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CASTLEHEAD INC. ESCROWS

WHAT A BUYER NEEDS TO KNOW:

Having an experienced, professional Escrow Company represent you with the most important transaction of your life, the escrow on the purchase of your home, is critical to the success of your transaction. How will you know what the steps are and what the timing is? That is where your Realtor and Escrow Company make the difference. Over the years there have been many questions that have become common to you, as the Buyer. We would like to answer a few of those questions and bits of information that will be helpful to you in your purchase/escrow.

Now that you have selected your dream home, it is time to open escrow. What is "Open escrow"? To open escrow means that the escrow company that has been agreed upon in the purchase contract is contacted, and given the information and the details of the purchase including your new lender information. The Escrow Officer will prepare Escrow Instructions and paperwork necessary for the purchase. Your Realtor will make an appointment with you to review your instructions and assist you with the completion of the forms that will typically include the following items: Escrow Instructions, Statement of Information, Buyer's Information Sheet and Preliminary Change of Ownership Report. Each form has its own purpose and is equally important. Getting the forms completed, signed and returned to the Escrow Officer, along with your signed escrow instructions, in a timely manner, is high priority. Once the package is completed, signed and returned to escrow, the Escrow Officer goes to work.

There are two very important forms that the Escrow Officer will need; one is the Statement of Information. You need to complete this form with all the information it requests. It may seem that the information is not necessary, things like your Social Security Number, Driver's License Number, previous marriages, former employers and previous residences. In fact the form will want information for the past 10 years about all the Buyers on the purchase. Without this information, it may be difficult to determine what liens and/or loans could be filed against your name in the public records. While you may not have any liens or judgments against your name it is possible that there was a clerical error and another person's lien or judgment ends up against your name in the public records. The sooner this information is obtained by the title company the sooner they can search the public records and make sure all the Buyers names are clear. Not providing the information requested could cause a delay in closing the escrow.

The other form is the Buyer Information Form. This form is used by the Escrow Officer to verify your new lender information, the manner in which you decide to hold title (also referred to as your vesting) to your property and the fire insurance agent you want to write your homeowner's insurance policy. You may want to consult your attorney or tax accountant regarding the manner in which you hold title to the home you are purchasing. Since the Escrow Officer is not an attorney or accountant, we will not be able to provide you with this advice. The Escrow Officer will need the vesting information in order to order your loan documents. Please forward the information as soon as you have it available. The other area of inquiry for you as the Buyer will be to choose the fire insurance agent. You may want to check first with the provider of your automobile insurance since many times you can get a multiple policy discount. If this is not possible then you may want to check with your family or friends for possible referrals. Please call your selected insurance agent and discuss the type of coverage and policy limits and deductibles you desire. Please keep in mind that most lenders will have some specific needs for the insurance coverage one of which is maximum deductible, in most cases of \$500.00 to \$1,000.00. Once you have made all your choices as to

coverage and limits then you need to provide the name and phone number of your insurance agent to Escrow Officer. The Escrow Officer will call the insurance agent to order your policy once we have formal loan approval. Again the sooner you provide this information to your Escrow Officer, the better. Many times a Buyer waits to make the selection and pays a higher rate for the policy because of time limitations.

Now, to some of the questions you may have while you are preparing to move into your new home...

WHAT WILL MY LENDER NEED FROM ME?

The lender will need to collect several pieces of information. When you are pre-qualified you will complete a loan application, which will contain your personal data and any credit data you have. To get the formal loan approval, the lender will need to get formal credit verifications such as mortgage ratings or landlord ratings, employment verifications, bank verification for all accounts you hold, gift funds verified (if any), and obtain credit reports on all Buyers. The Lender will usually want your 1040's for the last 2 to 3 years and recent pay stubs for all Buyers and most recent bank statements on all you bank accounts. Because time is of the essence, in your transaction, please make every effort to provide the information requested by the lender as soon as possible.

HOW MUCH MONEY WILL I NEED TO HAVE AVAILABLE?

