



*First American  
Title Insurance Company*



# What to Expect

During the Settlement Process

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# [ COUNT ON ]

## First American Title

### [ COUNT ON US ] for service

First American Title Insurance Company provides our customers the respect they deserve and the services they need. A nationwide presence that focuses on local expertise, the people at First American are ready to meet your specific needs today. And we do it with a level of service and friendliness that is hard to beat in this industry. First American Title is focused on you, our customer.

### [ COUNT ON US ] for stability

The First American Title Insurance Company, the largest subsidiary of First American Financial Corporation, traces its history to 1889. As one of the largest title insurers in the nation, we offer title services that help to ensure the orderly and efficient completion of real estate transactions, provided by skilled specialists that offer quality customer service and support.

### [ COUNT ON US ] for convenience

We offer convenient locations with an extensive network of offices and agents throughout the United States. First American has pioneered operations in nearly 70 countries including Canada, the Bahamas, Puerto Rico, Bermuda, Guam, and the United Kingdom and was the first title insurance provider in Mexico, Korea, and Hong Kong, and has the leading market share in Australia and England.

### [ COUNT ON US ] for all your needs

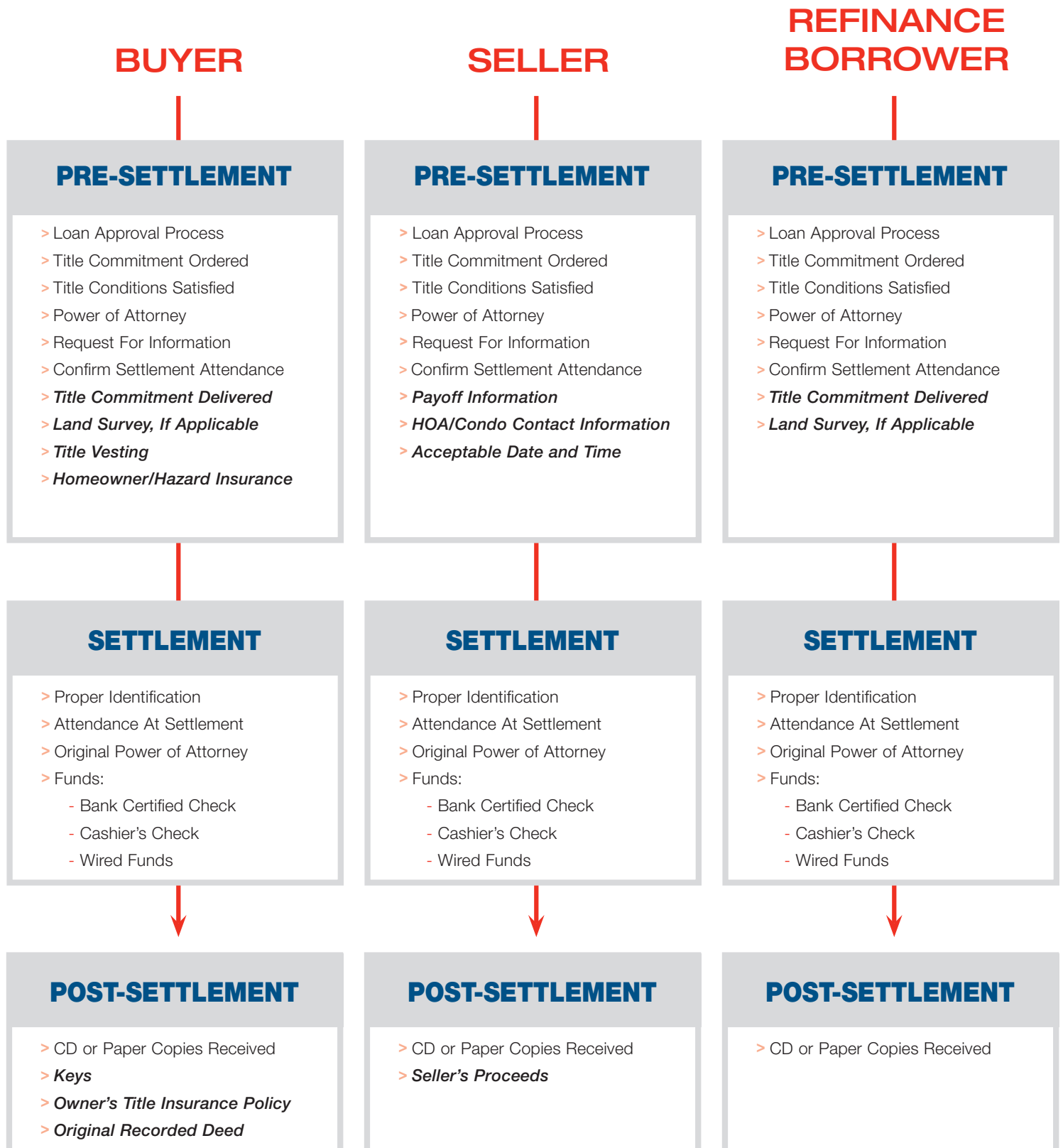
Along with escrow service and the peace of mind of title insurance protection,

