



CALIFORNIA REAL ESTATE

Foreign Buyer & Seller Guide



CHICAGO TITLE

Multicultural Business Solutions

We at Chicago Title are proud to be able to provide this helpful guide to understanding the escrow and title process when buying or selling property in California. With over 160 years of history in the title industry, Chicago Title offers you the financial strength, experience and expertise needed to close your transactions with confidence and peace of mind. This booklet has been prepared to give you an overview of the general process involved during the purchase/sale of a home and explain the various roles that we will play in helping to close your transaction. We hope you find this information beneficial in making your transaction and experience a smooth and positive one!



CHICAGO TITLE

Land Ownership In California

California is known as the "Gold Rush State", but California's true gold is the land.

Since the days of the Spanish conquistadores and Sir Francis Drake, battles have been fought and lives lost over this rich resource.

California's real estate is among the most valuable in the nation. Foreign investment is common here, in the major metropolitan areas as well as top agricultural regions. Foreign buyers and sellers must comply with a number of state and federal regulations. In particular, buyers of a real property interest must be concerned with the applicability of F.I.R.P.T.A., the Foreign Investment in Real Property Tax Act.

Title insurance provides a policy holder against the challenges to rightful ownership of real property, challenges that arises from circumstances of past ownerships. Each successive owner brings the possibility of title challenges to the property. Escrow services are provided to coordinate the closing, including the collection and disbursement of funds related to the transaction.



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Steps To PURCHASING A PROPERTY

1. Choose a licensed real estate agent.
2. If financing will be needed, select your lender (know about different types of mortgage loans and get pre-qualified).
3. Choose your home (determine the type, the price, and the location).
4. Make an offer (once you have found the property make a written offer through your real estate agent).
5. The escrow process begins (when you have reached an agreement with the seller, the initial good-faith deposit is given to an escrow representative, and the escrow process begins).
6. If financing will be part of the transaction, a mortgage loan application is submitted.
7. The title insurance company issues a preliminary title report to be reviewed and accepted.
8. Property inspections are conducted as required by the agreement and agreed and available property disclosures are provided by the seller.
9. The property value is determined by the lender.
10. The loan is approved.
11. The escrow agent ensures that that the conditions of the purchase agreement are met.
12. The buyer conducts a final inspection of the property before closing the transaction).
13. The buyer signs the loan documents and the escrow instructions, and deposits the initial payment with the title company.
14. The escrow agent returns the documents to the lender.
15. The lender's funds are electronically transferred to the title company.
16. The deed is registered at the county office which transfers the property title to the buyer.
17. The transaction closes and the property keys are delivered to the new owner.



Title Insurance

What is Title Insurance? FAQs

What is Title Insurance?

The purchase of a home is often the single largest investment people will make in a lifetime; therefore, the importance of protecting such an investment cannot be over stressed. Title insurance is protection which assures the rights and interests to the property are as described in the title record, the transfer of ownership is properly completed and the new owner receives protection from claims against the property. It is the most effective, most accepted and least expensive way to protect property ownership rights.

Why Do You Need a Title Insurance Policy?

If title insurance companies work to eliminate risks and prevent losses caused by defects in the title before the closing, why do you need a title insurance policy? The title to the property could be seriously threatened or lost completely by hazards which are considered hidden risks. Matters such as forgery, incompetency or incapacity of the parties, fraudulent impersonation, and unknown errors in the records are examples of “hidden risks” which are not discoverable by a search of the public records but could provide a basis for a claim after the property has been purchased.

Why Does the Lender Need a Policy on My Property?

For the lender, a title policy insures they have a valid lien in the form of a deed of trust secured by the property and no one else other than those listed on the policy has a prior claim such as another loan secured by the property. The title policy remains in effect as long as the lender’s lien remains on the property.

The existence of a lender’s title policy encourages banks, savings and loan associations, commercial banks, life insurance companies, etc., to approve a loan where their lien will be secured against the property being used as the collateral for the loan. The title company insures that the title to the property is marketable in the event of foreclosure which is backed by the integrity and solvency of the title insurance company.

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Frequently Asked Questions

What is a Title Search?

