpet. And remember, every day you own your home you build up equity, which is a form of savings, too.

Choosing a Mortgage

Synopsis

There's more to a mortgage than how much you qualify to borrow. To decide what kind of home financing you should choose, think about your long-term plans and financial goals as well.

Long-term or Short-term

You can divide fixed-rate loans into long-term and short-term loans. Here are some basic advantages and disadvantages.

Long-term Fixed rate

Advantage: Predictable payments and interest.

Disadvantage: Higher interest rate, more interest paid over long term, higher down payment requirements.

Short-term Fixed rate

Advantage: Predictable payments and interest, lower interest rate: less total interest paid, quicker payoff.

Disadvantage: Higher monthly payment, stiffer qualifications.

The Choice is Yours

Most people assume they'll get a conventional 30-year fixed-rate loan. With more competition in the marketplace, though, you can choose from an increasing variety of loans and may find another that better matches your long-term plans and goals. For example, if you think you may change jobs within three years, you may be better off getting an adjustable-rate mortgage. An adjustable-rate loan has a low interest rate in the early years of the loan, while a fixed rate loan stays constant at a higher rate. With an adjustable, you'll pay less for short-term ownership of your house. On the other hand, if you think you may keep the house more than five years, a predictable fixed-rate loan is probably a better choice.

Think Ahead

Seriously consider your future plans and then look for a loan that conforms with them:

- **Do you want to remain in the area?** If you like the area where you live now and don't think you'll buy a bigger, smaller, or better house soon, then get a loan with the best rate for the long term.
- **Are you happy with your job or confident you won't change jobs soon?** If not, you may want to invest in a property with good resale value and a loan that ties up a minimal portion of your income.
- **Do you plan to make any family changes?** If you plan to have children or your widowed mother is going to move in, your current house may not be large enough. You may want a loan that keeps enough capital free to make the necessary additions. You can also prepay principal to build up additional equity and draw a home-equity loan or refinance your current loan and get cash out.
- **Will you finance your children's college education in the next ten years?** You may choose a 15-year loan to build up equity sooner and pay a lower interest rate. Or pay down (pay more on the principal) a longer-term loan to free more equity before you take on that expense.
- **What are your long-term financial goals?** A mortgage is a form of fixed savings, and you get a payback in the form of a mortgage interest deduction. However, you may need to invest more cash in areas that have a bigger return. You'll shortchange your retirement savings plan if you put the bulk of your resources into a home loan.

The Portfolio Advantage

Portfolio lenders are lending institutions that don't resell their loans on the secondary mortgage market. They can be more flexible about loan terms and qualifications because they don't have to follow secondary-market rules. It's harder to qualify for loans intended for sale because they must conform to rigid guidelines. For example, Freddie Mac and Fannie Mae won't permit all of the down payment to be a gift if the borrower is applying for a 90 percent loan, but some portfolio lenders will. A portfolio lender may also:

- **Stretch your qualifying ratios.**

This can be most valuable if your income is shy of the required amount for a Freddie Mac or Fannie Mae loan. Your qualifying ratio is determined by dividing your monthly housing expense (the total of your loan payment, property taxes, hazard insurance, mortgage insurance, and homeowner's association dues) by your gross monthly income. For a Freddie Mac or Fannie Mae loan, this ratio shouldn't exceed 30 to 33 percent. A portfolio lender may allow a 40, 50 or even 60 percent ratio, depending on your credit rating and the amount of cash you have to put down.

- **Fund a loan for an "as is" property.**

A portfolio lender may be your only option. Properties sold "as is" almost always need major work. Some portfolio lenders will allow funds from the seller's proceeds to be held in an account to complete repair work after closing. Freddie Mac and Fannie Mae loans won't permit hold backs for such work.

Portfolio Loans Without PMI

Portfolio lenders can also help you avoid paying private mortgage insurance (PMI) on high loan-to-value loans. Many portfolio lenders self-insure to protect themselves against borrower defaults so they won't require you to carry PMI. To cover the cost of self-insuring, the lender charges the borrower a higher interest rate, but that interest is tax-deductible.

Loan Information

Information Needed for Loan Application

- ☐ Picture identification
- ☐ Proof of Social Security Number
- ☐ Residence/address for the past two years
- ☐ Name and address of landlord (if renting within the last two years)
- ☐ Name and address of each employer for the past two years
- ☐ Names, addresses, account numbers and balances of all checking and savings accounts
- ☐ Names, addresses, balances, and monthly payments of all open accounts
- ☐ Names, addresses, balances and monthly payments of all credit cards
- ☐ Addresses of all other real estate owned
- ☐ Loan information on all other real estate owned
- ☐ Estimated value of all personal property
- ☐ Certificate of Eligibility and DD214's (VA only)
- ☐ Money for credit report and appraisal
- ☐ Full divorce decree (if applicable)
- ☐ W2's (two years) and last three pay stubs for each borrower
- ☐ Signed Federal Tax returns for the previous two years
- ☐ Copies of rental agreements on rental property

Getting Pre-Approved

Most real estate agents and lenders recommend that homebuyers get pre-approved with a lender before selecting a home to purchase. This way you will have the best information about the right price range for your pocket book.

- With pre-approval, you can determine which loan program best fits your needs and the programs for which you qualify.
- You will know exactly how much you are qualified to spend. It's no fun to find your 'ideal home' and then find out that you cannot afford it.
- Your monthly payment will be set. This will allow you to budget your money before making this large investment.
- You will know what the down payment and closing costs will be.
- If you are a first-time buyer, you may be able to qualify for a special first-time buyer program which may allow you to afford more home for your money.

If self-employed include the following:

- ☐ Signed year-to-date Profit and Loss Statement
- ☐ Partnership tax returns for the previous two years
- ☐ Signed Corporate Tax Returns for the previous two years

If you feel you would like and can afford a higher mortgage payment but are not able to meet qualifications, co-mortgage financing may be available to you.

The Appraisal

Synopsis

An appraisal is a third-party estimate of the value of a piece of property at a particular point in time. It can affirm your offer price or block your transaction entirely. Understand how real estate appraisals and appraisers work so you can solve any problems that come up.

Find a Good Appraiser

Ask your lender. If you choose an approved appraiser, you may not have to pay for the required appraisal when you apply for a loan. Several national appraisal organizations can also give you names of local member in good standing.

American Society of Appraisers
(800) 272-8258

Appraisal Institute
(312) 335-4100

National Association of Real Estate Appraisers
(480) 948-8000

Having an idea of what is involved in appraising a piece of property can greatly help in maximizing the appraised value and avoiding costly details and re-inspections. The appraisal process consists of several steps. The following are the major steps in the sequence normally followed by appraisers:

1. Research the subject property as to size, bedrooms, year built, lot size, and square footage.
2. Gather data on recent sales in the subject property's neighborhood. The appraiser needs to locate at least three (and preferably more) similar-sized homes that have sold and closed escrow in the neighborhood. The homes need to be within close proximity of the subject property and sold within the past six months. The homes are considered the comparable properties or 'comps' for short.
3. Field inspection consists of two parts: first, the inspection of the subject property and second, the exterior inspection of the comparable properties which have been selected to estimate the value of the subject property.

The subject property inspection consists of taking photographs of the street scene, front of the home, and rear of the home, which may include portions of the yard. The appraiser will make an estimated value of the home. He will also draw a floor plan of the home while doing the inspection.

The inspection of the comparable properties is limited to an exterior inspection. For features that cannot be seen from the street, the appraiser has reports from Multiple Listing Service (MLS), California Market Data Cooperative (CMDC), county public records and appraisal files along with other sources to help determine the condition and amenities of the comparables. After the field inspection has been completed, the appraiser must determine which comparable properties most resemble the subject property, making slight adjustments in value for any differences between them. After making required adjustments, the appraiser must go through the reconciliation process with the three comparable properties to determine a final estimated value. This method of estimating value is called the Direct Sales Comparison Approach to Value, and it accounts for nearly all of the considerations in determining value of single-family homes.

It is important to consider that the appraiser will be taking photographs of the street scene and of the front of the subject property. The street scene gives the lender an idea of the

type of neighborhood in which the home is located. The photograph of the front of the home gives the lender an idea of its condition and curb appeal. Finally, a photograph of the back of the home and part of the rear yard is taken.

Many homeowners do not take care of the rear portion of their homes and back yards. For this reason, the rear photograph is required.

In most cases (over 90 percent of the time), what you see in the condition of the exterior of the home will be repeated almost exactly in the interior.

