

California Escrow Association
Certified Escrow Technician (CET)
Study Guide

The test consists of the following:

Problem

The escrow is a refinance escrow where you will payoff two trust deeds - one being an institutional lender the other a private party. You will be asked to figure the file and determine if the borrower needs to bring in money or will be getting a check at closing and how much it is. You will also be asked to prepare an Interspousal Deed. Based on this problem, you will also be asked various questions about the documentation you will be provided and the figures and the calculations you have computed. I.E. How much is the payoff? How much interest did you collect on the new loan?, etc.

Oral Interview

You will be seated in front of 2-3 escrow officers who will ask you various questions. The questions will be at an assistant's level and they are intended to find out how you would handle certain situations. For example... "What would you do if a principal walks into your office and hands you their escrow paperwork?" "What is Escrow?".

True/False & Multiple Choice Questions

These questions are included to ascertain your escrow knowledge. The following list will provide you some areas of "study":

- Who are the parties to a Grant Deed / Deed of Trust / Reconveyance? On a Grant Deed who is the Grantee and who is the Grantor? On a Deed of Trust who are the 3 parties to the document?
- Know how to complete the above types of documents. What information is needed, etc.
- Loan Documents: How to calculate right of rescission period & reading lenders' instructions
- What documentation is required for Payoffs (Institutional vs. Private)
- Basic Notary questions.
- Know the general escrow dos and don'ts - confidentiality and ethics
- Vesting: the types and what we can and can't tell the principals.
- Real Property Tax timetables
- Prorations. Know how to do prorations by hand (without the use of a computer) - property taxes and homeowners association dues.
- What information is needed in order to "open an escrow" and "open a title order"
- The difference between Real Property and Personal Property
- Opening documents for a sale escrow
- Payment of real estate commission

The questions are based on "common sense" in an escrow file and are not intended to be "trick" questions. Please read each question carefully and answer it without reading anything into it. Follow the instructions you are given even if they differ from the procedures you follow in your office. All escrow professionals need to learn to follow written instructions!

The Escrow I Book published by the California Escrow Association is a good study guide for this test even though it covers more material than you will need to pass this test. Use the guidelines above to obtain information from the book to study and learn prior to taking the test.

SAMPLE QUESTIONS

1) **True or False:**

If most of the instructions to escrow holder are satisfied, it is o.k. for you to close escrow.

2) **True or False**

When working on escrow files, it is acceptable to have several files open on your desk at one time.

3) **True or False**

Notes made in an escrow file (by you or the escrow officer) can say anything you want them to say because they can never be submitted into court should a legal matter arise on the file.

4) **True or False**

When you receive a Statement of Information from a principal, it is wise to check the preliminary title report to see if one has been requested by the title company.

5) **True or False**

The County Tax Assessor collects Real Property Taxes.

6) **True or False**

A good escrow technician will always give anyone that calls any information that they may need with regards to an escrow file.

7) **True or False**

When signing loan documents, it is o.k. for you to tell the Borrower that the interest rate they are paying seems to be a bit higher than the last set of loan documents you just signed up.

8) **True or False**

The grant deed is executed by the buyer.

9) **True or False**

For purposes of title insurance, an unmarried woman is the same as a single woman.

10) **True or False**

"Community Property" is title held by any two people.

Multiple Choice

1) Which of the following is not important when proofing a Grant Deed before sending to your Title Officer?

- a) The return address is completed
- b) The notary section has been completed properly
- c) The Transfer Tax is indicated on the Deed
- d) The County Recorder's Stamp is legible

2) Who is the party that signs a Deed of Trust?

- a) Grantee
- b) Trustee
- c) Trustor
- d) Beneficiary

3) The following party is automatically entitled to obtain information about your escrow:

- a) Principals Attorney
- b) Buyer's Lender
- c) Seller's Daughter
- d) None of the above

- 4) The purpose of a Request for Demand on a note secured by a trust deed is to:
 - a) Notify the current lien holder of intent to pay off the loan
 - b) Find out the total amount due on the loan
 - c) Ask for a reconveyance
 - d) all of the above
- 5) A joint tenancy may consist of all of these except:
 - a) a husband and wife
 - b) a single man and a married man
 - c) a married man and a corporation
 - d) a single woman and an unmarried man
- 6) A receipt should always indicate:
 - a) name of the person who deposited the funds
 - b) the sellers' name
 - c) the legal description of the property
 - d) the property address
- 7) Escrow instructions may consist of everything except:
 - a) the mutual promises of buyer and seller
 - b) conditions of buyers purchase and sellers agreement to deposit items necessary to deliver title to the property
 - c) general instructions of the escrow holder
 - d) buyer's drivers license number
- 8) The parties to a grant deed are the:
 - a) grantor and grantee
 - b) mortgagor and mortgagee
 - c) lessor and lessee
 - d) trustor and beneficiary
- 9) Which of the following is not a party to a deed of trust
 - a) trustor
 - b) trustee
 - c) maker
 - d) beneficiary
- 10) An amendment is normally used to:
 - a) eliminate the CAR contract
 - b) identify the sellers' TIN
 - c) modify the terms of the original escrow instructions
 - d) complete 1099 processing