Before issuing a policy of title insurance, the title company conducts a search of the public records concerning the property being sold or financed. The purpose of this title search is to identify all recorded items which affect the property so the buyer can investigate and determine if the property meets their expectations and planned use

This helps the buyer and lender determine if there are any rights or claims that may have an impact upon the title such as unpaid taxes, unsatisfied mortgages, judgments, tax liens against the current or past owners, easements, restrictions and court actions. These recorded defects, liens, and encumbrances are reported in a “preliminary title report” which is delivered to all applicable parties for review. Once reported, these matters can be accepted, resolved or extinguished prior to the closing of the transaction. In addition, the buyer is protected against any recorded defects, liens or encumbrances upon the title that are unreported and which are within the coverage of the particular policy.

What Types of Policies Are There?

Two types of policies are routinely issued: an “owner’s title policy” which covers the home buyer for the full amount paid for the property; and a “lender’s title policy”. When these policies are purchased at the same time, a substantial discount is given in the combined cost of the two policies. Unlike other forms of insurance, the title insurance policy requires only one moderate premium for a policy to protect you and your heirs for as long as you own the property. There are no renewal premiums or an expiration date.

How is Title Insurance Different than Other Types of Insurance?

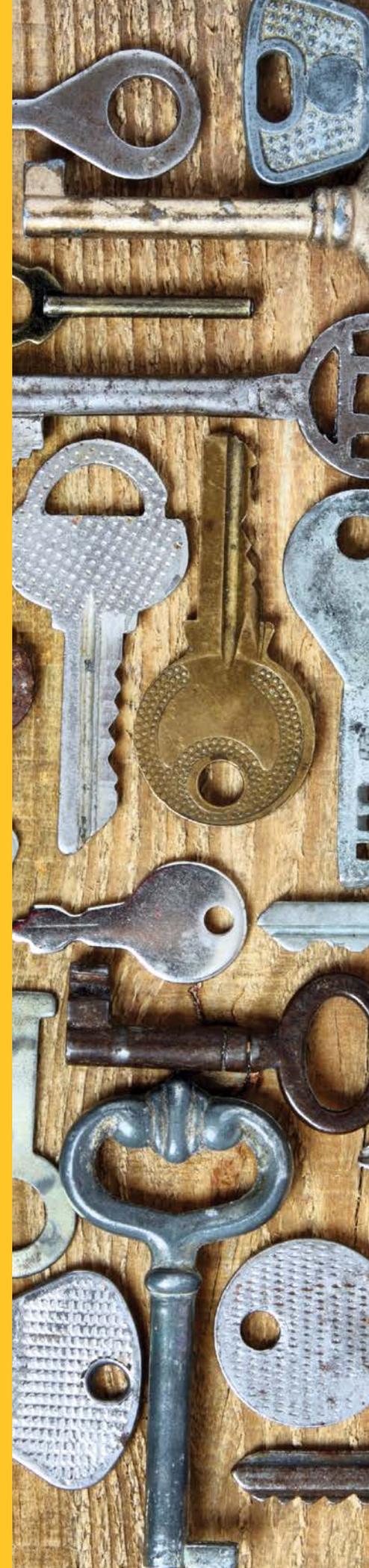
Risk insurance such as auto, home, health, and life, are issued based on the possibility of a future loss due to the occurrence of some future event. For instance, a party obtains automobile insurance in order to pay for future loss occasioned by a future “fender bender” or theft of the car. Title insurance is a unique form of insurance which provides coverage for future claims or losses due to title defects which are created by some past event.

Another significance difference between risk insurance and title insurance is risk insurance charges ongoing fees (premiums) for continued coverage. With title insurance, the original premium is the only cost as long as the owner or heirs own the property.

How Does a Title Insurance Policy Protect the Insured?

An owner’s title insurance is a policy of insurance that protects an insured owner against loss incurred due to a defect in title not disclosed in the policy.

The title insurance company will pay the costs, attorneys’ fees and expenses incurred in defense of the title as insured, but only as to the extent provided in the Conditions and Stipulations.



Title Insurance Statement of Information

What's in a name? When a title company seeks to uncover matters affecting title to real property, the answer is, "Quite a bit."

A Statement of Information (or SI) provides 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 judgments, liens or other matters on the public records under similar names.

A properly completed Statement of Information will allow the title company to differentiate between individuals with the same or similar names when searching documents recorded by name. This protects all parties involved and allows the title company to competently carry out its duties without unnecessary delay.

