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## CONTINGENCY –

This is a clause in the sales contract that says something must happen before the sale goes through. The sale is contingent on this event, in other words. Common contingencies are the arrangement of financing, a successful home inspection or wood pest inspection, or a roofing or sewer report.

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## FIRPTA –

The Foreign Investment in Real Property Tax Act of 1980 is important if you are buying a property from a person or corporation that is not US-resident. FIRPTA rules state that the buyer must withhold 10% of the realized sale price for tax purposes. A common exception is if you are buying a personal residence for under \$300,000.

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## CAL-FIRPTA –

The California version of FIRPTA, this legislation requires the withholding of a percentage of the sales price for most California real estate transactions. Talk to your realtor or escrow officer to get a full explanation of how this law affects your transaction.

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## EASEMENT –

An easement is an allowance, written into the property's title, for another person or company to have access to a portion of the land for some purpose. Often an easement allows access to power lines or utilities running through the property. A registered easement gives the other party legal access, and restricts what the owner can do on that piece of the property.

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## ENCROACHMENT –

An encroachment is any structure or physical thing that intrudes on somebody else's space. Encroachments must be agreed upon before building, resolved if discovered, or removed if objected to.

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## ESCROW –

An escrow is a financial arrangement where a third party (the escrow company) holds and regulates payment of the funds required for two parties to complete a transaction. It helps make transactions more secure by keeping the payment in a secure escrow account which is only released when all of the terms of an agreement are met as overseen by the escrow company.

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## DEED OF TRUST –

In many states, including California, this document takes the place of a mortgage. The Deed of Trust places a property's title in the hands of a Trustee, usually a title company, along with the specifics of the buyer's loan and repayment provisions.

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### LIEN –

This is a legal claim on a property by someone the owner owes money to. In real estate transactions, the lender will attach a lien to the property title, saying any money from sale of the property will first be used to pay off the loan.

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## PRORATIONS –

In a real estate deal, the escrow agent will need to figure out the buyer's and seller's portions of expenses that get paid according to a certain date – eg taxes, interest or utility bills. The agent will pro-rate the expense, doing the arithmetic based on the transaction's closing date.

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## GRANT DEED –

This is the actual document of the real estate sale. It states that the seller, or Grantor, is selling the property to the buyer, or Grantee. It states the specifics of the property, and that the seller has revealed any liens or encumbrances. The Grant Deed is usually notarized and recorded.

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## TITLE INSURANCE –

This is an insurance policy for buyers that protects them against unanticipated defects in the property title. These could be anything from hidden liens, ex-spouses, unrevealed heirs, or recording errors, to forgery. Title insurance policies carry different specifics and exceptions, so examine yours carefully.

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## CLOSING COSTS –

The buyer and seller have expenses associated with the transaction other than that of the actual cost of the home. For example, the buyer has a variety of fees due for obtaining a new loan and the seller must pay commission to both agents.

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A smiling couple, a blonde woman in a yellow top and a man in a blue shirt and tie, are receiving a set of keys from a real estate agent, a woman in a dark vest and white shirt, who is holding a clipboard. They are standing in front of a house with large windows.

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## CLOSING DISCLOSURE –

A form that provides the final details about the mortgage loan. It includes loan terms, projected monthly payments, and how much the extra fees will be.

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## CLOSING –

This is the final meeting where the buyer and seller sign the necessary paper-work, complete the transaction, and release/take possession of the property. Usually the representing agents and attorneys attend.

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## PROPERTY TAXES –

These are the taxes that are enforced by the city, town, county, and state government entities. These taxes are included in the total monthly mortgage payment and are held in escrow by the lender.

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