

REAL ESTATE

Fundamentals for
Property Investors



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\$20.00

Real Estate Fundamentals For Property Investors

First Edition: June, 2005

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Printed in the United States of America

Published by: WebGlobal, Inc.
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PUBLISHER'S NOTE

This publication is intended solely as *informational*. While first and foremost as an excellent reference publication for residential property investors, and homeowners, the author/publisher (a California licensed REALTOR®) believe this publication to also be an excellent study guide for individuals seeking to pass the California Department of Real Estate's Salesperson exam. It was written to and did enable the author to pass his exam.

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REAL ESTATE / PROPERTY

Allodial System - U.S. system of land ownership. Land held free and clear of rent or service due *government*. Contrasted to feudal system.

Property - Anything that can be controlled and owned. Each parcel *unique and indestructible*. Locational aspect affects value.

Bundle of rights - Legal rights of ownership provided by govt. Power to: *control, use, enjoy, possess, dispose* and otherwise *mortgage, devise* and *leave* real property.

Real Property – aka **Real Estate**.

Land - Earth; sub-surface, mineral, gas and oil rights (below); air rights (above). Natural and man-made hereditaments (inheritable), permanently attached thereto. That which is *immovable by law*, and, appurtenances, such as easements appurtenant or stock in a mutual water company.

Improvements – Permanently affixed items, like buildings, fences, landscaping, etc.

Appurtenances – *Fixtures*. Item of *personal* property are converted to *real* property by permanently affixing to realty. *Trade Fixtures* can be removed by commercial tenant on leaving property and must pay for property damage if any. Five tests for fixture: *Method, Adaptability, Relationship, Intent*, and, *Agreement*.

Physical Characteristics – Indestructible. Immobile. Unique.

Economic Characteristics – Scarce. Improvements. Non-liquid. Locational.

Real plus Business - Sale of real property housing business sold to same buyer; usually treated as separate but concurrent transactions. Two contracts, two escrows. If business purchased may have “Successor Liability” (*sales tax liability*) under *Board of Equalization*. Get *Certificate of Clearance* from *Board* prior to close.

Personal Property - Moveable. All property not *Real Property*. Conveyable w/*Bill of Sale*. Can be hypothecated (used as security for loan). If “movable” is affixed to land becomes real property, i.e. installed fence posts. Civ Code states that *emblems* (cultivated crops) are *personal property* if already *sold, mortgaged, or growing on leased* land, belong to “hand that planted them.” *To hypothecate (collateralized) personal property, use a Security Agreement*.

Chattel – aka *Chattel Personal*. Personal property *not* affixed to land or buildings. Chattels generally not included in sale of property unless specifically included in *Agreement of Purchase and Sale*.

Chattel Real - Personal *property* created by *lease* – *leasehold estate*. Possessory right in real estate/property.

Separate Property - Owned individually, not with spouse. If acquired individually before marriage, or, with separate funds, is, *separate* property *unless* their funds commingled, then community property. Even if separate, obtain signatures both spouses, avoid title color and other issues. On title, deed, include description: widow(er), single (never married), divorced, married, so interested parties realize *not* community property.

Quality of Fixity - Required by lender. *Boundaries* of land *clearly* definable.

PARTIES

Generally:

“*or*” (offeror / lessor) makes and/or gives thing.

“*ee*” (offeree / lessee) receives and/or benefits therefrom.

Offeror - Buyer - can revoke offer before acceptance. Death of offeror *before* acceptance revokes.

Offeree - Seller can accept, or, *reject* by doing nothing. Counter offer by Seller *rejects* offer, creates *new* offer.

Optionor – *Property owner*. Who *sells right to purchase*, and keeps sale *open* (cannot sell to another) by contract

Optionee – Holds option to purchase at or before a *specified time, at a fixed price*. Gives *consideration* to optionor for this right to *unilateral* contract. If option exercised, creates *bilateral executed* contract.

Vendor – Seller. Extends credit w/note, such as land contract.

Vendee – Buyer. Receives credit through note. May assign rights, *not* obligations.

Trustor - Owner / borrower / mortgagor / possessor. Mortgage by Trust Deed conveys bare legal title and possession to Trustee. Power of sale of secured property given by *Trustor* to Trustee.

Trustee - Often Title Co. Holds title behalf of beneficiary/lender; may provide other services such as escrow.

Mortgagee / Beneficiary - Lender. Has lien on real property. Security interest in land, fixtures, and appurtenances thereto. No changes any kind that change real property or priority without consent holder.