(example)

STATEMENT OF INFORMATION CONFIDENTIAL INFORMATION FOR YOUR PROTECTION				
Escrow No.:				
<small>Completion of this statement expedites your application for title insurance, as it assists in establishing identity, eliminating matters affecting persons with similar names and avoiding the use of fraudulent or forged documents. Complete all blanks (please print) or indicate "none" or "N/A." If more space is needed for any item(s), use the reverse side of the form. Each party (and spouse/domestic partner, if applicable) to the transaction should personally sign this form.</small>				
NAME AND PERSONAL INFORMATION				
First Name	Middle Name	Last Name	Maiden Name	Date of Birth
		(If none, indicate)		
Home Phone	Business Phone	Birthplace		
Cell Phone	Fax	Email		
Social Security No.	Driver's License No.			
List any other name you have used or been known by _____				
State of residence _____ I have lived continuously in the U.S.A. since _____				
Are you currently married? _____ If yes, complete the following information:				
Date and place of marriage _____				
Spouse:	First Name	Middle Name	Last Name	Maiden Name
		(If none, indicate)		Date of Birth
Home Phone	Business Phone	Birthplace		
Cell Phone	Fax	Email		
Social Security No.	Driver's License No.			
List any other name you have used or been known by _____				
State of residence _____ I have lived continuously in the U.S.A. since _____				
Are you currently a registered domestic partner? _____ If yes, complete the following information:				
Domestic Partner:	First Name	Middle Name	Last Name	Maiden Name
		(If none, indicate)		Date of Birth

Title Insurance

Ways of Holding Title

SOLE OWNERSHIP

Sole ownership may be described as ownership by an individual or other entity capable of acquiring title. Examples of common vesting cases of sole ownership are:

1. A Single Man or Woman:

A man or woman who is not legally married or in a registered domestic partnership. For example: Bruce Buyer, a single man.

2. A Married Man or Woman as His or Her Sole and Separate Property:

A married man or woman who wishes to acquire title in his or her name alone. The title company insuring title will require the spouse of the married man or woman acquiring title to specifically disclaim or relinquish his or her right, title and interest to the property. This establishes that both spouses want title to the property to be granted to one spouse as that spouse's sole and separate property. For example: Bruce Buyer, a married man, as his sole and separate property.

3. A Registered Domestic Partner as His or Her Sole and Separate Property:

A registered domestic partner who wishes to acquire title in his or her name alone. The title company insuring title will require the domestic partner of the person acquiring title to specifically disclaim or relinquish his or her right, title and interest to the property. This establishes that both registered domestic partners want title to the property to be granted to one partner as that person's sole and separate property. For example: Bruce Buyer, a registered domestic partner, as his sole and separate property.

CO-OWNERSHIP

Title to property owned by two or more persons may be vested in the following forms:

1. Community Property:

A form of vesting title to property owned together by husband and wife or by registered domestic partners. Community property is distinguished from separate property, which is property acquired before marriage or before a registered domestic partnership, by separate gift or bequest, after legal separation, or which is agreed in writing to be owned by one spouse or registered domestic partner. In California, real property conveyed to a married person, or to a registered domestic partner, is presumed to be community property, unless otherwise stated. Since all such property is owned equally, both parties must sign all agreements and documents transferring the property or using it as security for a loan. Each owner has the right to



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Ways of Holding Title

dispose of his/her one half of the community property, by will. For example: Bruce Buyer and Barbara Buyer, husband and wife, as community property.

2. Community Property with Right of Survivorship:

All of the characteristics of “Community Property outlined above but adds the benefit of the right of survivorship similar to title held in joint tenancy. There may be tax benefits for holding title in this manner. On the death of an owner, the decedent’s interest ends and the survivor owns the property. For example: Bruce Buyer and Barbara Buyer, husband and wife, as community property with right of survivorship.

3. Joint Tenancy:

A form of vesting title to property owned by two or more persons, who may or may not be married or registered domestic partners, in equal interests, subject to the right of survivorship in the surviving joint tenant(s). Title must have been acquired at the same time, by the same conveyance, and the document must expressly declare the intention to create a joint tenancy estate. When a joint tenant dies, title to the property is automatically conveyed by operation of law to the surviving joint tenant(s). Therefore, joint tenancy property is not subject to disposition by will. For example: Bruce Buyer, George Buyer, as joint tenants.