An appraiser will call in advance to set up the appointment to inspect the home. At that time, any information about the size of the home, number of bedrooms, number of bathrooms, pool, enclosed patio, etc., should be supplied. The more that is known about the property prior to the inspection, the better the appraiser can focus on researching the most similar comparables.

Boosting the Appraisal

To fight a lowball appraisal:

Get a copy of the report. You can successfully argue to raise the estimate if you show that the appraiser overlooked a valuable feature or failed to consider a recent comparable sale for a higher price.

Involve your loan representative. The lender can override the estimate or order a new report from another appraiser.

Renegotiate. A seller may accept less than you originally agreed to pay in order to avoid putting the house back on the market.

Increase your down payment. The lender may overlook a low appraisal if you put more money down.

Quick Take

If you have any questions about the value of the house you bid on, add an appraisal contingency to your purchase offer. This provision stipulates that the property must appraise for at least the purchase price you offer. If the appraisal comes in lower, you can back out of the deal or renegotiate the price.

WARNING: Why Appraisals go Awry

1. The appraiser has inadequate information about the property.
2. The appraiser is inexperienced or lacks adequate training.

The Inspection

What to Expect at the Inspection

The purchase contract will likely contain provisions allowing you various inspections of the property. The purpose of these inspections is to educate you as to the physical condition of the property you are purchasing.

While these inspections do not provide guarantees of the condition of the property, they do provide valuable information to you as a buyer. It is important to remember that your purchase contract may provide for withdrawal from the contract if these reports are unsatisfactory to you, but inspections should not be considered an open door to renegotiation of the purchase price.

Structural Pest Control Inspection

Often referred to as a 'Termite Report' the Structural Pest Control is conducted by a licensed inspector. In addition to actual termite damage, the report will indicate any type of wood destroying organisms that may be present, including fungi (sometimes called 'dry rot'), which generally results from excessive moisture.

Section I - Conditions

Most pest reports classify conditions as Section I or Section II items. Section I conditions are those which are 'active' or currently causing damage to the property. Generally, Section I items need to be corrected before a conventional lender will make a loan on a home.

Section II - Conditions

Those items, which are not currently causing damage, but are likely to if left unattended are Section II Conditions. A possible Section II item is a plumbing leak where the moisture has not yet caused fungus decay.

Who Pays?

Your purchase contract will specify who is responsible for the cost of the inspection and making these corrections. This is a negotiable item and should be considered carefully.

Physical Inspection

The Physical Inspection Clause in your purchase contract, when initialed by both parties, allows you the right to have the property thoroughly inspected. This is usually done through a general home inspection. While home inspectors are not currently required to have a license, most are, or have been, general contractors. The inspection and the resulting report provide an overall assessment of the present condition of the property.

What is inspected?

The home inspection covers items such as exterior siding, paint, flooring, appliances, water heater, furnace, electrical service, plumbing, and other visible features of the property. This is a general inspection and will often call for additional inspections by specific trades, such as roof and furnace inspections.

Further Inspections

If conditions warrant, the home inspector may recommend a Structural Engineer Report. Such a report would identify structural failures and detail recommended corrections.

Geological Inspection

You may also elect to have a Geological Inspection to educate yourself as to the soil conditions at the home you are purchasing. This inspection is performed by a geological engineer and involves not only physically inspecting the property but also researching past geological activity in the area. The primary purpose of a geological inspection is to determine the stability of the ground under and around the home.

Home Warranty

Home protection plans are available for purchase by the seller or buyer. Such plans may provide additional protection of certain systems and appliances in your new home.

Full Disclosure

Full Disclosure - It's the law

Recent legal decisions and new legislation provide that the seller has a responsibility for revealing to you the true condition of the property. The concept of selling a property 'as is' (with the buyer assuming all responsibility for determining the condition of the property) is not popular in the present marketplace. This information should be made available to the buyer as called for in the purchase contract.

Synopsis

The sellers must disclose the known condition of the property to the buyer.

Charm or Irritant?

Having lived in this property, the seller has become accustomed to the peculiar conditions that may have developed. But for the buyer, that peculiarity may be more than a mere inconvenience. It may be an irritant that the buyer cannot tolerate. It is important for the seller to review the condition of the property with the real estate agent and take special note of any problems on the Disclosure Statement. Civil Code Section 1102 requires that the seller provide the buyer with a completed 'Real Estate Transfer Disclosure Statement.'

All Systems Go

A basic assumption in every sale is that the house and systems in the house are functional. For example, the roof will hold out the rain and sun, the hot water heater will provide hot water and the heater will provide heat. If it is known that any of the systems do not function properly, such facts should be included in the purchase agreement and acknowledged by the buyer.

As Is

An 'as is' purchase is perfectly acceptable as long as the buyer understands exactly what the 'as is' condition entails. Thus, it can be said in the purchase agreement that the buyer accepts the roof and the plumbing and the electrical system in their present condition and acknowledges that they may have defects. This acknowledgement provides a defense for the seller if it is later claimed he did not disclose the problems.

Environmental Hazards

It is required that the seller disclose any knowledge of environmental hazards in the home or area, such as asbestos or pollutants. The buyer will be provided with a Real Estate Transfer Disclosure Statement filled out by the seller as to his awareness or knowledge on this subject.

Just a Tip

Environmental Hazards: *A Guide for Homeowners and Buyers* is a handbook prepared by the California Department of Real Estate to inform you of various toxins and hazardous wastes and how to deal with them.

Full Disclosure

Carefully read the Real Estate Transfer Disclosure statement with your real estate agent.

Property Taxes

Tax Calendar

■ ■ ■ Proposition 90

Currently allows a homebuyer age 55 years or older to transfer their property tax base from one county to another in the following counties:

Alameda
Kern
Los Angeles
Modoc
Orange
San Diego
Santa Clara
San Mateo
Ventura



■ ■ ■ Proposition 60

Allows a homebuyer age 55 years or older to transfer their property from one property to another within the same participating county.



January 1 - Assessment Date

Taxes become a lien at 12:01 a.m. They are not yet due and payable for the Fiscal Tax Year which starts July 1. Thereafter, title evidence must show taxes as a lien for the coming Fiscal Tax Year.

February 1 - First Installment delinquent at 5:00 p.m.

March 1 - Taxes on Unsecured Roll Due

April 10 - Second Installment/ delinquent at 5:00 p.m.

10 percent penalty plus \$10 administrative charge attaches. If April 10 falls on a weekend or holiday, taxes are not delinquent until 5:00 p.m. the next business day.

April 15 - Last day to file for Veterans, Senior Citizens, or Homeowners Exemptions. To be eligible for applicable exemptions, you must own and occupy the property on March 1.

June 30 - Property tax may become defaulted

If you fail to pay either or both installments by 5:00 p.m., property tax becomes defaulted and additional costs and penalties accrue. If June 30 falls on a weekend or holiday, taxes must be paid by 5:00 p.m. of the preceding business day.

July 1 - Beginning of Fiscal Year (July 1 to June 30 of the following year)

July 1 - Properties with delinquent taxes sold to State

July 1 - Owners to be informed of new values

July - First Monday - Assessment Appeals Board

July 30 - Last day to advise owners of new values

August - Sale numbers assigned for delinquent taxes

September - Tax rates set

October - End of month tax bills mailed

November 1 - First Installment Due (First installment - July 1 to December 31)

December 10 - First Installment becomes delinquent at 5 p.m.

10 percent penalty added to taxes due. If December 1 falls on a weekend or holiday, taxes are not delinquent until 5 p.m. the next business day.

Supplemental Taxes

Supplemental taxes began in July, 1983, but you and your neighbors still may not know what they are, what they do, or how they affect your property. To help you better understand this confusing subject, the California Land Title Association has answered some of the questions most commonly asked about supplemental real property taxes.

When did this tax come into effect?

The Supplemental Real Property Tax law was signed by the governor in July, 1983 and is part of an ambitious drive to aid California's schools. This property tax revision is expected to produce over \$300 million per year in revenue for schools.

How will supplemental property taxes affect me?

If you don't plan to buy new property or undertake new construction, this new tax will not affect you. But, if you do wish to do either of the two, you will be required to pay a supplemental property tax which will become a lien against your property as of the date of ownership change or the date of completion of new construction.

Can I pay my supplemental tax bill in installments?

All supplemental taxes on the secured roll are payable in two equal installments. The taxes are due on the date the bill is mailed and are delinquent on specified dates depending on the month the bill is mailed as follows:

1. If the bill is mailed within the months of July through October, the first installment shall become delinquent on December 10 of the same year. The second installment shall become delinquent on April 10 of the next year.
2. If the bill is mailed within the months of November through June, the first installment shall become delinquent on the last day of the following month in which the bill is mailed. The second installment shall become delinquent on the last day of the fourth calendar month following the date the first installment is delinquent.