First American offers these additional products and services:

Homeowner's Insurance • First American Property and Casualty Insurance Company  
Home Warranty Protection • First American Home Buyers Protection Corporation  
1031 Tax-deferred Exchange Services • First American Exchange Company

# THE SETTLEMENT PROCESS AT FIRST AMERICAN TITLE

The settlement process, also known as the closing, is the culmination of events through which title to the property is transferred and all funds are collected and disbursed.



# TERMS YOU SHOULD KNOW

- > **AMORTIZED LOAN.** A loan that is paid off—both interest and principal—by regular payments that are equal or nearly equal.
- > **AMENDMENT.** A change—either to alter, add to, or correct—part of an agreement without changing the principal idea or essence.
- > **APPRAISAL.** An estimate of value of property resulting from analysis of facts about the property; an opinion of value.
- > **ASSUMPTION.** Taking over another person's financial obligation; taking title to a property with the Buyer assuming liability for paying an existing note secured by a deed of trust against the property.
- > **BENEFICIARY.** The recipient of benefits, often from a deed of trust/mortgage; usually the lender.
- > **CLOUD ON TITLE.** A claim, encumbrance, or condition that impairs the title to real property until disproved or eliminated through such means as a quitclaim deed or a quiet title legal action.
- > **COMPARABLE SALES.** Sales that have similar characteristics as the subject property, used for analysis in the appraisal. Commonly called “comps.”
- > **CONVEYANCE/DEED.** An instrument in writing, such as a deed or trust deed, used to transfer (convey) title to property from one person to another.
- > **DEED OF TRUST.** An instrument used in many states in place of a mortgage.
- > **EARNEST MONEY DEPOSIT.** Down payment made by a purchaser of real estate as evidence of good faith; a deposit or partial payment.
- > **EASEMENT.** A right, privilege or interest limited to a specific purpose that one party has in the land of another.
- > **HAZARD INSURANCE.** Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyer often adds liability insurance and extended-coverage for personal property.
- > **IMPOUNDS.** A trust type of account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums, required to protect their security.
- > **LEGAL DESCRIPTION.** A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire piece of land. It should so thoroughly identify a parcel of land that it cannot be confused with any other.
- > **LIEN.** A form of encumbrance that usually makes a specific property the security for the payment of a debt or discharge of an obligation. For example, judgments, taxes, mortgages, deeds of trust.
- > **MORTGAGE.** The instrument by which real property is pledged as security for repayment of a loan.
- > **PITI.** A payment that combines Principal, Interest, Taxes and Insurance.
- > **POWER OF ATTORNEY.** A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an “Attorney-in-Fact.”
- > **PURCHASE AGREEMENT.** The purchase contract between the Buyer and Seller. It is usually completed by the real estate agent and signed by the Buyer and Seller.
- > **RECORDING.** Filing documents affecting real property with the County Recorder/Registrar as a matter of public record.



# understanding TITLE INSURANCE

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**THE TITLE INDUSTRY IN BRIEF.** Prior to the development of the title industry in the late 1800's, a homebuyer received a grantor's warranty, attorney's title opinion, or abstractor's certificate as assurance of home ownership. The Buyer relied on the financial integrity of the grantor, attorney, or abstractor for protection. Today, title insurance companies are regulated by state statute. They are required to post financial guarantees to ensure that any claims will be paid in a timely fashion. They also must maintain their own "title plants" which house duplicates of recorded deeds, mortgages, plats, and other pertinent county property records.