4. Tenancy in Common:

A form of vesting title to property owned by any two or more individuals in undivided fractional interests. These fractional interests may be unequal in quantity or duration and may arise at different times. Each tenant in common owns a share of the property, is entitled to a comparable portion of the income from the property and must bear an equivalent share of expenses. Each cotenant may sell, lease or will to his/her heir that share of the property belonging to him/her. For example: Bruce Buyer, a single man, as to an undivided 3/4 interest and Penny Purchaser, a single woman, as to an undivided 1/4 interest, as tenants in common.

5. Registered Domestic Partners:

The Domestic Partnership Rights and Responsibilities Act was enacted in California in 2003 however the most significant portions of the act took effect on January 1, 2005. These newly enacted sections give registered same-sex partners as well as opposite-sex partners (as long as at least one member of the couple is 62 years of age or older) many of the same rights and responsibilities that were previously granted only to “married” couples.

The act provides that domestic partners have the same rights and responsibilities as married persons holding title as community property. All possessions and property acquired while together becomes community property (unless interests are acquired as Sole and Separate Property) and subject to all the rights, including survivorship rights, and imposes all of the obligations of spouses under California community property law.

...CONTINUED Ways of Holding Title

Other ways of vesting title include as:

1. A Corporation*:

A corporation is a legal entity, created under state law, consisting of one or more shareholders but regarded under law as having an existence and personality separate from such shareholders.

2. A Partnership*:

A partnership is an association of two or more persons who can carry on business for profit as co-owners, as governed by the Uniform Partnership Act. A partnership may hold title to real property in the name of the partnership.

3. Trustees of a Trust*

A Trust is an arrangement whereby legal title to property is transferred by the grantor to a person called a trustee, to be held and managed by that person for the benefit of the people specified in the trust agreement, called the beneficiaries.

4. Limited Liability Companies (LLC)*:

This form of ownership is a legal entity and is similar to both the corporation and the partnership. The operating agreement will determine how the LLC functions and is taxed. Like the corporation its existence is separate from its owners.

**In cases of corporate, partnership, LLC or trust ownership required documents may include corporate articles and bylaws, partnership agreements, LLC operating agreements and trust agreements and/or certificates.*



Escrow

How Does the Escrow Process Work?

An escrow is a depository for all monies, instructions and documents necessary for the purchase of your home, including funds for down payment and the lender's funds and documents for the new loan. It all begins with the offer & acceptance skillfully negotiated by the real estate agents representing buyer and seller.

The Buyer(s)

- Tenders a written offer to purchase (or accepts the seller's counter-offer) accompanied by a good faith deposit amount.
- Applies for a new loan, completing all required forms and may pay for a credit report. Approves and signs the escrow instructions and other related instruments required to complete the transaction.
- Approves the preliminary report and any property disclosure or inspection report called for by the purchase and sale agreement.
- Approves and signs new loan documents and fulfills any remaining condition contained in the contract, lender's instructions and/or the escrow instructions.
- Deposits funds necessary to close the escrow. Approves any changes by signing amendments in the escrow instructions.

The Seller(s)

- Accepts Buyer's Offer to Purchase and initial good faith deposit to open escrow.
- Submits documents and information to escrow holder, such as: addresses of Lien holders, tax receipts, equipment warranties, home warranty contracts, any leases and/or rental agreements.
- Approves and signs the escrow instructions, grant deed and other related document required to complete the transaction.
- Orders inspections, receives clearance, and approves final reports and/or repairs to the property as required by the terms of the purchase and sale agreement.
- Fulfills any remaining conditions specified in the contract and/or escrow instructions; approves the payoff demands and/or beneficiary's statements.
- Approves any final changes by signing amendments to the escrow instructions or contract.

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How Does the Escrow Process Work?

The Lender (When applicable)

- Accepts the new loan application and other related documents from the Buyer(s) and begins the qualification process.
- Orders and reviews the property appraisal, credit report, verification of employment, verification of deposit(s), preliminary report and other related information.
- Submits the entire package to the loan committee and/or underwriters for approval. When approved, loan conditions and title insurance requirements are established.
- Informs Buyer(s) of loan approval terms, commitment expiration date and provides a good faith estimate of the closing costs.
- Deposits the new loan documents and instructions with the escrow holder for Buyer's approval and signature.
- Reviews and approves the executed loan package and coordinates the loan funding with the escrow officer.