When and how will I be billed?

'When' is not easy to predict. You could be billed in as few as three weeks, or it could take over six months. 'When' will depend on the individual county and the workload of the County Assessor, the County Controller/Auditor, and the County

Tax Collector. The Assessor will appraise your property and advise you of the new supplemental assessment amount. At that time you will have the opportunity to discuss your valuation, apply for a Homeowner's Exemption and learn about your right to file an Assessment appeal. The County will then calculate the amount of the supplemental tax, and the Tax Collector will mail you your supplemental tax bill. The supplemental tax bill will identify (among other things) the following information: the amount of the supplemental tax and the date on which the taxes will be delinquent.

How will the amount of my bill be determined?

A formula is used to determine your tax bill. The total supplement will be prorated based on the number of months remaining until the end of the tax year, June 30.

Can you give me an idea of how the probation factor works?

The supplemental tax becomes effective on the first day of the month following the month in which the change of ownership or completion of the construction occurred. If the effective date is July 1, then the following table of factors is used to compute the supplemental assessment on the current tax roll:

Date	Amount
August 1	.92
September 1	.83
October 1	.75
November 1	.67
December 1	.58
January 1	.50
February 1	.42
March 1	.33
April 1	.25
May 1	.17
June 1	.08

The County Auditor finds that the supplemental property taxes on your new home would be \$1,000 for a full year. The change of ownership took place on September 15th with the effective date being October 1st, the supplemental property taxes would, therefore, be subject to a pro-ration factor of .75 and your supplemental tax would be \$750.

Who Needs Escrow?

WHO NEEDS ESCROW?

You do ... if you are buying or selling a house, business, income property, mobile home, or if you are involved in any other transaction which may require the transfer of documents or funds.

WHAT IS ESCROW?

It is an agreement in which a buyer and seller appoint an impartial third party to hold funds and/or documents. For example, in a real estate transaction, an escrow officer would hold the seller's deed and the buyer's funds.

WHAT DOES AN ESCROW OFFICER DO?

The escrow officer acts for all parties to the escrow. They hold such documents as deeds, bills of sale, releases, and any special reports needed and have the necessary documents recorded. They act as the depository of money involved in the transactions. They can see that taxes, fees, interest, and commissions due are paid, and they disburse funds in the correct amounts at the proper times.

In an escrow transaction, an escrow officer makes sure your written instructions are carried out before exchanging the funds and/or documents.

WHAT TRANSACTION TYPES NECESSITATE ESCROW?

Residential Sale Transactions
Refinancing a Mortgage
Sale of Income and Commercial Property
Subdivisions
Mobile Home Sales
Construction Loans

WHO PAYS THE ESCROW COSTS?

The escrow cost is a matter of agreement between the parties, as is the choosing of the escrow company.



Title companies and Escrow companies serve as an impartial third party during your real estate transaction.



The Escrow

You may have already heard phrases such as 'the house fell out of escrow' or 'we're waiting for escrow to close'. So just what is escrow anyway? And what does it mean to the homebuyer or seller?

This neutral third party acts as an intermediary between the buyer and the seller and collects and remits funds as instructed. Buyer's funds are deposited with the escrow company, which then remits to the seller on the buyer's behalf. In order to facilitate the transfer of property from one owner to another, the best escrow companies will:

- Prepare, review and/or revise escrow instructions
- Determine the legal ownership and status of the property through a title search
- Request a beneficiary's statement if a debt is to be assumed by the buyer
- Confirm that the new lender's instructions are met
- Confirm that the property meets requirements imposed by the lender and/or buyer
- Ensure all legal documentation is complete, including the recording of the deed
- Comply with the time limits imposed in the instructions
- Close escrow when all instructions (buyer's, seller's, and lender's) have been fulfilled
- Disburse funds as instructed, including all related fees (title fees, commission, payoff, etc.)
- Prepare a final statement for all concerned parties

Banks, savings and loans, and title companies, as well as independent escrow firms that are licensed by the state to perform escrows in California. Their records are open to inspection by a Regulatory Agency. In addition, escrow companies furnish the state with annual audits of their books, and all escrow funds must be kept in a trust account. Thus, the state helps ensure that all escrow companies are properly managed and truly act as impartial third parties to any real-property transaction.

Escrow companies are generally held liable if any instructions are violated during the course of an escrow. No changes may be made to any escrow instructions if changing them would be detrimental to any party involved. It is possible to change instructions once an escrow has begun, but only by mutual agreement of the parties. Finally, all escrows have clearly defined time limits. If for some reason all instructions cannot be carried out by the end of the time limit, all parties involved are entitled to the return of documents, fees, funds, and other related materials. They also may mutually agree to extend the time period by changing the instructions.

The term 'escrow' has come to mean 'neutral protection' for the seller, buyer, and lender. All parties involved in the transfer of real property are impartially protected during the transaction and are serviced by professionals intent on ensuring a smooth, trouble-free sale. Look for an escrow company that clearly defines its services and lists all fees and charges up front.

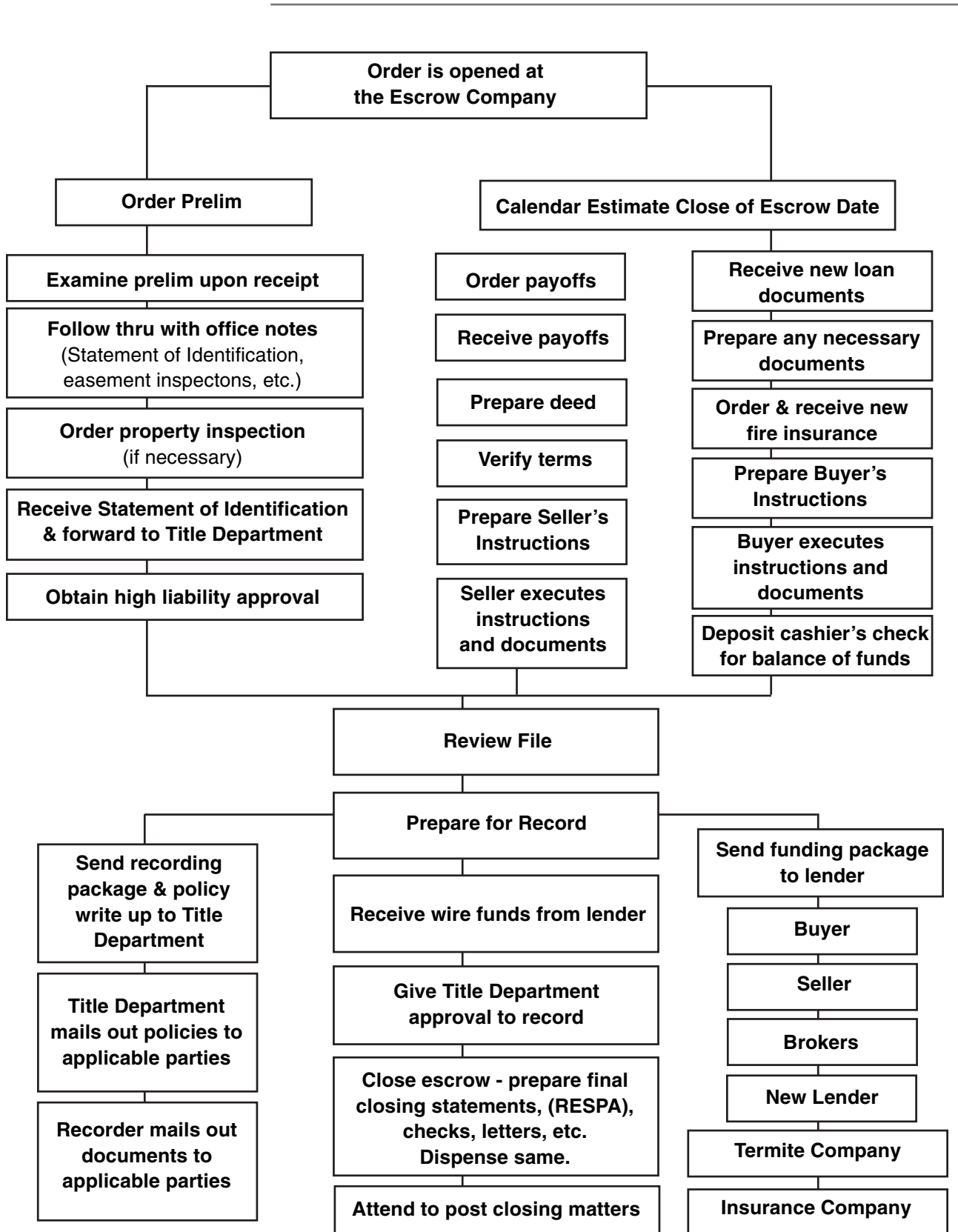
Escrow is an indispensable necessity in today's marketplace. If you need further explanations during the process, always consult your escrow officer. The escrow company is, indeed, a neutral third party, and its job is to make sure all sale conditions are met quickly and efficiently.

