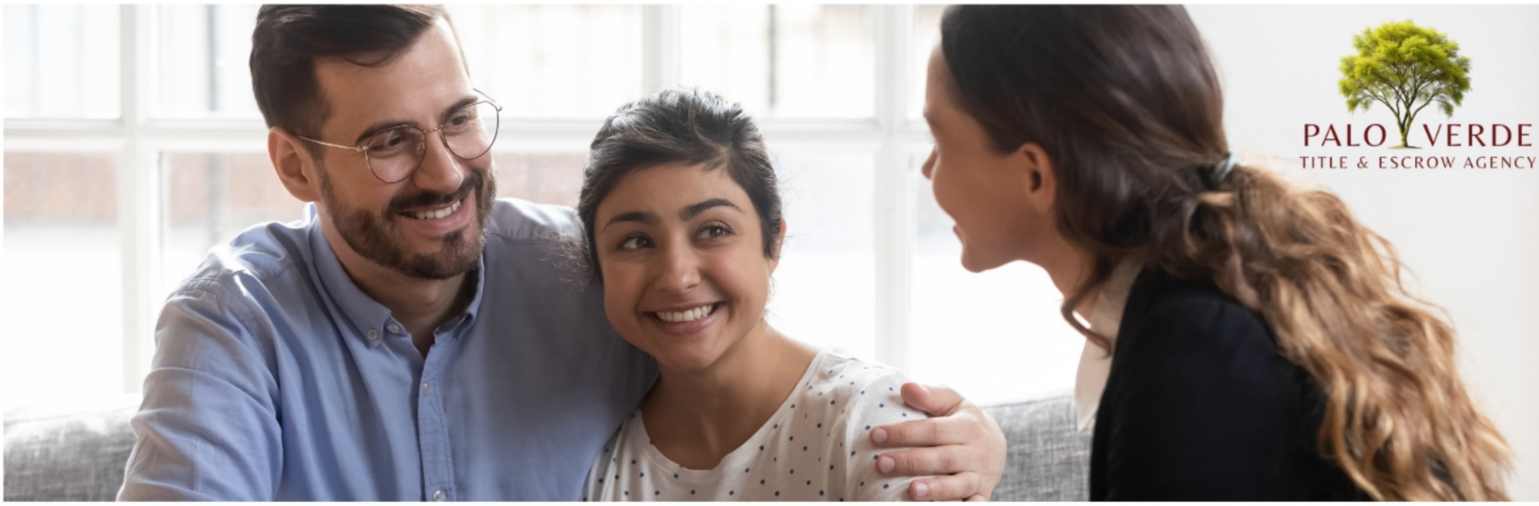


What is
Title Insurance?

So, you're buying a house. It's an exciting time. It can also be a bit confusing. Things feel like they're happening pretty fast and, often, some important things can go unexplained – like title insurance. To help you understand the purpose and importance of title insurance, Palo Verde Title has put together this helpful overview.

What is title?
Simply stated, the title to a piece of property is the evidence that the owner is in lawful possession of that property.

What is title insurance?
Title insurance protects real estate owners and lenders against any property loss or damage they might experience because of liens, encumbrances or defects in the title to the property. Each title insurance policy is subject to specific terms, conditions and exclusions.

How does title insurance differ from other insurance?
Flood, home and auto insurance, for example, protects against potential future events and is paid for with monthly or annual premiums. A title policy insures against events that occurred in the past of the real property and the people who owned it. Title insurance requires only a one-time premium paid at the close of the escrow.

All fees and processes are subject to local real estate practices. For specific information about your transaction, please consult your real estate agent, loan officer or escrow officer.

What does it cover?
Title insurance protects against claims from defects. Defects are things such as another person claiming an ownership interest, improperly recorded documents, fraud, forgery, liens, encroachments, easements and other items that are specified in the actual policy.

Who needs it?
Home buyers and lenders need title insurance in order to be insured against various possible title defects. The buyer, seller and lender all benefit from the issuance of title insurance.

How is a title policy created?
The creation of a title policy begins by searching the public records for defects, such as liens or legal judgments, which could interfere with the transfer of the property's title. Once the title is deemed free and clear of defects, the prospective new owner receives a preliminary report for review and approval. If the prospective buyer approves the "prelim," the escrow officer will record the document after closing and settlement, and the title policy will be created.

What is escrow?
Escrow refers to the process in which the funds of a transaction, such as the sale of a house, are held by a third party, often the title company or an attorney in the case of real estate, pending the fulfillment of the transaction.

What are the policy types?
A standard policy insures the new owner/home buyer and a lender's policy insures the priority of the lender's security interest.

Why you need
Title Insurance

Most types of insurance focus on possible future events and charge an annual premium. Flood, home and auto insurance are just a few such examples. Title insurance, by contrast, protects against hidden defects in the title and, unlike other forms of insurance, is paid only once.

Why title insurance?

Title insurance was first issued in 1871 to enable speed and efficiency when property is conveyed or legally transferred from one owner to another. Because of title insurance, real estate is more marketable and thus more valuable. Over the years, title insurance has proven effective in protecting buyers and lenders against defects in a property's title, and today its use has spread around the world. Palo Verde Title has played a major role in fostering that growth.

How does the process of getting a title policy begin?

Insuring a home's title begins with a search of the public land records associated with the property. The title company examines all documents in the public records – deeds, wills and trusts are just a few of the many – in order to determine the status of the title.

Should title problems appear during the search process, the title company will correct them whenever possible so as to avoid future claims. According to surveys done by the American Land Title Association® (ALTA®), title problems consistently arise in one out of three real estate transactions (36%). That's all the more reason to have a title insurance policy.

What is the cost of not having a title policy?

