

ESCROW TERMS EXPLAINED



OPENING PRE-ESCROW/ESCROW

Net Sheet: Rough preliminary estimate provided to Seller detailing closing cost

Earnest Money Deposit: Amount required of Buyer to deposit in escrow in the form parties agree to in the contract. Item 3 on the CAR RPA.

Tax Roll: Detail provided by title insurer that lists disposition of the issued current and supplemental tax bills. Assessed owner is also detailed. Short-term investors or estates who do not appear as an "Assessed Owner" on the tax roll during escrow can expect to owe supplemental tax bills post-closing.

Third Party Deposit: Funds received by Escrow Holder from a party other than the contracted principal. We need authorization from depositor to credit funds to the intended party.

Escrow Holder Acknowledgment: Completed by Escrow Holder upon receipt of the initial deposit.

Vesting: Instructions received by Buyers on the manner in which they intend to hold title.

FinCen GTO: Applies when Buyer is vesting in an Entity such as an LLC or a Corporation. The Financial Crimes Network of United States Treasury enacted a Geographic Targeting Order to assist in combatting money laundering. The title insurers are responsible for collecting Buyer identity documents for certain 1-4 residential transactions where the Buyer is vesting in an entity and not using conventional financing. Ask your Escrow Officer for more information.

LOAN PROCESS

TRID: TILA (Truth in Lending Act) RESPA (Real Estate Settlement Procedures Act Integrated Disclosures). These new regulations issued in 2015 by the newly formed CFPB reset the loan cycle requirements for how Lenders process their loans and what is required from Borrowers before an estimate is issued.

CFPB: Federal Consumer Agency responsible for overseeing most conventional 1- 4 residential loans and other consumer related financial products.

Mortgage Loan Application: Consists of applicants name, income, social security number, property address, purchase price and loan amount being submitted to Lender. This information, at the Acceptance of Offer, triggers the loan estimate.

Loan Estimate: Federally standardized form provided to the Borrower no later than three business days from the date the Buyer submits loan application to Lender. Designed to assist Buyer in comparative shopping.

Credits: Prepare to disclose any credits that result from inspections or other matters as early in the transaction as possible so that they are included in final loan disclosure and Lender approves.

Closing Disclosure: Delivered to Buyer/Borrower 3 business days prior to loan document signing. Details of final fees and loan terms. Seller's copy sent prior to Buyer signing.

Loan Documents: Receipt requested one week prior to contracted recording date to ensure a smooth and timely close. Notarization required and notary selection may be restricted by Lender.

ESCROW & TITLE SEARCH PROCESS

Preliminary Report: Document created by the title insurer that offers information on liens and underlying documents affecting the property in anticipation of issuing a title insurance policy.

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Contact us with any questions:

ESCROW TERMS

EXPLAINED CONT'D

Payoff Demand: Document addressed to Escrow Holder that details amount owed for an underlying deed of trust or lien.

FIRPTA: Foreign Investment in Real Property Tax Act Requires withholding of up to 15% of the sales price for certain foreign Sellers. Affidavit is presented to Seller in escrow.

Franchise Tax Board Real Estate Withholding Statement 593: This form, transmitted to the Franchise Tax Board on all real estate transactions 100k or more, determines whether state tax withholding will be required at close.

Internal revenue Service 1099-S Information Form: Sellers complete this form to assist Escrow Holder in reporting the transaction to the IRS.

PACE/HERO: An energy-efficient loan that must be disclosed to escrow and Buyer. Payment are sometimes paid by Seller along with the property tax bill.

City Reports: Some cities require reports at the point of transfer. These reports disclose a variety of safety and other local compliance issues. Visit www.chicagotitlelibrary.com to download a copy of the required cities.

Supplemental Tax Bill: A bill reflecting stepped-up tax basis most commonly due to a transfer, construction, or death.

CLOSING

Funding Date: The day prior to recording is usually the custom in most counties. In counties that offer same day recordings, funding and recording may occur on the same day.

Estimated Closing Statements: An accounting of the charges presented to each principal for signature prior to close.

Prorations: Items such as taxes, HOA dues and rents that are split between the parties.

Commission: That amount due a licensed real estate sales person or broker in compliance with DRE regulations. Check licensees [here](#).

Referral Fees: An amount due a licensed real estate salesperson or broker from another licensed real estate broker.

Closing Funds: Amount needed from either Buyer or Seller to close. Section 12413.1 of the California Insurance Code, requires that an escrow company and title company have in possession sufficient good funds in order to close the transaction.

Seller Proceeds: The net amount due to Seller at closing and payable only to a Seller of record after confirmation of recording is received.

Buyers Funds: The amount due from Buyer at close in a form acceptable to Escrow Holder to comply with California's Good Funds Law.

Final Closing Statement: A final accounting of the transaction needed for tax purposes by the principals.

1099-S: Tax document issued to Seller at close to assist in reporting the gross sales price of real property to the Internal Revenue Service.

POST CLOSING

Unsecured Tax Bill: Tax bills a Seller may receive from the County Tax Collector where the property is located for stepped up value to real property they no longer own. We expect an increase in the issuance of these bills due to limited legacy transfers due to Prop 19. Failure of a recipient to pay this bill may affect their personal credit score.

Supplemental Tax Bill: Buyers can expect to receive it within one year of close of escrow.

DID YOU KNOW?

Chicago Title is a member of the Fidelity National Financial family of companies, the leading provider of title insurance, mortgage services and diversified services. Through its title insurance underwriters, FNF is the nation's largest title insurance company that collectively, through Chicago Title and the other FNF underwriters, issues more title insurance policies than any other title company in the United States.