## what IS TITLE INSURANCE?

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Title insurance provides coverage for certain losses due to defects in the title that occurred prior to your ownership. The Seller can give only those rights that previously have been received with "good title." Title insurance protects against defects such as prior fraud or forgery that might go undetected until after closing and possibly jeopardize your ownership and investment.

## why TITLE INSURANCE IS NEEDED.

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Title insurance assures the new Buyers that they are acquiring marketable title from the Seller. It is designed to eliminate risk or loss caused by defects in title from the past. Title insurance protects the interest of the mortgage lender as well as the equity of the Buyer for as long as they or their heirs have any interest in the property.

## when IS THE PREMIUM DUE?

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It is a one-time premium which is paid at the close of escrow. There is no specific rule as to who pays for the owner's title insurance policy; it depends on the local custom and negotiations between buyer and seller. If there is a new loan, the Buyer usually pays for the Lender's Policy. The policy has a perpetual term and provides coverage for as long as you are in a position to suffer a loss.

# ADDITIONAL TITLE THREATS

There are many title issues that could cause you to lose your property or your mortgage investment. Even the most careful search of public records may not disclose the most dangerous threat: hidden risks.

These issues may not be uncovered until years later.

Without title insurance from a reputable and financially solvent company, your title could be worthless. With the proper insurance, your rights will be defended in court. Here are some of the issues that occur most frequently.

- Deeds by persons supposedly single, but secretly married
- Deeds delivered after death of grantor/grantee, without consent of grantor
- Deeds in lieu of foreclosure given under duress
- Marital rights of spouse purportedly, but not legally, divorced
- Impersonation of the true owner of the land
- Deeds by minors
- Deeds by persons of unsound mind
- Deeds to or from defunct corporations
- Defective acknowledgements by notaries
- Discovery of will of apparent intestate
- Duress in execution of instruments
- Erroneous reports furnished by tax officials
- Forged deeds, releases, etc.
- Misrepresentation of will
- Mistakes in recording legal documents
- Surviving children omitted from will
- Administration of estate of persons absent but not deceased
- Birth or adoption of children after date of will
- Claims of creditors against property sold by heirs or devisees
- Deed of community property recited to be separate property
- Deeds by foreign parties

# Documents **Definitions**

## **TITLE COMMITMENT:**

A Title Commitment is a promise to issue an insurance policy or policies on a piece of property. The policies will insure your buyer's interest, their new lender's interest, or both. A Title Commitment is equivalent to a binder for other types of insurance, which commits, or binds, the insuring company to issue the policy as set forth in the commitment.

## **PROMISSORY NOTE:**

Your lender may request that you sign the Promissory Note which is a written promise to pay a debt under the specified terms. The Note usually provides for interest and is secured by a mortgage or trust deed.

## **MORTGAGE/DEED OF TRUST:**

The mortgage is the legal document that secures the note and provides your lender a legal claim against the property if you default under the terms of the Promissory Note. The mortgage restates the basic information found in the note and states your responsibilities to pay the principal and interest payments, maintain homeowner/hazard insurance on the property, adequately maintain the property and the lender's rights in the event that you fail to meet these requirements.

## **HUD-1:**

This statement discloses the financial terms of your real estate transaction. The term "settlement statement" is often used to reference the HUD-1. Your First American Title Representative will review this document with you in detail. If this is a cash sale, a simplified form of Settlement Statement may be used. It may look slightly different, but will also disclose the financial terms of your transaction.

## **DEED:**

Written document by which an interest in real property is transferred from one person to another. The person who transfers the interest is called the "grantor." The one who acquires the interest is called the "grantee." You will execute a deed at the time of settlement which will transfer your ownership in the property to the new buyer. This document will include the names of the buyer, the seller and a legal description of the property.

## **OWNER'S TITLE POLICY:**

A policy of title insurance insuring an owner of real estate against loss occasioned by defects in, liens against or unmarketability of the owner's title.