The escrow holder acts in a limited fiduciary capacity for both principals within the authority of the escrow instructions. Escrow cannot be completed until the terms and conditions of the instructions have been satisfied and all parties have signed escrow documents. The escrow holder takes instructions based on the terms of the purchase agreement and the lender's requirements.

Opening Escrow

The selection of the escrow holder is normally done by agreement between the principals to a transaction. Typically, the escrow is then opened by the real estate agent.

Escrow may be opened via telephone, email, website or in person, depending upon the preference of the real estate agent. An escrow file number is assigned and the appropriate information is entered into the computer. Upon issuance of the escrow file number, the escrow officer will order a Preliminary Title Report from the title department. Generally, the buyer deposits their earnest money with the escrow holder. Prior to the close of escrow the buyer deposits the balance of the funds required and agreed upon by the principals with the escrow holder.



Escrow

Opening Escrow and Disclosures

Opening Escrow

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The escrow officer will need some basic information in order to open and proceed with the escrow:

- Correct street address, and parcel number of subject property if available
- Sales price
- Full names of all parties involved in the transaction and their marital status
- Contact information for all parties
- Existing lender name, loan number, contact information and approximate unpaid balance
- Homeowner's association (HOA) information, such as mailing address, contact information and how much the dues are and when they are paid
- HOA management company information (if any)

In general, the first item to be deposited with the escrow agent is the buyer's initial deposit. The escrow file will grow, item by item, until all of the conditions have been met and the escrow is ready to close.

DISCLOSURES – It's the Law

California Law requires sellers to disclose certain types of naturally occurring hazards to potential buyers. Assembly Bills 6x, 1195 and 248 created a mandatory form of these disclosures. This form is the Natural Hazard Disclosure Statement.

Where to obtain a Disclosure Report

Chicago Title's own Disclosure Source is a premier provider for Natural Hazards, Special Taxes & Assessments and Environmental Hazard information to safely comply with statutory requirements.

For more information, please call (800) 880-9123 or visit www.DisclosureSource.com.

Escrow Taxes & FIRPTA

There are many types of tax issues which should be considered during a real estate transaction. Chicago Title provides the following information as a resource only and always recommends a seller and buyer consult with their legal and tax professionals for advice.

Topics we will briefly overview which may be a part of, or a result of, your sale or purchase include:

- Capital gains
- Change of Ownership forms
- Transfer tax
- F.I.R.P.T.A.
- CAL Withholding
- Property taxes
- Supplemental taxes
- Mello Roos

The I.R.S. provides many resources which help explain the tax aspects of real estate transactions. A few of these include:

Publication #514: Withholding of Tax on Nonresident Aliens and Foreign Entities

Publication #523: Selling Your Home

Publication# 530: Tax Information for First Time Homeowners

Publication #544: Sales and Other Dispositions of Assets

Publication #551: Basis of Assets

Federal Requirements

The Internal Revenue Service (IRS) requires escrow agents to report certain information pertaining to sales of real property. Under the Tax Reform Act of 1986, reportable transactions include sales and exchanges of properties including, but not limited to, houses, townhouses and condominiums. Also reportable is stock in cooperative housing corporations and mobile homes without wheels.

The seller is required to provide their correct taxpayer identification number (social security number), as well as the closing date of the transaction and gross proceeds of the transaction to the escrow agent.



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Taxes & FIRPTA

The Foreign Investment in Real Property Tax Act (FIRPTA)

The Foreign Investment in Real Property Tax Act (FIRPTA) of 1980 authorizes the United States to tax foreign persons who are non-resident aliens selling U.S. real property interests. A U.S. real property interest includes sales of interests in parcels of real property.

Persons purchasing U.S. real property interests (transferee) from non-resident aliens (transferor), certain purchasers' agents, and settlement officers are required to withhold 10% of the amount realized (the purchase/sales price of the real estate going to transferor) and remit that amount to the Internal Revenue Service within 20 days of the transaction.

Withholding is intended to ensure U.S. taxation of gains realized on disposition of real property interests. The transferee/buyer is the withholding agent. If you are the transferee/buyer, you must find out if the transferor/seller is a foreign person/nonresident alien. If the transferor is a foreign person/ non-resident alien and you fail to withhold, you may be held liable for the tax.