Ideally, you would ask your real estate agent to recommend two or three different escrow companies and then go from there. In most cases, escrow companies work together with the title insurance companies, so you can select both an escrow company and a title company at the same time.

■ ■ ■
Simply stated, escrow is the involvement of an impartial third party in a real estate transaction. The basic concept of escrow is to ensure that both the buyer and seller are protected during any real estate transaction services.

■ ■ ■

Life of an Escrow



Speed up the Closing

How to Speed up the Closing of Your Next Escrow

To help speed up the closing of an escrow, the following things necessary to the escrow should be furnished at the outset:

1. **Correct legal description of the property.** (Call your Escrow Company for a legal description before you go into escrow.)
2. **Correct street address** - re: number, avenue, drive, street, etc.
3. **Full names of parties involved in the escrow.** (Initials are not enough. Also, if a married couple is involved, the first name of the wife, as well as the husband, is essential.)
4. **Complete Social Security Number(s)**
5. **Information as to how the buyer(s) want to take title.**
6. **Names of all lien holders, both mortgage companies and private parties.**
7. **Terms of new encumbrances or terms of existing encumbrances.**
8. **Fire insurance information** - new policy or assuming existing policy.
9. **Current tax bill for pro-ration purposes.**
10. **Rental statement** - list of tenants, their rental amounts, and any security deposits.

Real estate transactions are complicated and can be confusing. Cherie Miller & Associates will be happy to answer any questions that you may have.

AFTER YOUR ESCROW IS OPEN

1. When calling your escrow office, have your escrow number and buyer and/or seller's names.
2. Keep your escrow officer informed on any matters that may affect your closing.
3. The listing salesperson will take care of the termite report.
4. The selling salesperson will take care of the insurance policy with the buyers.

The more information you make available to your escrow officer, the smoother your escrow will go and the sooner it will close.

Title Insurance

Synopsis

Donald is buying a house directly from an honest, reputable friend. He orders the Preliminary Report, which gives no evidence of title problems, so Donald decides not to waste any money on title insurance.

Donald's friend may be honest and may have told Donald everything he knows about the house, but what about the previous owners? Did they have a valid claim to the property?

Many kinds of title defects are so serious that they can render a title unmarketable. It is the title insurance you purchase when you acquire real property that protects you against most of these defects.

Title insurance is a guarantee that you are getting something for your money when you buy real property. Title insurance guarantees that the ownership of the property you are buying is just as it's stated in recorded documents.

Whenever you buy any real property, you expect to acquire use of the property as well as its 'title' or legal ownership. You want to be absolutely certain that the owner had clear title to it in the first place and consequently was legally entitled to sell it to you. He might say that he owns the Brooklyn Bridge and you might want to buy it from him on his terms. Unless you determine that he has clear title to it by securing a title insurance policy to protect yourself, you will be giving him money for nothing, and he will have the last laugh.

The property you are buying may have a past fraught with shady dealings, forgeries, divorce claims, or other peculiarities. There is no way you can be absolutely certain that the sellers (or any previous sellers) ever held clear title to the property to transfer it over to you. Even though an owner has a deed and the right to possess the land, he might not have clear title because there may be a defect or a cloud on it that even he does not know about. To protect yourself from such claims out of the past, you should secure title insurance, something which is available in every state except Iowa for almost every conceivable kind of interest in real property, including leaseholds, rights under a contract of sale, airspace, rights and easements, and mineral rights.

In addition, you must have title insurance if you intend to borrow any money on your property. Your lender, wanting to protect the interest in the property that secures their loan to you, will require a policy for their own protection to insure themselves against any previous claims made on the property by legitimate claimants. You need a policy to protect yourself, too. You do not want to learn after the sale that you have no rights to the property at all, and neither does your lender. They know that you will not repay the money they have lent you to buy a property unless you are legally entitled to that property.

But even if your real estate transaction is an all-cash deal, you should obtain title insurance. A grant deed by itself does not necessarily give clear title to a property.

There may be outstanding claims and rights which cannot possibly be determined from the deed alone.

Title insurance protects the buyer and lender involved in a real property transaction against incompetent past actions, clerical errors, someone who was mentally incompetent having signed off an earlier deed, incorrect marital status, undisclosed heirs, improper interpretation of wills, signing by anyone without authority, a minor's signing, or a possible forgery in the entire past chain of title signatures.

Remember that although you are protected under your purchase agreement against certain damages, only the seller is liable to you for those damages. Under a title insurance policy, the title company assumes that liability. If you are not insured and you have to proceed with legal action against the seller for any defect in the title, you will have to pay the legal expenses prior to a judgment. Even if you do win a judgment, you might not be able to collect it, for you might not be able to locate the seller or the seller may not have the money to pay you. You could be left holding worthless paper. If, however, you have a title insurance policy, it could pay your legal costs and provide you with coverage for any losses covered under the policy.

In summary, title insurance is essential to you as a property buyer. Like other types of insurance policies, title insurance affords protection to the insured by guaranteeing that the insurer (the title insurance company) will reimburse the insured for actual loss or damage or damage under the conditions specified in the policy. Unlike other insurance policies, title insurance insures against conditions that already exist, rather than against those which may or may not occur in the future.

Purpose of Title Insurance

CLTA HOMEOWNERS POLICY

This policy insures the owner (Buyer) of the property against defects that are ascertained from the public records. It also provides protection against certain “off record” matters such as Forgery, Capacity, and Competency. The CLTA Homeowner’s Policy covers such items:

- Ownership of the property
- That there is access if the property abuts upon an open, public dedicated street
- Forgeries or failed conveyances in the chain of title
- That the insured has a marketable interest in the real property

ALTA LENDER’S POLICY

This is an extended coverage policy that is required by all lenders. It insures the lender against loss or damage up to the policy limit, plus costs and attorneys fees. The ALTA Lender’s Policy protects the lender from such items:

- Title being vested in a person other than the one shown in the policy.
- Title defects
- Liens and encumbrances
- Lack of a right of access to the land
- Marketability of title
- Prior mechanics’ liens
- Priority and validity of the lender’s lien on the property

UNLIKE other types of insurance (Life, Fire, Auto) that insure against loss in the event of “FUTURE” happenings, Title Insurance protects the insured against the possibility of loss resulting from a defect in the title that may have occurred in the “past.”

Title Insurance is written for a one-time premium. The protection continues until the interest of the insured is conveyed or is transferred. Even when an insured owner dies, his or her heirs remain protected under the terms of the Title Insurance Policy.



A Title Insurance Policy is a contract to indemnify the buyer against loss or damage occasioned by defects in the Title as insured under the policy.



Preliminary Title Report



What is a preliminary report?

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



How do I go about clearing unwanted liens and encumbrances?

You should carefully review the preliminary report. Should the title to the property be clouded, you and your agents will work with the seller and the seller's agents to clear the unwanted liens and encumbrances prior to taking title.



Preliminary Reports

After months of searching, you've finally found it - your dream home. But is it perfect? Will you be purchasing more than just a beautiful home? Will you also be acquiring liens placed on the property by prior owners? Have documents been recorded that will restrict your use of the property?

The preliminary report will provide you with the opportunity, prior to purchase, to review matters affecting your property, which will be excluded from coverage under your title insurance policy unless removed or eliminated at the time of your purchase. To help you better understand this often bewildering subject, the California Land Title Association has answered some of the questions most commonly asked about preliminary reports.

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

A preliminary report contains the conditions under which the title company will issue a particular type of title insurance policy. The preliminary report lists (in advance of purchase) title defects, liens, and encumbrances which would be excluded from coverage if the requested title insurance policy were to be issued as of the date of the preliminary report. The report may then be reviewed and discussed by the parties to a real estate transaction and their agents. Thus, a preliminary report provides the opportunity to seek the removal of items referenced in the report which are objectionable to the buyer prior to the purchase.

When and how is the preliminary report produced?