Mortgagor - Borrower

Construction Lender - Loans for construction. Require first position.

Prudent Seller - Obtains pest and structural report before listing. May fix, but whether or not fix, *disclose*. Seller, salesperson or broker must disclose said *material facts* to buyers and lenders. Even if proscribed work is done, *must* be *disclosed*.

Prudent Buyer - Uses value of *Principle of Substitution* (two or more similar props avail, lowest price in demand), to make decision.

Buyer Protection - Residential property buyer (up to 4 units) has the right to prepay *all or any part* of a *land sales contract* one year after the sale. Civ Code 2985.6.

Emancipated Minor - *Emancipated* if *married (14 or older)*; divorced; in military; by court order; or, over 18. Unemancipated minor not legally enter into contracts (lacks capacity), if do, rescindable by minor on whim at later date.

Aliens and convicts - Can purchase land. Prisoner not auto deprived civil rights (including to contract or deed property), unless sentenced death/life.

Mental Incapacity - Incapacitated *can* own property. To sell, judge must determine, then appoint guardian or conservator. They can *receive* property through will or grant without judicial consent. Incapacitated lack *capacity* to contract, rendering their contracts void. *All* void contracts are unenforceable.

Partition – Court action that co-owner may take to terminate co-ownership. Legal dissolution of relationship by sale. If court determines land not physically divisible into separate parcels (without destroying value), order sale. Proceeds divided among co-owners based on fractional interests.

Non-licensed - Violators of RE license law prosecuted by District Attorney. If no license cannot receive: compensation; commission; or, fee, for acts requiring license. RE Commissioner *no* powers over non-licensed, who can buy/sell for their own account.

Party - *Et ux*, is abbreviation for *Et Uxor*, means “...and wife.”

Mortgage Broker - *Semi-Fiduciary*. Aka *loan broker*. Person/firm acts as borrower-lender *intermediary*, middle-man. Fees from lenders. For compensation or gain, negotiates, sells or arranges loans and (rarely) services loans. Loans originated by mortgage broker, closed in lender's name, usually *serviced* by lender. Contrast to mortgage *bankers*, who not only close loans in own names, service as well.

Mortgage Banker – *Semi-Fiduciary*. Person, corporation or firm occasionally providing *own* funds for mortgage financing. As opposed to *fiduciaries* like, savings and loan associations, commercial banks or insurance Cos who use *other people's money* (savings or premiums). Some supply permanent long-term financing, *majority* specialize supplying short and interim financing, their own resources or *borrowing* from commercial sources.

Mortgage Companies - Semi-Fiduciary. Supervise and participate in construction and commercial loans. Solicit loans from institutional or non-institutional lenders; represent those and solicit borrowers for those loans; lend with own money; stockpile or accumulate loans (*warehousing*) to sell in (discounted) blocks to Secondary Mortgage Market; service loans arranged *through* their correspondents (commercial banks, etc.).

PROPERTY OWNERSHIP

Method and manner of *holding* title extremely significant, particularly regarding tax and legal ramifications.

Community Property - Came through Spanish Law, not English Common. Property acquired in *name* one spouse-only while person married presumed community property, arguable presumption. If acquired separately, becomes *community* if finances commingled. Requires *both* spouse signatures on listing or purchase agreement, or *unenforceable*. Upon death, half to heirs. Survivor retains their half of community property. *New* law enables right of *survivorship*.

Joint Tenants - Survivorship. *No* inheritance. Not subject to Probate. Not require language, "taken in joint tenancy." Intent to establish *clearly* expressed. All must have equal interests, all can use all. Death? Interest terminated, goes auto to other(s) joint tenants. No Court. Characteristic: a "single" estate. Original joint tenants, or survivor(s), own estate as though one person. Each has right to *partition*.

Requires Four Unities. *Title, Time, Interest* and *Possession*. All joint tenants hold an undivided right to *possession*.

Tenants in Common - Inheritance. *No* survivorship. Each owner undivided interest real property as if sole owner. Each has right to *partition*. All have unlimited use of all the property. Single *Unity of Possession*; meaning each interest is undivided interest, fractional interest in the property as whole. *Not* have unities of: Title, Time, or Interest.

Sole Proprietorship – Single owner, owned under *severalty*, under own name or trade name (dba). Employees OK. Taxes on personal filing. Liable for business debts.