Coverage of FIRPTA - Definition of "Non-resident Alien" (Foreign Person)

A non-resident alien is defined for federal income tax purposes as an individual who is neither a U.S. citizen nor a resident of the U.S. within the meaning of the Internal Revenue Code. An alien individual is a resident of the U.S. for federal income taxes if he or she:

1. Has been issued a green card (been admitted as a Lawful Permanent Resident in the U.S.) at any time during or prior to the calendar year; or
2. Has maintained a "substantial presence" in the U.S., which means the alien (a) is physically present in the U.S. for 183 days or more during the calendar year or (b) if the alien is physically present in the U.S. for at least 31 days during the current year, the alien may be treated as a resident in the current year by the following calculation:
 - a) Each day of presence in the current year is counted as a full day;
 - b) Each day of presence in the 1st preceding year is counted as 1/3 of a day;
 - c) Each day of presence in the 2nd preceding year is counted as 1/6 of a day.

...CONTINUED Taxes & FIRPTA

If the total of (a) + (b) + (c) is 183 days or more, the alien may be a U.S. tax resident unless the alien files certain required information with the IRS to claim the benefit of any relevant exception. If the foreign person is neither a U.S. citizen nor falls within description (1) or (2), he or she is a non-resident alien and is subject to FIRPTA withholding unless an exception applies.

Exceptions

- **Home Use/\$300K Exception** - One of the most common exceptions to FIRPTA withholding is that the transferee is not required to withhold tax in a situation in which the transferee purchases real estate for use as his/her home and the purchase price is not more than \$300,000. In this case, the transferee or a member of his family must have definite plans to reside at the property for at least 50% of the number of days the property is used by any person during each of the first two 12-month periods following the date of transfer.
- **Withholding Certificate** - Another exception from FIRPTA withholding occurs when the IRS issues a withholding certificate. The transferee, the transferee's agent, or the transferor may request a withholding certificate and the IRS will generally act on these requests within 90 days after receipt of a complete application (Form 8288-B), including the Taxpayer Identification Numbers (TINs) of all parties to the transaction. Form 8288-B requires a description of the real property interest being sold, the sales price, a calculation of the maximum tax owed, and evidence that the seller has no unsatisfied FIRPTA withholding obligations with respect to the purchase of the real property interest.

A transferor that applies for a withholding certificate must notify the transferee in writing that the certificate has been applied for on the day of or the day prior to the transfer. If the withholding certificate is obtained, the non-resident alien must file a U.S. tax return for the year of sale and pay the appropriate amount of tax due at that time. Please note that if the principal purpose of a transferee's applying for a withholding certificate is to delay remitting the withheld tax to the IRS, the transferee will be subject to interest and penalties.

- The disposition of a U.S. real property interest by a foreign person is subject to income tax withholding
- Requires 10% of sales price be withheld, unless an exception applies
- Buyer's responsibility to report and withhold, not the escrow officer
- Seller can request a waiver or reduced withholding on Form 8288 B
- Payment and Forms 8288 and 8288 A are due within 20 days of closing
- IRS penalties are steep if forms and/or payment are received late.



...CONTINUED Taxes & FIRPTA

California Withholding Requirements

Some states, such as California, require that certain sellers “prepay” the state taxes incurred on the gain of the sale by withholding of a percentage of the sale proceeds at closing. State law requires the buyer to withhold unless an exception applies. The buyer may be subject to penalties for failure to withhold.

The withholding requirements are complex, which is why it is important for the seller to consult with their CPA for tax advice. For more information please contact the State of California Franchise Tax Board.

Escrow Change of Ownership Filings

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

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

Penalties or fines may be assessed from the governing body for failure to file the document as required by state or local laws. The escrow agent will generally assist the customer in completing the document and ensuring it reaches the recorder's office along with the other documents pertinent to the change of ownership.

Transfer Taxes

Transfer tax, often called real property transfer tax, is a tax collected by the County Recorder when an interest in real property is conveyed. It is paid at the time of recording, and is computed using the actual sales price. For example, the charge may be \$0.50 per \$500 of consideration. Custom and practice may dictate who pays for the transfer tax at closing. Be sure to review the purchase and sale agreement to determine who pays the tax.