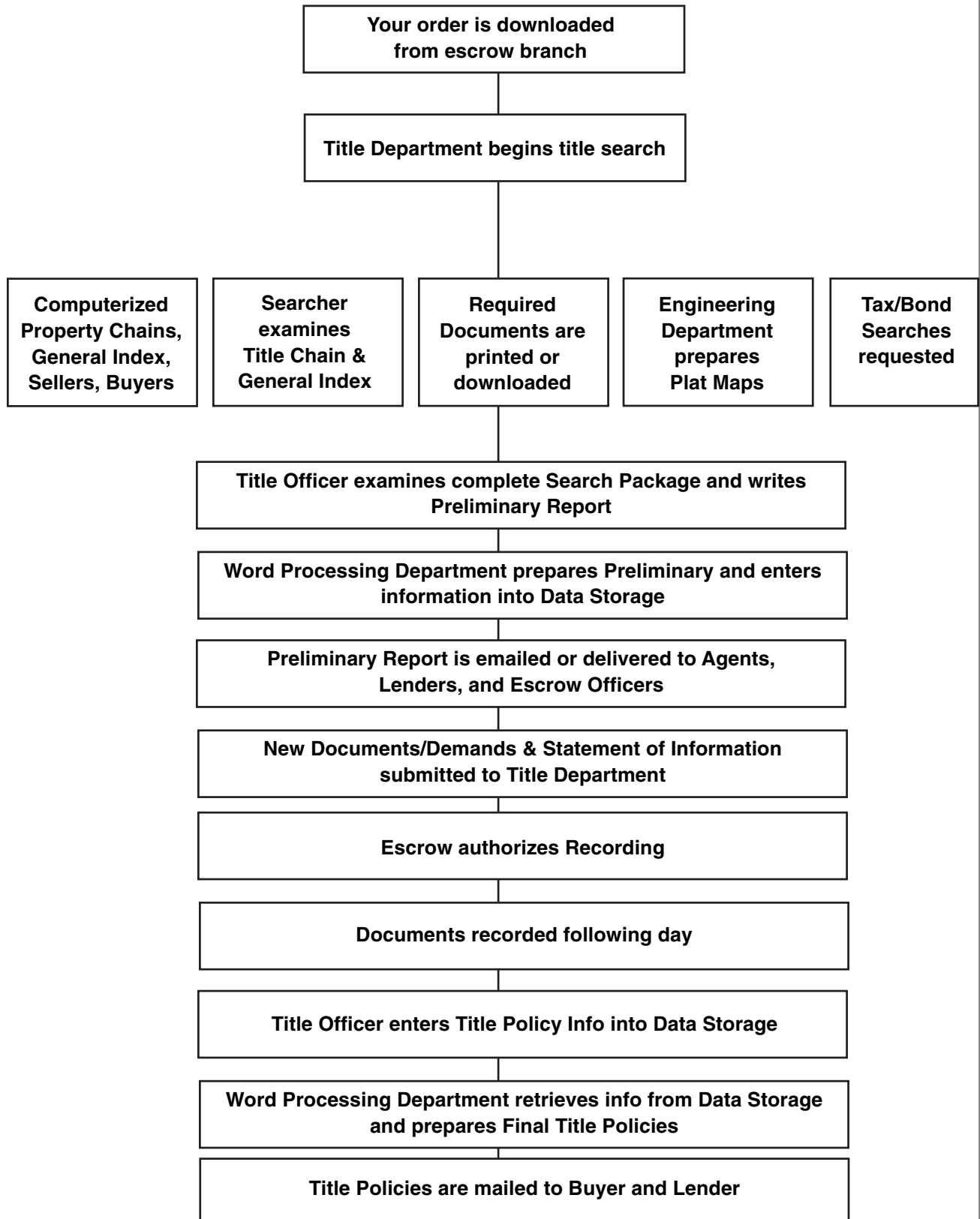
Shortly after escrow is opened, an order will be placed, and the title company will begin the process involved in producing the report. This process calls for the assembly and review of certain recorded matters relative to both the property and the parties to the transaction. Examples of recorded matters include a deed of trust recorded against the property or a lien recorded against the buyer or seller for an unpaid court award or unpaid taxes. These recorded matters are listed numerically

as 'exceptions' in the preliminary report. They will remain exceptions from title insurance coverage unless eliminated or released prior to the transfer of title.

What should I look for when reading my preliminary report?

You will be interested, primarily, in the extent of your ownership rights. This means you will want to review the ownership interest in the property you will be buying as well as any claims, restrictions, or interests of other people involving the property. The report will note in a statement of vesting the degree, quantity, nature, and extent of the owner's interest in the real property. The most common form of interest is 'fee simple' or 'fee' which is the highest type of interest an owner can have in land. Liens, restrictions, and interests of others that are being excluded from coverage will be listed numerically as 'exceptions' in the preliminary report. These may be claims by creditors who have liens or liens for payment of taxes or assessments. There may also be recorded restrictions, which have been placed in a prior deed or contained in what are termed CC&R's - covenants, conditions and restrictions. Finally a prior owner may have given interests to someone which limit your use of the property. When you buy property you may not wish to have these claims or restrictions on your property. Instead, you may want to clear the unwanted items prior to purchase. In addition to the limitations noted above, a printed list of standard exceptions and exclusions listing items not covered by your title insurance policy may be attached as an exhibit item to your report. Unlike the numbered exclusions, which are specific to the property you are buying, these are standard exceptions and exclusions appearing in title insurance policies. The review of this section is important as it sets forth matters which will not be covered under your title insurance policy but which you may wish to investigate, such as governmental laws or regulations governing building and zoning.

Life of a Title Search



Explanation of Preliminary Report

A preliminary report will usually contain the following elements:

- The name of the person or firm that requested the preliminary report
- The address of the subject property
- The title company's file number
- The applicant's file number or reference name
- A paragraph stating that no liability is ever intended under a preliminary report and indicating what should be requested if the customer desires assumption of liability prior to policy issuance
- The most recent date and time that the public records have been researched. In other words, a lien or Deed of Trust recorded after the date shown would not be disclosed on the preliminary report.
- The name of the title officer who produced the preliminary report and who may answer questions about the report. (Requests for information about the status of the escrow should be directed to the escrow officer.)
- The office address and telephone number of the title company issuing the preliminary report.
- A paragraph specifying the form of title insurance policy that the preliminary report was issued to facilitate. Some exceptions may be added or deleted on the basis of the type of coverage requested.
- A paragraph describing the interest in the land that is covered by the report. For example: A fee. A condominium. A leasehold.
- A paragraph stating that in addition to the standard printed exceptions, the title policy will include exceptions which pertain specifically to the estate in question.
- A legal description of the property, which should be used for preparing any document that will be recorded.
- A note providing information regarding transfers of title recorded within the last six months. Any deeds or other instruments that transfer title would be reflected here.
- A site or plat map of the property described in the report.

The exceptions to each parcel of land are different due to the unique nature of real property. Below is a discussion of some of the more common exceptions that may be seen during review of a preliminary report:

- **Property taxes** - each year on January 1 the lien of the following year's property tax attaches to the land, pursuant to California law. Property taxes are assessed on July 1 through June 30 fiscal year. The amounts shown in the preliminary report are for prorating purposes.
- **Supplemental property taxes** - each of several types of transactions as specified by Chapter 3.5 of the R & T code can trigger a reassessment which would result in a supplemental tax bill being issued.
- **Easements** - easements are a right to use the land of another person/owner for specific purposes. Easements can be created in a number of ways, including dedication on a subdivision map or a Grant of Easement to another party.
- **CC&R's** - Covenants, Conditions and Restrictions are limitations on the uses that may be made of a parcel of land. For example: Many CC&R's contain restrictions stating that a property may only be used as a single family dwelling and allowing neighbors to take action against persons running a hotel out of their suburban home. Some restrictions contain a reversionary clause, which states that violation of the restrictions will cause the title to the property to revert to the person imposing the restrictions. Most restrictions contain a clause assuring a lender that a violation will not act to impair the lien of the lender.
- **Deed of Trust** - The Deed of Trust is a security device for a lender. Under California law, the Deed of Trust allows a relatively quick and easy way for a lender to obtain real property with which to satisfy a delinquent loan. The preliminary report shows the recorded information about the Deed of Trust.

Abstract of Judgment

This type of lien is issued pursuant to a court order for the payment of a debt.

Mechanic's Lien

Under California law, workmen who provide materials and/or labor to a property owner are entitled to use the real property to satisfy the debt. This type of lien also alerts the title company to the possibility of ongoing construction work which may affect the priority of a new Deed of Trust

Holding Title



Synopsis

There's more than one way to take possession of a piece of property, and each choice has legal, tax and estate-planning implications. Take time to think about how you should take title on your home, and get expert advice if you need it. Once you take possession, it pays to monitor your property taxes.