Every transaction differs when it comes to how much. Once you meet with your lender, you will receive a good faith estimate from the lender. The estimate is prepared without contacting the Escrow Officer so the amounts listed may not be the actual fees as charged by your Escrow Officer and Title Company. You will hear the word estimate many times and will find yourself asking, "When will it stop being an estimate?" Most of the figures will be standard others could change throughout the transaction. When the escrow finally closes, the figures will stop being referred to as estimates. Once you have your loan documents the Escrow Officer will prepare an estimated closing statement showing all the costs that are to be paid by the Buyer. Your transaction will usually require a down payment plus the closing costs. All the funds for closing will need to be given to the Escrow Company by either a Cashier's Check or Wire Transfer. Any other form of funds could cause a delay in the closing. Please begin now to make preparations for having your funds available. If your money is coming from a 401K account or a money market account, please contact the companies where these funds are managed to make the arrangements of having the funds available. Many times it can take as much as two to three business weeks, or more, to complete the paperwork and get the funds transferred. Keep in mind the funds are usually not sent direct to the Escrow Company. The funds will go to you first and could be subject to check holds at your bank.

WHEN WILL I SIGN MY LOAN DOCUMENTS AND WHERE?

Loan documents will be signed within a week or so of your formal loan approval. The loan documents will not be ordered until the Escrow Officer has checked with both the listing and Selling Agent to be sure we are ready to close escrow. Once that has been confirmed the documents are ordered and should be at the Escrow Company within 48 to 72 hours. The Escrow Officer will "work up" the loan documents by preparing an estimated closing statement showing the breakdown of all the closing costs being charged by the lender, title, escrow, insurance and any other vendors to the transaction. Once the documents have been readied for your signatures, you will be called by the Escrow Officer to set the time and date. Usually the signing takes approximately 45 minutes to an hour and will be during normal working hours, 8:30 AM to 4:00 PM. If you are unable to take time off work during these hours, an outside signer can be arranged to come to your home or place of employment to assist you with the signing of the loan documents. The cost is approximately \$150.00 for this service and can be collected through the closing of your escrow. The best approach will be to sign in the Escrow Office with the Escrow Officer.

WHEN DO I GET TO MOVE IN AND WHERE DO I GET THE KEYS TO MY HOME?

When your escrow closes your Realtor will contact you to make arrangements about your possession and getting the keys to you. In your purchase agreement it will specify the number of days you and the Seller have agreed upon for the possession date. Once the escrow has closed (meaning the county recorder has

recorded the Grant Deed to show you as the new owner of the property) the Escrow Officer will contact your Realtor to let he/she know the recording is confirmed. Your Realtor will call you and give you the great news that you are now a homeowner. Usually, once the escrow has closed you will not need to go back to escrow. Your Realtor will get your closing papers and any refund of your deposited funds and bring them to you, along with your keys.

WHEN DO I PAY MY FIRST HOUSE PAYMENT?

Your first payment to your lender will be due normally on the 1st of the month. The actual due date will be based on when your escrow closes. For example, if you escrow closes on November 14th, your first will most likely be January 1st. In some cases the first payment may be less than 30 days from the close of escrow. If this is a hardship, please let your Realtor know so he/she can advise the Lender to adjust the closing date and first payment date.

WHAT ABOUT MY PROPERTY TAXES?

Property taxes are based on a fiscal year rather than a calendar year. The fiscal year is from July 1st to June 30th. The annual taxes are payable in two installments. The first installment is due November 1st and delinquent December 10th. The second installment is due February 1st and delinquent April 10th. If you loan included impounds for the payment of taxes, you will need to check with your Lender to see when they will pay taxes. In addition to the General Property Tax Bill, there will be a Supplemental Property Tax Bill that is created upon every change in ownership on the property. The Supplemental Tax Bill is based upon Proposition 13, which says that the County Tax Assessor will reassess your property based on a maximum of 1.25% of the sales price paid by the Buyer. It may not be assessed for the full 1.25% however that is the maximum per Proposition 13. As a new homeowner, it would be advisable to have that amount set aside until the tax bill is received (which could be anywhere from 3 months to 2 years from the close of escrow). This tax bill is NOT sent to your Lender (even if you have an impound account). Please do not make the mistake of thinking that your Lender is paying this bill, because of your impound account. This could result in penalties and late charges. If you have any questions when you receive your Supplemental Tax Bill, please call your Escrow Officer or your Realtor and they will walk you through it.

THIS IS SO MUCH TO REMEMBER, I AM FEELING OVERWHELMED...

Your Realtor and Escrow Officer will help you each step of the way, in making the phone calls and communicating the information that is necessary for your transaction to go smoothly. If you ever have a question, they are only a phone call away.