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



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Change of Ownership Filings

Property Taxes

Homeowners pay property taxes. A change in ownership or the completion of new construction could result in a change in the assessed value of the property and may result in the issuance of a supplemental property tax bill. Taxes are due on certain dates and become delinquent when not paid. Penalties are assessed for delinquent taxes. The yearly “tax calendar” varies by state. Below are the dates that the real property tax are due in California.

In addition to standard property taxes, many jurisdictions also contain special assessment districts, which may have been formed as a means of financing infrastructure. Bonds may have been sold to finance the infrastructure and the ultimate property owner continues to make payments on the principal and interest on the bond. The bond issues vary in size and term.



Real Important Property Tax Dates

JANUARY 1 Assessment Date (Lien Date)

Taxes become a lien at 12:01 a.m. Not yet due and payable for the Fiscal Year starting July 1. Thereafter title evidence must show taxes as a lien for the coming Fiscal Tax Year.

APRIL 15 Last day to file for 100% Veterans or homeowner exemption.

To be eligible for applicable exemptions you must own and occupy the property on March 1.

JULY 1 Current fiscal tax year begins.

NOVEMBER 1 1st installment due.

(First installment - July 1 to December 31)

DECEMBER 10 Last day to file for 80% Veterans or homeowner's exemption.

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

JANUARY 1 Assessment Date (Lien Date)

FEBRUARY 1 2nd installment due.

(2nd installment - January 1 to June 30)

APRIL 10 2nd installment becomes delinquent at 5 p.m.

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

JUNE 30 Property Tax may become defaulted.

If you fail to pay either or both installments by 5 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 p.m. of the preceding business day.

Escrow EB-5 Visa

The **EB-5 Visa** for Immigrant Investors is a United States visa created by the Immigration Act of 1990. This visa provides a method of obtaining a green card for foreign nationals who invest money in the United States. To obtain the visa, individuals must invest \$1,000,000 (or at least \$500,000 in a “Targeted Employment Area” - high unemployment or rural area), creating or preserving at least 10 jobs for U.S. workers excluding the investor and their immediate family.

Initially, under the first **EB-5 Visa** program, the foreign investor was required to create an entirely new commercial enterprise; however, under the Pilot Program investments can be made directly in a job-generating commercial enterprise (new, or existing - “Troubled Business”), or into a “Regional Center” - a 3rd party-managed investment vehicle (private or public), which assumes the responsibility of creating the requisite jobs. Regional Centers may charge an administration fee for managing the investor’s investment.

If the foreign national investor’s petition is approved, the investor and their dependents will be granted conditional permanent residence valid for two years. Within the 90 day period before the conditional permanent residence expires, the investor must submit evidence documenting that the full required investment has been made and that 10 jobs have been maintained, or 10 jobs have been created or will be created within a reasonable time period.

In 1992, Congress created a temporary pilot program designed to stimulate economic activity and job growth, while allowing eligible aliens the opportunity to become lawful permanent residents. Under this pilot program, foreign nationals may invest in a pre-approved regional center, or “economic unit, public or private, which is involved with the promotion of economic growth, including increased export sales, improved regional productivity, job creation, or increased domestic capital investment”. Investments within a regional center provide foreign nationals the added benefit of allowing them to count jobs created both directly and indirectly for purposes of meeting 10 job creation requirement.

For more information on the process and status of the EB-5 Visa please contact the U.S Department of Commerce or the U.S Citizenship and Immigration Services Department.



Glossary OF TERMS

The following is a short glossary of commonly used terms during your escrow transaction. For a more complete glossary, please visit www.Chicago.Title.com

Adjustable Rate Mortgage (ARM): A mortgage in which the interest rate is adjusted periodically in accordance with a market indicator, to more closely coincide with the current rates. Also sometimes known as renegotiable rate mortgage, the variable rate mortgage, or the graduated rate mortgage.

Amortization: Reduction of the principal of a debt in regular, periodic installments.

Annual Percentage Rate (APR): An interest rate reflecting the cost of a mortgage as a yearly rate. This rate is likely to be higher than the stated note rate or advertised rate on the mortgage, because it takes into account point and other credit cost. The APR allows home buyers to compare different types of mortgages based on the annual cost for each loan.