Plan your partnership

If you buy a house with partners, it's important to set up a partnership agreement that covers these points:

- Who pays for maintenance and repairs
- Who handles payment of property taxes, maintenance, and repairs
- How much notice a partner must give in order to sell
- How other partners can buy out a partner who wants to sell
- How to make decisions and settle disputes



Don't wait to decide how you want to take title to the home you buy (see note on cover), especially if you make the purchase with another person. Your attention may be focused on closing the deal and planning your move, but it's important to take some time to consider your new responsibilities as a homeowner. Start thinking about how you legally own your home. If you feel you need expert help to make this decision, consult a lawyer or financial advisor.

	TITLE OPTION	LEGAL ISSUES	CONSEQUENCES
Individual home buyer	Sole ownership	Also known as ownership in severalty; owner has sole right to use and disposition of property	Significantly reduces tax liability in most cases; property passes to heirs through probate
Two or more home buyers (married couples and unrelated co-owners often take title this way)	Joint tenancy	Co-owners hold title equally; both must agree on use and disposition of property	Upon death of co-owner, property passes to survivor(s) without going through probate
Married home buyers	Community property (available only to Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin residents)	Owners hold title equally; both must agree on use and disposition of property	Tax liabilities and benefits shared by both; upon spouse's death, half of property goes to survivor and other half to designated heir(s) through probate; if no heirs designated, it passes to survivor
Married home buyers	Community property with right of survivorship (available in select states, effective in California July 1, 2001)	Owners hold title equally; both must agree on use and disposition of property	Tax liabilities and benefits shared by both; upon spouse's death, property automatically goes to survivor, who becomes sole owner
Unrelated home buyers who are considered co-owners (condominium owners, for example)	Tenancy in common	Co-owners hold title equally or unequally; individual co-owner doesn't need consent of others to use or dispose of individual interest	Tax liabilities and benefits apply to each individual; upon death of co-owner, property passes to designated heir(s) through probate
Unrelated home buyers	Partnership	Partnership holds title; partnership sets parameters for use and disposition of property; partnership not liable for individual circumstances that could affect title (such as bankruptcy)	Tax liabilities and benefits apply to partnership; upon death of one partner, partnership interest passes to designated heir(s), which could be partner(s)

Saving on Property Taxes

Property taxes are rising in many states and local jurisdictions, so make sure you understand your state's tax system and know how to monitor what you pay. Check with your local tax assessor for information. You can deduct property taxes from federal taxes and from many state taxes, which can add up to a significant tax advantage in some areas. Make sure that your property tax assessment is in line with comparable homes in your area. If property values are declining, you may be paying too much. Here are three ways to save:

Find out whether a portion of your home's value is exempt.

This varies by state. Florida, for example, exempts \$25,000 per home from taxes.

If you are elderly, a veteran, or disabled, find out if you're entitled to a property tax break. This varies by state. Check with your local tax assessor or financial advisor.

Challenge your assessment if you think it's wrong.

To find out whether your assessment is too high, look at records of recent sales at the assessor's office or online. As many as 50 percent of taxpayers who appeal their assessments get them cut and save hundreds of dollars in property taxes. Check with your local tax assessor about the best procedure to follow.

Choosing Insurance

Synopsis

Homeowner's insurance and other insurance policies are designed to protect your investment. Coverage varies widely as do costs. Take time to shop for the best rates and terms.

Cut Your Insurance Costs

- Get quotes from three insurance companies. Compare rates and ask about package plans at reduced prices.
- Increase the deductible amount of the policy. The deductible is the amount you pay on a claim.
- Ask about discounts. You may get reduced rates on new homes or homes with a security system, deadbolt locks, or smoke alarms.
- Try your car insurance carrier. You may get a discount for having both policies with them.

Think about protecting the home you purchased. Most buyers get a comprehensive homeowner's insurance policy, which provides coverage for fire damage, water damage (not by flooding, which is covered by federal flood insurance), personal possessions, personal liability, vandalism, theft, and loss of use of the house. If you are financing your home purchase, your lender will require you to buy at least basic hazard insurance.

Basic Coverage

The most comprehensive insurance policy is guaranteed replacement cost coverage, which will pay to rebuild your home even if the cost to rebuild exceeds your policy limit. This kind of coverage costs from about \$400 to \$1,000 a year or much more, depending on the area and the price of the home. Even if you can afford it, it's not available everywhere or for every property. For example, older homes may not be eligible. Some big insurance companies have started to limit the amount they'll pay to 120 percent of the face value of the policy. Straight replacement cost coverage, or cash value coverage, is a cheaper and more limited option - about 25 percent less per year than guaranteed replacement coverage. It will pay to rebuild your house if it's destroyed, but coverage is limited to the policy amount. Make certain you're insured for enough to rebuild.

Special Coverage

In addition to regular homeowner's insurance, you may require special coverage for hazards such as earthquakes or floods. California is targeted for earthquake coverage, but at least 16 other states are considered at risk for quakes: Arkansas, Colorado, Idaho, Illinois, Indiana, Kentucky, Massachusetts, Mississippi, Missouri, Nevada, New York, South Carolina, Tennessee, Utah, Washington, and Wyoming. Earthquake coverage can be costly (\$2 to \$15 per every \$1,000 of coverage), but you should consider it if you live near a fault, your home is more than 50 years old, and/or built on a slope, landfill, or flood plain.

If you live in flood-prone areas, you may need flood insurance, too, because water damage from dams and waterways is not included in standard homeowner's policies.

Flood insurance is available through the federal National Flood Insurance Program, and an average policy runs about \$300 a year.

Applying for Insurance

Insurance representatives need certain information about you and the property before they can tell you if they'll write a policy and how much it will cost. You'll need to provide:

- Your Social Security number
- The age and location of the home that you want to buy
- The proximity of fire stations to the home
- The age and condition of plumbing and electrical systems

The insurance company will also want to make sure that you're a good risk. If you previously filed claims or frequently pay bills late, you may be denied coverage.

Shopping Around

Start shopping for insurance as soon as you sign the purchase contract so you're not stuck if the insurance carrier you choose refuses to insure your home. Some insurance carriers, for example, won't insure homes that are built on slopes or have shake roofs or antiquated electrical systems.

TIP: You may get pitched on mortgage life insurance, which pays off the lender in the event of your death. This is not always advisable, especially if the interest rate on the loan is low and you have survivors who may need the mortgage for tax reasons. Instead, increase your regular life insurance coverage so your survivors can invest any proceeds after your death to provide enough money to continue paying the loans.

Estimate Your Coverage

Insurance agents may estimate low on rebuilding costs. This means lower premiums but can leave you underinsured. Here's one way to estimate the replacement coverage you need:

1. Ask a local builder or a knowledgeable agent how much it costs per square foot to rebuild in your area. This figure varies significantly by location.
2. Check your appraisal for the approximate square footage of the home you want to buy.
3. Multiply the two figures.

You're a Homeowner, Now What?

Move-in Checklist

Here are some tips for making your arrival as smooth as possible:

- Unpack necessities first
- Arrange for the telephone and utilities to be switched on the day you move in
- Arrange for newspaper and cable service
- Change all the entry locks
- Settle children into school
- Notify friends and family
- File your closing papers
- Change driver's license and vehicle registration
- Change voter's registration

Homeowner's Tool Belt

For the inside of your home, consider having at least the following in a small toolbox:

- Hammer
- A variety of nails
- Picture wire
- A variety of screws and nuts
- Flathead and Phillips screwdrivers
- Pliers
- Plumber's wrench
- Electric drill with drill and screwdriver bits
- Ratchet set
- Small wood saw
- Duct tape
- Flashlight
- WD 40
- Clean cotton 'shop' rags

So you're just about to move into your first house.

Congratulations! Discover what you'll need to buy and what you'll need to know as a new homeowner.