The process of performing title searches and curing title problems does not come cheaply. Industry studies find that title insurers spend an average of 92 cents out of every dollar paid toward a premium as their cost of doing business. The most common actions taken to cure title defects include:

- X Releases or payoffs for liens
- X Releases or payoffs for deeds or mortgages needing typographical corrections (e.g., names, addresses, legal descriptions)
- X Clearing of estate-related issues
- X Clearing of physical property issues

What if a problem is hidden or missed?
Despite the search-and-examination process, a title problem may still be hidden or missed. Examples of common problems include:

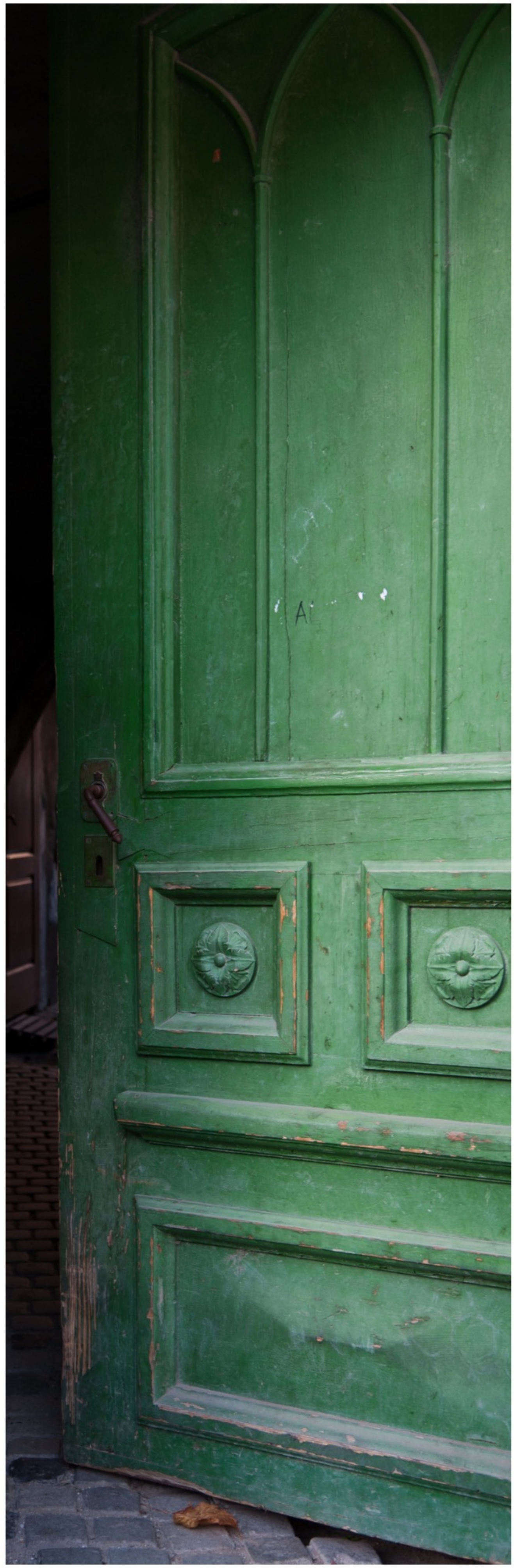
- X Forged signatures on a deed
- X Unknown heirs who step forward to claim ownership of the property
- X Expired or forged power of attorney used during a prior property transfer
- X Incorrect public records

Should these or other cases arise, a title insurance policy will offer indemnity protection. The title insurer will defend the title and either perfect it or pay valid claims protected by the policy.

What types of title policies are available?
Two types of title insurance policies exist – a lender's policy and an owner's policy. A lender's policy ensures that, should the mortgage not be valid or should the lien priority incorrect – either condition means the mortgage fails to be enforceable – the lender will be indemnified against loss, subject to the terms of the policy.

Lenders require the homeowner to purchase a lender's title policy in order to protect their financial investment in the property. They also need a loan policy when packaging and selling their loans in the secondary mortgage market.

An owner's title policy is separate from the lender's policy and serves to protect homeowners from defects and liens in the chain of title up to the date and time the deed is recorded in the public records. Owner's title insurance lasts as long as the policyholder or his or her heirs have an interest in the property. The policy may be valid even after the homeowner has sold the property.



PALO VERDE
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Closing Cost **Guide**

The SELLER can generally expect to pay for:

- X Owner's title insurance premiums
- X Real estate commissions
- X Half of the escrow fee (except VA)
- X Any loan fees required by the buyer's lender (according to contract)
- X Payoff of all outstanding loans
- X Interest accrued to lender being paid off, statement fee, reconveyance fees and any prepayment penalties.
- X Termite work
- X HOA transfer fee (according to contract)
- X Home warranty (according to contract)
- X Any judgments, tax liens, etc. against the seller.
- X Half of recording service fee
- X Tax proration (for any taxes unpaid at time of transfer of title)
- X Any unpaid HOA dues
- X Any bonds or assessments (according to contract)

The BUYER can generally expect to pay for:

- X Lender's title insurance premiums
- X Half of the escrow fee (except VA)
- X Document preparation (according to contract)
- X Notary fees (if applicable)
- X Half of recording service fee
- X HOA transfer fee (according to contract)
- X Termite inspection
- X All new loan charges, except those required by the lender for the seller to pay
- X Interest on new loan from the date of funding to 30 days prior to first payment due
- X Assumption – change of records fees for taking over existing loan.
- X Home warranty (according to contract)
- X Fire insurance premiums for first year.
- X All required pre-paids (according to contract)

All fees and prodesses are subject to local real estate practices. For specific information a bout your transaction, please consult your real estate agent, loan officer or escrow officer.

The costs identified here are not necessarily all-inclusive and all of the services for which payment may be allowable or non-allowable may not be identified herein.

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