



The big day to sign the documents has arrived. Signing the documents and escrow instructions will authorize the Escrow Holder to move the transaction toward closing. This is also the day that the funds necessary to close the escrow should be delivered to the title or escrow company. Typically the escrow instructions are prepared by the Escrow Holder based on the information, documents, forms and invoices that have been deposited to the Escrow Holder. Included with the escrow instructions will be an estimated settlement statement that provides a list of the charges, prorations, and other costs associated with the conditions to close the escrow.

The signing day and the closing day are often filled with uncertainty and stress. To help better understand these two events, the California Land Title Association has answered some of the questions most commonly asked about title, signing, closing costs and closing an escrow.

What services will I be paying for when I pay closing costs?

There are usually a variety of professional services, including such things as real estate commissions, appraisal fees, loan fees, inspections and home warranty. Additionally there will be some prorations between the buyer and seller for ongoing costs such as property taxes.

How much should I expect to pay in closing costs?

The amount paid for closing costs will vary in accordance with the sales price, loan amount and other particular facts associated with the transaction. An estimated settlement statement itemizing these costs will be provided for the buyer and seller to review. Signing the estimated settlement

statement will authorize the Escrow Holder to pay and prorate those items listed on the estimated settlement statement. When the escrow is closed the ownership of the property is transferred and another itemized statement will be prepared and provided to the buyer and seller as a part of the closing package.

Can I pay for my closing costs in installments?

No. Many different parties will have fulfilled their responsibilities and are awaiting payment. The title or escrow company will disburse monies to those parties, pursuant to the signed escrow instructions, as a part of the closing of the escrow.

When will my escrow close?

There are many steps involved with the closing of an escrow. While the signing of the escrow package gets things started, after the buyer and seller have fulfilled the conditions described in the escrow instructions, deposited all the funds including any loan funds into escrow, then the closing usually takes place in a day or two.

Will I be allowed to write a personal check to cover my closing costs?

The closing funds should be in the form of a cashier's check, issued by a California institution, made payable to the title or escrow company or sent by way of a bank wire, in the amount reflected on the estimated settlement statement. A personal check will delay the closing or may be unacceptable to the title or escrow company. An out-of-state check could also delay the closing due to possible delays in clearing the check.

Is it a law in California that I must purchase title insurance when I buy or refinance a home?

No. However, virtually all lenders require title insurance for the face amount of their deed of trust, whether for a purchase or refinance. Prudent buyers also value the protection afforded by the payment of the one-time title insurance premium.



How much can I expect to pay in title insurance?

Although title and escrow companies usually serve as the collection place for most of the invoices, fees and other costs, only a small percentage of total closing fees are actually for title insurance protection.

The title insurance premium may actually amount to less than one percent of the purchase price of the home, and less than ten percent of the total closing costs. The buyer's title policy is good for as long as you and your heirs own the property with the payment of only one premium.

Who will pay for title insurance charges, the buyer or seller?

Surprisingly, "who pays" is not uniform from county to county in California. In some counties the buyer will pay while in others the seller will pay. In other counties the seller will pay for the owner's title policy and the buyer will pay for the lender's policy. But in every case, the question of who pays closing costs is a matter of agreement between the buyer and seller. Usually this agreement is based on the customary practice of county where the property is located.

Why are separate owner's and lender's title insurance policies issued?

The buyer and the lender will want the security offered by title insurance. The purchase of a home is an important investment and you will want to be certain the home is yours, all yours. Title insurance companies insure your rights and interests in order to protect you against claims.

The lender is looking to insure the enforceability of their lien on the property and marketability. What is meant by "marketability"? Well, we in California have long been importers of mortgage money. Local lenders will "originate" a loan here, and, often, sell it to an out-of-state investor. This investor, who may never see the property, needs to know there is a valid and enforceable lien. Without a title policy, the loan is essentially unmarketable.

What does the title premium pay for?

Title insurers, unlike property or casualty insurance companies, operate under the theory of "risk elimination." Risk elimination can only be accomplished after an intensive period of risk identification.

Title companies spend a high percentage of their operating revenue each year collecting, storing, maintaining and analyzing official records for information that affects title to

real property. The issuance of a title insurance policy is highly labor-intensive. It is based upon the maintenance of a title "plant" or library of title records, in many cases dating back over a hundred years. Each day, recorded documents affecting real property are posted to these plants so that when a title search on a particular parcel is requested, the information is already organized for rapid and accurate retrieval.

Trained title experts are able, with the aid of their extensive title plants, to identify the rights others may have in the property, such as recorded liens, legal actions, disputed interests, rights of way or other encumbrances affecting the title. Before closing the transaction, a buyer can seek to "clear" those undesirable encumbrances.

The goal of title companies is to conduct such a thorough search and evaluation of the public records that no claims will ever arise. Of course, this is impossible--we live in an imperfect world, where human error and changing legal interpretations make 100 percent risk elimination impossible. When claims do arise, title insurance companies have professional claims associates to make sure that your property rights are protected pursuant to the terms of the policy of title insurance.

To conclude, the premium paid for the title insurance policy, includes the expenses of a team of professionals working together with information gathered from public records, and the instructions received regarding the title policy to cause a policy of title insurance to be issued which represents protection for the ownership of real property.

Who can I look to for answers regarding title questions and closing costs?

Title professionals are available to review and explain the title policy and escrow professionals are available to review and explain the estimated or final settlement statement.

Questions regarding other matters should be directed to the appropriate professional. The title and escrow officer are not legal counsel and cannot provide legal advice.

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