Now that you have a yard

Beautiful, isn't it? At least it was on Open House Day when you saw it for the first time. If that was a few months ago, chances are the lawn (and probably a few other things) are now getting shaggy. (If it's winter, don't let the dormancy fool you - shaggy days will come!) Yard ownership means yard care. It's time to prepare your arsenal:

- **Lawn** - At minimum, you'll need to get a mower (or lawn-mowing service). To keep peace with neighbors on guard against the spread of the fuzzy weed, consider buying a dandelion puller. And when the leaves fall, you'll need a lawn rake.
- **Flowerbeds** - You'll need at least a shovel and a hand trowel for planting and moving and a three-pronged hand cultivator for weeding. If you have visions of a bountiful garden next spring, invest in a good, sturdy gardening fork (the kind with the wide, flat tines, not the skinny, pokey ones), a metal rake, and a quality pair of short-bladed pruners.
- **Trees and Bushes** - If you have bushes and trees that need tending, plan to hire someone once a year, or purchase a long-bladed hedge trimmer, a small pruning saw, and possibly a tree lopper.
- **Where to find bargains** - Perhaps the best part of being a yard owner is that you've moved to the land of yard sales! Check the local listings in the Friday paper for weekend yard and estate sales. You'll find lots of good bargains on tools. Don't pass by tools just because they look old; if they're from someone's grandpa's tool shed, with a little TLC, they'll probably outlast you, too.

No more Landlord

Now that you're a house owner, you can no longer depend on the landlord's help with maintenance and repair jobs. You're the lucky one who'll need to know how to handle these items in your new house:

- **Furnace** - Where is it? What kind of fuel does it use? How often do you have to clean or replace the filters? Where do you get new filters? If it's an oil furnace, when do you need to refill it and whom do you call? If it goes out, whom do you call to repair it? Can you get a maintenance contract? Where's the reset button? Does it have a fan to cool the house in the summer?
- **Electricity** - Where is the switch box (or is it a fuse box)? Which switch goes to what outlets? (Label them!) How do you turn a switch on or off?
- **Water** - Where's the meter? Where's the turn-off valve? (good to know in case there's a minor flood one day). Can you turn off the outside faucets in the winter? If not, how did the previous owner (or your new neighbors) winterize the outside faucets?
- **Fireplace flue** - Be sure to have it cleaned every one to three years, depending on how often you use your fireplace. Avoiding fireplace

cleaning can cause the chimney not to draw well (you'll notice that smoke stays in the room instead of going out) or can ultimately cause a chimney fire.

Appliances

Yes, you had these before, but were you paying attention to their maintenance? In case you weren't, here's a refresher:

- **Water heater**
 - Does it have a pilot light?
 - What if it goes out - how do you relight it?
 - How do you set the temperature?
 - What temperature should you set it to?
- **Clothes dryer** - Clean the lint tray after every load or two. If you don't, lint will build up, making it very hard to dry your clothes. Eventually, all of that toasty-dry lint could cause a fire.
- **Washing machine** - If your washer drains directly into a utility sink, be sure to add some type of filter to the end of the hose to avoid clogging the sink.
- **Refrigerator** - Clean the water tray under your frostless refrigerator at least twice a year. Vacuum the coils on the back of the refrigerator periodically to keep it cooling properly.
- **Garbage disposal** - If it stops working, look for a red reset button on the unit itself (under the sink). Before you turn it back on, check with your fingers to see that nothing is blocking the blades (spoons, rings, really chewy meatloaf) and then press the reset button. Next, run cold water in the sink, and with your fingers now in a safe location well away from disposal blades, turn the disposal back on.

Avoid break-ins

They do happen. Police statistics show that break-ins soon after the moving van pulls away are not uncommon. When you move in, be sure to:

- Change the locks
- Install and use deadbolt locks on all outside doors
- Use window coverings on all windows (so they can't see your valuables or see whether you're home).
- If your home has a security system, know how to use it and turn it on when you leave the house and at night.

Watch for holes, uneven sidewalks, and other perils

Be sure that passing by your house is not a danger to a neighbor's health. If you've opened up a hole in the sidewalk for repairs and someone falls in, or if the old maple out front drops a huge limb on a passing vehicle during a high wind, you may be liable. As a homeowner, it's your responsibility to keep your property safe for passers by.

The most important item

The lawn chair. Now that the movers are gone, the boxes are unpacked (mostly), and if it's a sunny day, it's time to use your most important homeowner's tool. Put on sunglasses, pour yourself a tall glass of something cool, place the chair in direct view of your house, sit down, and enjoy. Cheers!

Know before you close.

It's Official.

The CFPB's TILA-RESPA Integrated Disclosure rule implementation is official!
Use this checklist to prepare for your transactions written on or after October 3, 2015.

When opening escrow, be sure to provide your escrow officer with the following:

- ☐ Fully executed copy of the Purchase Contract with complete property address including zip code, include property profile if available.
- ☐ All amendments, counter offers, addendums.
- ☐ Completed TERM SHEET.
- ☐ Earnest money.
- ☐ Statement of Information for buyer(s).
- ☐ Statement of Information for sellers(s).
- ☐ Existing loan information.
- ☐ Direct who is to receive electronic copies of all documents such as preliminary report, CC&R's etc.
- ☐ Let your escrow officer know immediately if the seller is a non-resident as additional disclosures may be required.
- ☐ If seller or buyer is a corporation, submit the Articles of Incorporation, bylaws, and a corporate resolution authorizing the sale or purchase of the subject property.
- ☐ If the seller or buyer is a partnership, submit a copy of the partnership agreement and a copy of the recorded statement/certificate of partnership.
- ☐ If the seller or buyer is a trust entity, submit a copy of the trust agreement and a signed verification of trustee.
- ☐ If you plan to go out of the country and in need of a Power of Attorney, please notify your escrow officer immediately.

Within first 10 days of escrow:

- ☐ Order all inspections.
- ☐ If corrective work is required, provide information to your escrow officer as to who is paying the fee.
- ☐ Follow-up with the buyer(s) to make sure that they have submitted all documents that their lender requires.
- ☐ Review the Preliminary Title Report carefully.
- ☐ Educate the buyer(s) on the importance of "Homeowner's Title Policy."
- ☐ Inform your escrow officer of any changes in contract.
- ☐ Let your escrow officer know how your buyer(s) are taking title on the property.
- ☐ Constant Communicate between all parties is KEY TO A SMOOTH CLOSING!

3 days prior to loan documents:

According to the consumer Financial Protection Bureau's final rule, the creditor must deliver the Closing Disclosure to the consumer at least **three business days** prior to the date of consummation of the transaction of Nov. 24, 2015.

10 days before Closing:

- ☐ Ensure all amendments and exhibits are provided to lender.
- ☐ Provide any additional amendments to contract.
- ☐ Ensure all seller-paid closing costs are in place and have NO changes.
- ☐ Ensure Home Warranty is in place.
- ☐ Verify with escrow officer on all funds needed for closing.
- ☐ Carefully review pre-audit settlement statement.
- ☐ Conduct client walk-through.

What to expect at Signing Appointment (Consummation Date)?

- ☐ Expect to sign loan documents at the escrow company one or two business days before closing date.
- ☐ If funds are required to close, be prepared to bring a cashier's check 24 hours before recording, or wire transfer the same day as closing.
- ☐ Have a valid photo ID available at signing, acceptable ID includes: Driver's License, State ID, Passport, or Green Card.

Moving Checklist

Before you Move

Address Change

- ☐ Post Office - Give forwarding address
- ☐ Charge Accounts - Credit Cards
- ☐ Subscriptions - Notice requires several weeks
- ☐ Friends and Relatives

Bank

- ☐ Transfer funds - arrange check cashing in new city
- ☐ Arrange credit references

Insurance

- ☐ Notify company of new location for coverages
- ☐ Life
- ☐ Health
- ☐ Fire
- ☐ Auto

Utility Companies

- ☐ Gas, light, water, telephone, fuel, garbage
- ☐ Get refunds on any deposits made

Delivery Service

- ☐ Laundry
- ☐ Newspaper

Medical, Dental, Prescriptions

- ☐ Ask doctor and dentist for referrals
- ☐ Transfer needed prescriptions
- ☐ Eyeglasses ☐ X-rays
- ☐ Obtain birth records
- ☐ Obtain medical records

Pets

- ☐ Ask about regulations for licenses
- ☐ Tags
- ☐ Vaccinations

And don't forget to:

- ☐ Empty freezer; plan use of foods
- ☐ Defrost freezer and clean refrigerator. Place charcoal inside to dispel odors.
- ☐ Have appliances serviced for moving
- ☐ Make arrangements for TV and Antenna
- ☐ Clean rugs or clothing before moving; have them moving-wrapped
- ☐ Check with your moving counselor; insurance coverage, packing and unpacking labor, arrival day, various shipping papers, method and time of expected payment.
- ☐ Plan for special care needs of infants or pets