Corporation – Called *domestic corporation* in state formed, out-of-state/nation are *foreign* corporations. Corp taxed on profit. After-tax profits distributed to individual shareholders who also pay taxes. Advantage: generally avoids personal liability. Disadvantage: double taxation.

S Corporation – Some stricter reporting, but, no Corp tax.

Limited Liability Company – LLC. Single taxation, members can be active in management, no personal liability, pay more taxes and fees.

Tenancy in Partnership – Private property can be owned by and for partnership purposes.

Limited Partnership – aka *Syndication*. One or more *general partners* who *operate* the partnership (they are liable for debts), and, *limited partners* (only liable amount of investment paid-in or pledged); who *cannot* be active in management.

General Partnership – Partners are *liable* all debts of partnership. Consequently, smart to have involvement in management, and can use their partner's *partnership assets* (equity-property) in *growing* the partnership.

In Trust – Holding ownership to title in fiduciary capacity for other(s). Most common form under Deed of Trust. Title Co is Trustee, owner is Trustor.

Living Trust – Holds property, avoids probate.

REIT Trust - Real Estate Investment Trust - Trust ownership. Group of individuals purchase certificates of ownership in trust, which invests real property. Distributes pre-tax profits to investors *free* of corporate income tax. Profits ordinary income to investors. 75% \$s in RE. Minimum 100 members. Form of syndication, organized as: *corporation, unincorporated trust, or, association of investors*. Exists to take advantage of *Real Estate Investment Trust Act* in IRS code.

SHARED OWNERSHIP

Generally, for the following a Public Report is filed giving 180 notice of *Conversion* to renters who then have 90 days to buy-in, or not.

Condominiums – Freehold Estate- Fee Simple. OK for residential, commercial or industrial. Own airspace above, *not* land under. Common ownership (undivided interest) of all that which is *not* private (separate) ownership (individual units). Builder or seller required give each prospective purchaser copies of: CC & Rs, current financial statement of association; Articles of Incorporation; Bylaws; and, association statement describing any outstanding delinquent assessments.

Changing from rental apartments to "Condos" is *Conversion*. Included as parts of the commons are: central heating system, bearing walls, walkways and elevators. Each owner receives *separate* tax bill, including: assessment for unit; and, prorated assessment related to interest in common areas.

Co-op – Community Apartment Project. Undivided interest in all property, with right to *occupy* given unit. Elected governing board sets rules.

Cooperative Ownership - Of apartment unit. No deed. Purchase shares in corporation that has title to the building. Stock gives proprietary lease, allowing occupancy and use of a unit. Single tax bill from county assessor for all. If some owners/shareholders *default* on their share of mortgage or tax payments, other shareholders need to collectively cure default to avoid foreclosure on building. Only if *requested* tax collector may issue separate tax bill each unit owner.

PUD – Planned Unit Development. Sometimes, not always, gated communities. Membership in association owning commons. Separately owned parcels. Own land under parcel. No Public Report or 90 days notices.

Conversion - Every tenant given 180 days written *Notice of Intention to Convert*, prior to eviction action. If *five* or more units is *subdivision* under Subdivision Map Act and Subdivided Lands Law.

Right to Purchase – Tenants given 90 days to purchase their unit after Public Report issued.

TERMS

Acknowledgment - Generally required for recording a document and witnessed by Notary Public (who may be employee/officer of corporation involved in transaction *if* Notary not personally interested in deal and not execute instrument as corporation officer, which are separate and distinct duties).

Actual Notice - Knowledge which a specific person *actually has* or is implied by law to have. Not given by recording.

Constructive Notice - Recording a document (dealing with rights, title, or interest in real property) gives *constructive notice* to world of contents *that* document. Of existence of interests or rights conveyed. If document valid, *recording* "perfects" claim and establishes priority. Particularly for a seller financed deal, purchaser would be foolish to not examine public records before contracting for property.

Ad valorem - According to *Value*. Taxation method. Uses *value* of thing taxed to determine tax amount.

Adverse Possession - - aka *Prescription*. Acquire right in property, intangible right like easement.

Alienate - Title *leaves* owner by conveyance to another.

Annuity - Regular equal/nearly equal payments made over time; or *lump-sum* to be paid in *future*. E.G. installment payments to lender; or, payments to landlord under lease.

Appurtenant - Right, privilege or improvement *used with, belonging to, and passing with* the land, generally for benefit of owner.

REAL ESTATE FUNDAMENTALS AND TERMS

Estoppel - Legal doctrine blocking person taking position on any fact(s) *contrary* to position taken previously those fact(s). Blocks party re-opening issue previously decided by a court. Idea is that person must *stop* others from false understanding.