Assumption of Mortgage: An obligation undertaken by a new purchaser of land to be liable for payment of an existing note secured by a mortgage.

Caps: Consumer safeguards that limit the amount the interest rate on an adjustable rate mortgage can change at each adjustment or over the life of the loan.

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

Certificate of Reasonable Value (CRV): An appraisal issued by the Veterans Administration showing the property's current market value.

Closing (also called "settlement"): The completion of a real estate transfer, where the title passes from seller to buyer, or a mortgage lien is given to secure debt.

Condominium: A statutory form of real estate development of separately- owned units and jointly-owned common elements in a multi-unit project.

Conventional Mortgage: A mortgage securing a loan made by investors without governmental underwriting, i.e., a loan which is not FHA insured or VA guaranteed.

Deed: Written instrument which, when properly executed and delivered, conveys title.



Discount Point: An additional charge made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent.

Earnest Money: A deposit of funds made by a buyer of real estate as evidence of good faith.

Easement: A non-possessory right to use all or part of the land owned by another for a specific purpose.

Equity: The difference between the fair market value and current indebtedness, also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

Federal Housing Administration Loan (FHA Loan): A loan insured by the Federal Housing Administration, open to all qualified home purchasers.

Farmers Home Administration Loan (FMHA Loan): A loan insured by the federal government similar to FHA loan, but usually used for residential properties in rural areas.

Federal National Mortgage Association (FNMA): Also known as "Fannie Mae." A U.S. government sponsored corporation dealing in the purchase of first mortgages for the secondary market.

Fee Simple Deed: The absolute ownership of a parcel of land. The highest degree of ownership that a person can have in real estate, which gives the owner unqualified ownership and full power disposition.

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.

Lien: A claim upon a piece of property for the payment or satisfaction of a debt or obligation.

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

Mortgage: A conditioned pledge of property to a creditor as security for the payment of a debt.

Negative Amortization: Occurs when your monthly payments are not large enough to pay all the interest due on the loan. This unpaid interest is added to the unpaid balance of the loan. The danger of negative amortization is that the home buyer ends up owing more than the original amount of the loan.

Subdivision: A tract of land surveyed and divided into lots for purposes of sale.

Personal Property: Any property which is not real property, e.g., money, savings accounts, appliances, cars, boats, etc.

Points (also called "commission or discount" points): Each point is equal to 1% of the loan amount (e.g., two points on a \$100,000 mortgage would cost \$2000).

Principal, Interest, Taxes and Insurance (PITI): Also called monthly housing expense.

Private Mortgage Insurance (PMI): In the event that a buyer does not have a 20% down payment, lenders will allow a smaller down payment—as low as 3% in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance will usually require an initial premium payment and may require an additional monthly fee, depending on the loan's structure.

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

What is an REO? REO stands for Real Estate Owned. The term refers to real estate properties that a lender has repossessed when a borrower was delinquent and the lender initiated and completed foreclosure proceedings.

What is a Short Sale? A short sale is when a lender accepts a discount on a mortgage to pay-off to avoid a possible foreclosure auction or bankruptcy. While the property is still being purchased, the Lender's approval of the contract and terms becomes necessary as they must approve the discounted pay-off.

Tenancy in Common: An undivided ownership in real estate by two or more persons, without right of survivorship – interests need not be equal.

Trust Account: An account separate and apart and physically segregated from the broker's own, in which the broker is required by law to deposit all funds collected for clients.

Trustee: The neutral third party in the deed of trust with limited powers. When the loan is paid in full, the property is reconveyed by the trustee back to the person or persons legally entitled to the land, or if delinquent, the property will be conveyed pursuant to non judicial foreclosure proceedings, to the highest bidder in a public sale.

Trustor: The borrower, owner and guarantor of the property conveyed in a deed of trust.

Veterans Administration Loan (VA Loan): Housing loan to veterans by banks, savings and loans, or other lenders that are guaranteed by the Veterans Administration, enabling veterans to buy a residence with little or no down payment.

Warranty: In a broad sense, an agreement or undertaking by a seller to be responsible for present or future losses of the purchaser occasioned by deficiency or defect in the quality, condition or quantity of the thing sold. In a stricter sense, the provision or provisions in a deed, lease or other instrument conveying or transferring an estate or interest in real estate under which the seller becomes liable to the purchaser for defect in or encumbrances on the title.





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