Moving Day

- ☐ Carry enough cash or traveler's checks to cover cost of moving services and expenses until you make banking connections in your new city
- ☐ Carry jewelry and documents yourself
- ☐ Plan for transporting pets; they are poor traveling companions if unhappy
- ☐ Carry traveler's checks for quick, available funds
- ☐ Let a close friend or relative know the route and schedule you will travel including overnight stops; use him or her as message headquarters
- ☐ Double check closets, drawers, and shelves to be sure they are empty
- ☐ Leave all old keys needed by new tenant or owner with your real estate agent or neighbor

And at your New Address

- ☐ Obtain certified check or cashier's check necessary for closing real estate transaction
- ☐ Check on service of telephone, gas, electricity, water, and garbage
- ☐ Check pilot light on stove, hot water heater and furnace
- ☐ Have appliances checked
- ☐ Ask mail carrier for mail he or she may be holding for your arrival
- ☐ Have new address recorded on driver's license
- ☐ Visit city offices and register for voting
- ☐ Register car within five days after arrival in state, or a penalty may have to be paid when getting new license plates
- ☐ Obtain inspection's sticker and transfer motor club membership
- ☐ Apply for state driver's license
- ☐ Register family in new place of worship
- ☐ Register children in school
- ☐ Arrange for medical services
- ☐ Doctor
- ☐ Dentist
- ☐ Veterinarian

Important Numbers

So Cal Edison	800-655-4555
Verizon	800-Verizon
United States Postal Service	800-275-8777
DMV	800-777-0133
Voter Registration	800-345-8683

Real Estate Dictionary

A

Adjustable Rate Mortgage (ARM) - A mortgage with an interest rate that changes over time in line with movements in the index. ARMs are also referred to as adjustable mortgage loans (AMLs) or variable rate mortgages (VRMs).

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.

Affidavit - A sworn statement in writing.

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 a percentage of the loan amount.

Assessment - The imposition of a tax, charge or levy, usually according to established rates.

Assessor - A public official who evaluates property for the purpose of taxation.

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 release the original borrower (usually the seller) from liability.

B

Balloon Payment - A lump sum principal payment due at the end of some mortgages or other long-term loans.

Binder - Sometimes known as an offer to purchase or an earnest money deposit request. A binder is the acknowledgment of a deposit along with a brief written agreement to enter into a contract for the sale of real estate.

C

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 mortgage.

Chain of Title - A term applied to the past series of transactions and documents affecting the title to a particular parcel of land.

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.

Condominium - A form of real estate ownership in which the owner receives title to a particular unit and has a proportionate interest in certain common areas. The unit itself is generally a separately owned space whose interior surfaces (walls, floors, ceilings) serve as boundaries.

Contingency - A condition that must be satisfied before a contract is binding. For instance, a sales contract may be contingent upon the buyer obtaining financing.

Conversion Clause - A provision in some ARMs that enables the buyer to change an ARM 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.

Conveyance - An instrument by which title is transferred; a deed. Also, the act of transferring title.

Cooperative - A form of multiple ownership in which a corporation or business trust entity holds title to property and grants occupancy rights to shareholders by means of proprietary leases or similar arrangements.

Real Estate Dictionary

C

CRB (Certified Residential Broker) - To be certified, a broker must be a member of the National Association of Realtors®, have five years experience as a licensed broker, and have completed five required Residential Division courses.

D

Deed - A written document by which the ownership of land is transferred from one person to another.

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

E

Earnest Money - The portion of the down payment delivered to the seller or escrow officer by the buyer with a written offer as evidence of good faith.

Easement - An interest in land owned by another that entitles its holder to a specific limited use, such as laying a sewer, putting up electric power lines, or crossing the property.

Encumbrance - A lien, liability or charge upon a parcel of land.

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 of the paperwork and distribution of funds.

F

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.

Federal National Mortgage Association (FNMA) - 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 the VA, as well as conventional home mortgages.

FHA loan - A loan insured by the Insuring Office of the Department of Housing and Urban Development; the Federal Housing Administration.

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

G

Graduated payment mortgage - A residential mortgage with monthly payments that start at a low level and increase at a predetermined time.

Grantee - A person who acquires an interest in land by deed, grant, or other written instrument.

Grantor - A person, who, by a written instrument, transfers to another an interest in land.

GRI (Graduate Realtors Institute) - A professional designation granted to a member by the National Association of Realtors® who has successfully completed three courses covering law, finance, and principles of real estate.

H

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 within the property.

HUD 1 - A form settlement (closing) statement required by the U.S. Department of Housing and Urban Development (HUD) in which federally related mortgages are being made on residential properties. It is a balance sheet showing the source of funds and the distribution of funds in connection with the purchase and/or mortgaging of residential property.

/

Improvements - Those additions to raw lands tending to increase value, such as buildings, streets, sewer, etc.

Indemnify - To make payment for a loss.

Real Estate Dictionary

I

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

Ingress - The right to enter a tract of land. Often used interchangeably with 'access.'

J

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 in the property.

Judgment - A decree of a court. In practice this is the lien or charge upon the lands of a debtor resulting from the Court's award of money to a creditor.

L

Lender's Policy - A form of title insurance policy, which insures the validity, enforceability, and priority of a lender's lien. This form does not provide protection for the owner.

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

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

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

Lot - A part of a subdivision or block having fixed boundaries ascertainable by reference to a plat or survey.

M

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

Mechanic's Lien - A lien allowed by statute to contractors, laborers, and material suppliers on buildings or other structures upon which work has been performed or materials supplied.

Metes and Bounds - A description of land by courses and distances.

Mortgage Life Insurance - A type of term life insurance often bought by mortgagors. The coverage decreases as the mortgage balance declines. If the borrower dies while the policy is in force, the debt is automatically covered by insurance proceeds.

N

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

Note - The instrument evidencing the indebtedness secured by a security instrument such as a mortgage or deed of trust.

O

Origination Fee - A fee or charge for work involved in evaluating, preparing and submitting a proposed mortgage loan. The fee is limited to 1 percent for FHA and VA loans.

Ownership - The right to possess and use property to the exclusion of others.

P

PITI - Principal, interest, taxes, and insurance

Planned Unit Development (PUD) - A zoning designation for property developed at the same or slightly greater overall density than conventional development, sometimes with improvements clustered between open, common areas. Uses may be residential, commercial or industrial.

Point - An amount equal to 1 percent of the principal amount of the investment 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.

Real Estate Dictionary

P

Policy - A written contract of title insurance.

Power of Attorney - An instrument authorizing another to act on one's behalf as his or her agent or attorney.

Power of Sale - A clause in a will, mortgage, deed of trust or trust, agreement authorizing the sale or transfer of land in accordance with the term of the clause.

Prepayment Penalty - A fee charged to a mortgagor who pays a loan before it is due. This is not allowed for FHA or VA loans.

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

Purchase Contract - 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 or sales agreement, earnest / nest money contract, or agreement for sale.

R

Real Property - Land, together with fixtures, improvements and appurtenances.

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

Regulation Z - The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.

Right-of-Way - The right which one has to pass across the lands of another. An easement.

S

Set Back Lines - Those lines which delineate the required distances for the location of structures in relation to the perimeter of the property.

Survey - The process of measuring land to determine its size, location, and physical description and the resulting drawing or map.

T

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

Title - The evidence of right which a person has to the ownership and possession of land. Commonly considered as a history of rights.

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

Tract - A particular parcel of land.

Trust - A property right held by one as a fiduciary for the benefit of another.

Trustee - A person holding property in trust as a fiduciary for the benefit of another.

V

VA loan - A loan that is partially guaranteed by the Veteran's Administration and made by a private lender.

Variable Rate Mortgage - A loan in which the interest rate fluctuates with the cost of funds or some other index.

Vendor - A seller of real property under land contract.

Vest - To pass to a person an immediate right or interest.

Vestee - A non-legal term used by title insurers to indicate the owner of real property in a policy or report.

W

Warranty - A promise by the grantor of real property that he or she is the owner and will be responsible to the buyer if title is other than represented.

Will - A written document providing for the distribution of property owned by a person after his or her death.

Home Selection Guides

Property Address _____

Bedrooms _____ **# Baths** _____ **Comments** _____

Garage _____ **Fence** _____

Family Rm _____ **Yard** _____

Kitchen _____ **Roof** _____

Dining Rm _____ **Schools** _____

Floors _____ **A/C** _____

Neighborhood _____

Property Address _____

Bedrooms _____ **# Baths** _____ **Comments** _____

Garage _____ **Fence** _____

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Garage _____ **Fence** _____

Family Rm _____ **Yard** _____

Kitchen _____ **Roof** _____

Dining Rm _____ **Schools** _____

Floors _____ **A/C** _____

Neighborhood _____

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