Encumbrances – Affect fee simple title or use. Non-possessory *interest* in property. Nearly all buyers accept title with some encumbrances: tax liens, public/private restrictions. All Title Insurance Co's insure encumbered titles. Some specific liens are involuntary. E.G., property taxes. Utility Co easements are *encumbrances*, because restricts use of property, not about money. Deed *covenants, conditions and restrictions* (CC & Rs) are *private* encumbrances. *All liens are encumbrances, not all encumbrances are liens.*

License – A *personal revocable* and *nonassignable* permission to enter upon, or use land of another, possessing *no* interest in the land, does *not* create an estate in the land.

Hypothecate - *Pledge* personal or real property as *collateral/security*, keep use. E.G., mortgage or Trust Deed.

Involuntary Conversion – aka by *Prescription*. Destruction, theft, seizure, requisition, condemnation (through Eminent Domain) or sale or exchange under the threat or imminence of requisition or condemnation. Property converted *involuntarily* to other property or money from insurance or condemnation award. IRS special rules re recognition, or not, of taxpayer's capital gains or losses.

Jointly and Severally - **Jointly** means creditor look to *all* signers as a group. **Severally** means creditor can look to *any one* signer for the entire amount. Co-signers are *jointly and severally* liable.

Severalty - Take title in *severalty*—one or sole owner.

Leverage - Use of other people's money to finance purchases. Greater return on investment. *Appreciation* is the increase.

Liquidity - Easy conversion of assets to cash. Price near true value. Stocks are relatively liquid. Real estate not always.

Option – *Unilateral* binding contract that keeps offer open for a specific time and price, becomes *bilateral* if option *exercised*. Optionor (owner) *sells right to purchase*, and keeps open sale or lease of property to optionee for *specified time at fixed price*, though optionee is *not* obligated to exercise (purchase). Consideration to and retained by optionor whether exercised or not. If a broker holds a purchase option on real property, the broker is a *principal*, and must disclose to buyers. *Optionee does not acquire legal interest in property, only a contractual right.*

Plottage - Increase in value of *accumulated* property, opposed to *lower* value under *separate* ownership.

Assemblage - Combines one or more *contiguous* lots under single ownership.

Presumption - Court draws inference from facts or evidence.

Recurring costs - Annual expenses for buyer, like property taxes and fire insurance. Often required (by lender) to be deposited and held in lender *Impound Account*.

Surrender - Mutual agreement (landlord and tenant) to end lease.

Waiver - Voluntary giving up right or claim by document evidencing relinquishment.

ESTATES

Estate in real property is *possessory* interest. Both tenants and property owners possess estates in real property. Beneficiaries of trust deeds and holders of easements have interests in real property but *not* Estates - *not* possessory interests. E.G. estates in *remainder* and *reversion* both *future* possessory interests; whereas leasehold *estate* is present possessory interest.

Freehold - Exact termination date indefinite or unknown. Are fee simple estates or life estates.

Fee Simple— Major characteristic: indefinite *duration*. Also, freely *inheritable* and *transferable*.

Fee Simple Absolute – Maximum rights. Highest form ownership.

Fee Simple Defeasible – Two types: *Determinable*, during, or while a prescribed use a *condition* continues; and, *Condition Subsequent*, based on *time / duration*. If violated, reverts to grantor. These are inheritable and fully transferable if *condition* met. If not, title can be lost.

Life Estate - Length of *holder's* life, or a *third* party. If holder is *measuring life* cannot will it. If based on *3rd parties life* can will it, and it can pass to heirs.

Remainder - Future interest in (named in original) Estate. Arises *auto* after death of Life Estate holder. Passes to named: *Remainderman*.

Reversion - Future interest. Estate may return to grantor when conveys lesser Estate. Use property as I say (you agreed), or, I take it back. Revert it. Returns by operation of law when estate conveyed is less than fee simple. E.G. *leasehold* or *life estate*.

Less Than Freehold – aka *Leasehold Estates. Estate for Years; Estates at Will; Periodic Tenancies; or Estates at Sufferance*. Lessees hold these. Lessee has personal property interest, *chattel real*. Lessor has fee estate, and reversionary interest and rights.

For Years - Any lease for definite period of time, regardless of time period. One year or *can be less* than a year.

At Will - Tenancy which tenant's time possession indefinite. Common Law, unilateral termination without notice. Cal Civil Code requires *Estate at Will* created by agreement (not apply *estate for years*). Require advance notice to terminate. Thus in Cal, *Estate at Will* is created by operation of law.

Period To Period – Tenancy for fixed term, month-to-month, etc. *Automatic renewal* if no written notice to end.

Tenancy at Sufferance - Occupancy of tenant *after* lease term expires.

Termination – In common law (not California law) *Estate for Years* ends at expiration term without notice, becomes *Tenancy at Sufferance* not entitled to notice. Also *Estate at Will* terminates without notice. *But*, Cal law requires notice to terminate either.

Demise - Convey/transfer possession and use under lease.

Leasehold – Tenant's right occupy during term of lease, considered *personal property* interest, which may be *transferred* by tenant, unless *expressly* forbidden in writing.

Lease – Leasehold Estate. *Less than Freehold Estate*. Is an *encumbrance* on property.

Gross Lease – tenant pays only rent.

Net Lease – tenant pays rent and property expenses like: taxes and/or insurance.

Percentage Lease – Commercial tenant pays base rent, plus percentage on gross receipts of business.

Ground Lease – Rents *land*. Tenant improvements revert to landlord on lease completion.

DEED

Get to title through deed. Real property *transferred* by deed, which *conveys* title. All have grantor/grantee, except in finance, i.e. Trust Deed. Not required to *record* deed to *convey* title w/deed, but, smart. Gives *constructive notice* to the world. *Do* if *involuntary transfer*. *Remember*: "First to record is first in right."

Requires: *delivery / intent / acceptance* by grantee, use Notary. Only require "adequate description" of property. *Deed restrictions* are *private* restrictions. Conflict between deed and zoning restrictions? Most stringent applies. Deed conveys *all* interest held by grantor, *exception*: explicit statement in deed granting *less* interest.

Valid Deed - In *writing* and *grantor* executed (signature); grantor competent; grantee designated; adequate property description; granting clause (conveyance language).

Valid Transfer - Valid deed; delivery; grantee acceptance by proof. Whether the property is encumbered or unencumbered, transfer of fee simple title requires the grantor to sign the deed. The lender cannot stop transfer, even if act violates a *due on sale clause*. *All the lender can do is call the loan, not prevent transfer*.

Legal Requirements - Must adequately name grantee capable holding title. Deed to actual person with fictitious name (dba) valid. If person *not exist* then void. Grantee misnamed in error?

REAL ESTATE FUNDAMENTALS AND TERMS

Correct with second deed. Grantee's name changed (marriage)? Grantor refer former name. E.G., now married woman received title as *Joan Jet*, grants as *Joan Jett Jones, formerly Joan Jett*. Unemancipated, never married *minor* sells property she owns? Wants back? Gets it. Deed void *ab initio*, "void at inception."

Legal Description - Not required for RE sales contract nor deed. But, *adequate description* required, so courts can sort out which property grantor is granting. Remember, a *grant deeds, land contract, or ALTA title insurance never requires more than a legal description*.

All-inclusive Deed of Trust - aka *Purchase-Money Deed of Trust*. Given by seller to buyer lacking purchase money as security for deed. Subordinate to, still includes original encumbrance(s). Like *Wraparound Mortgage*, using Deed of Trust, not Mortgage.

Gift Deed – Requires terms “love and affection” for consideration. Cannot use to avoid creditors.

Grant Deed - *Delivery and Acceptance* required. *Grantor warrants*: not previously conveyed and no encumbrances (except noted); and, will convey any *not yet* acquired (additional) title. Only *requires* signature of *grantor*. *Not* require price. Two implied warranties: *grantor* disclosing *all* encumbrances; *grantor* has *not* previously conveyed.

Not Yet Acquired - "Title acquired by the mortgagor *subsequent* to the execution of the mortgage inures to mortgagee as security for the debt in like manner as if acquired *before* execution." Civ Code §2930. Parties can agree to lien on property not yet acquired. Civ Code §2883.

Partial Reconveyance Deed - Releases *specific* parcel for *partial* payment on mortgage or trust deed lien. Usually after additional payment for specific property.

Quitclaim Deed – Grantor gives up property interest. Avoids disputes without court *color of title* action. Releases any present interest held by grantor, including right to *use* real property of another. No warranties.

Reconveyance Deed - Should, but *not* required to record. Lender paid in full, then issued by *Trustee (Title Co)* to *Trustor (purchaser)*. If smart - record it.

Warranty Deed - aka *General Warranty Deed*. Because of title insurance, not used often in Cal. Grantor warrants/guarantees good clear title, not condition of improvements.

Involuntary Deeds: Require recording.

Sheriff's Deed – When court ordered sale (mortgage foreclosure). Given to highest bidder. No warranties.

Tax Deed – If tax foreclosure, county tax collector issues to highest bidder.

Trustee's Deed – Issued by Title Co. to highest bidder if property privately foreclosed and sold.

Unlocated Easement - A deed to an *unlocated* easement may be enforceable, but is *valid*. Location might be later determined.

TITLE

Right to ownership of land. If facts proved enable person to recover or retain possession. Can transfer by patent, will, accession, or involuntary alienation.

Legal Title - Grantor retains.

Equitable Title – Grantee's right of possession and use.

Patent Title - Original conveyance of title to real or personal property from *government* to *private* individual.

Abstract of Title - Full summary of all *discoverable* records pertaining to title, liens, encumbrances, grants, transfers, conveyances, legal proceedings, any facts as evidence of title, shows continuity ownership. Recorded elements may impair title.

Chain of Title - In the *plant* at the Title Co.

Plant - Storage in a Title Co. Accumulated complete title records of property in *its* area.

Title Search - Public records, county recorder's office, county clerk, tax agencies, federal court clerk, Secretary of State.

Change of Ownership Statement - *Must* be filed with County Recorder or Tax Assessor at time of recording transfer. If transfer *not* recorded, then file within *45 days* of ownership *change*.

Lis Pendis - *Recorded* notice warning to *all* that title or right of possession is in litigation (law suit referenced *must be* filed). *Constructive notice* to world. Preserves rights pending litigation, makes difficult to sell. Doctrine of *Lis Pendis* exception to general rule that person *not party* to court action not affected by judgment in that action. Notice of *withdrawal* of pendency recorded by person who *recorded Lis Pendis*.

Title by Occupancy – Without owner's permission. Three methods:

Adverse Possession.

Prescription. (See, Easement below); or,

Abandonment. *Lessee* leaves property, not pay rent, and does something like changing mailing address. *Lessor* can enter and thereby reclaim without court process).

Adverse Possession – Five requirements of *possession*:

Open and Notorious (not hide fact of possession); **Continuous** (five years w/out abandoning, and, pay taxes); **Hostile** and **Adverse** (without permission to detriment of owner. No confrontation please).

Also, boundaries marked with fence; and *occupancy* under *color of title*, due to a title or deed given by another (3rd party), which may *not* be legal title or deed, but is paperwork one *may* have relied on).

TITLE INSURANCE

Foremost, buyer needs *marketable* title. Protection for buyer-lender against *future claims* through title insurance policy. Pay single premium on issuance. Recording deed *only protects* from *past* claims against title. Historically, *Certificate of Title* and *Abstract of Title* preceded title insurance. Zoning violations *not covered* by Title Insurance.

Owners – **CLTA**. Insures *owner* from risks of *record*. Also, some *off-record* like forgery, lack of capacity, federal estate taxes, improper or non-delivery of deed, fraud, etc.

Lenders – **ALTA**. Lenders generally *require*, so *most common*. Insures interest of *lender*, to *off-record*: unrecorded liens, encumbrances, encroachments, easements and rights of parties in possession *at time of issuance*. Assessor's physical inspection and survey required, with correct survey lines, which may discover encroachments to or by neighbor's property. Extends coverage to water and mining rights. (Tip: remember ALTA is *all*.) Indemnification is as of the *date and time* the policy is issued, *not for events occurring later*.

Fire Insurance - Not *assignable* (to new owner) without insurer's consent. Lender requires. Covers personal quality of insured. If assigned without perm, no coverage. Ins Co need not communicate affirmative *denial* of transfer. Unless insurer agrees assignment, *not* transferable. Insurer can cancel *after* written notice with reasonable time for cancellation. Be watchful that policy covers *entire cost* of rebuilding. Don't be *El Nino'ed*.

Private Mortgage Guaranty Insurance - aka *PMI*. Is avail lenders from approved mortgage insurance companies. Additional security for "low down " loans. Guarantees lender if borrower defaults. Insurer reimburse lender \$ loss, or insured amount, whichever *less*. Insurance covers only top of loan (lender's real liability) if default.

LEGAL DESCRIPTION

Recorded Map - *Lot, block, subdivision*. Residential/urban. Shows *specific recorded addresses*.

SAMPLE END HERE

Sample Ends Here

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