Oral Questions

- 1) The Broker calls and tells you that the Buyer's do not have enough money to close and wants you to credit a portion of their commission to the Buyer at closing. What would you do?
- 2) A Buyer is bringing in their deposit the day before closing. They hand you the check and you notice that it is a check drawn on their personal account. What would you do?
- 3) You receive a call from your bank that the Buyers' deposit check was just returned by the bank. What would you do?
- 4) You receive a call from your buyer asking why he must complete and sign the Preliminary Change of Ownership Form. What do you tell him?
- 5) When reviewing the signed escrow instructions from your seller you notice that he has made a change in the one of paragraphs. What would you do?

- 6) When reviewing the preliminary report for your sale escrow, you notice that the report indicates 2 trust deeds of record, but the loan information sheet you received from the seller indicates only one. What do you do?
- 7) When speaking with the buyer on the phone, you notice that the sales price for the property he is purchasing seems way, way too high. Would you say something to him?
- 8) You receive a call from the sellers' attorney asking for specific information on his clients' file. What do you say to him?
- 9) You receive a call from the seller asking why he must complete and sign the 1099 Information Form. What do you tell him?
- 10) The buyers ask you for advice on how they should take title to the property they are purchasing. What do you say to them?

ANSWERS

1) True or False:

If most of the instructions to escrow holder are satisfied, it is o.k. for you to close escrow.

False - the key word here is "most". As you know ALL of the instructions must be satisfied.

2) True or False

When working on escrow files, it is acceptable to have several files open on your desk at one time.

False. You should never have more than one file open on your desk at a time. Otherwise, you may put documentation in the wrong file or even transpose numbers or principals when working on the files.

3) True or False

Notes made in an escrow file (by you or the escrow officer) can say anything you want them to say because they can never be submitted into court should a legal matter arise on the file.

False. All notes, messages, documentation can be demanded by either party to a legal action. It is very important that notes contain the date, time and information.

4) True or False

When you receive a Statement of Information from a principal, it is not that important that it be forwarded to the Title Company immediately.

False. The Statement of Information is very critical in determining any liens that may be against the principals.

5) True or False

The County Tax Assessor collects Real Property Taxes.

False. Real Property Taxes are collected by the County Tax Collector. The Tax Assessor assesses the tax amounts.

6) True or False

A good escrow technician will always give anyone that calls any information that they may need with regards to an escrow file.

False. Key words here are WILL ALWAYS and ANYONE. It is important when someone requests information about a file that you find out who the person calling is and what their relationship to the transaction is.

7) True or False

When signing loan documents, it is o.k. for you to tell the Borrower that the interest rate they are paying seems to be a bit higher than the last set of loan documents you just signed up.

False. You are never to give any type of advice and/or comments with regards to the terms of anyone's loan. You do not know what was involved in the Borrowers credit history in order to obtain the loan. You are not a lender and absolutely cannot give any advice regarding terms. Even the most innocent comment made may end up "blowing" the deal and leaving escrow open to many legal issues.

8) **True or False**

The grant is executed by the buyer.

False. The grant deed is executed by seller.

9) **True or False**

An unmarried woman is the same as a single woman.

False. An unmarried woman is one who was previously married but is now legally divorced. A single woman is one who has never been married.

10) **True or False**

"Community Property" is title held by any two people.

False. Title may only be held as community property between a husband and a wife who are married to each other.

Multiple Choice

1) Which of the following is not important when proofing a Grant Deed before sending to your Title Officer?

- a) The return address is completed
- b) The notary section has been completed properly
- c) The Transfer Tax is indicated on the Deed

d) The County Recorder's Stamp is legible *The stamp is not on the Deed until the time that the document is recorded.*

2) Who is the party that signs a Deed of Trust?

- a) Grantee
- b) Trustee
- c) Trustor** *(This is your Borrower)*
- d) Beneficiary

3) The following party is automatically entitled to obtain information about your escrow:

- a) Principals Attorney
- b) Buyer's Lender
- c) Seller's Daughter

d) None of the above *Other than the Buyer or Seller you must always obtain confirmation of who the person calling is either by calling the principal and obtaining information to talk to someone else or by getting it in writing from the principal. Even a Real Estate agent calling should be confirmed as the principal's agent before offering information.*

4) The purpose of a Request For Demand on a note secured by a deed of trust is to:

- a) Notify the current lien holder of intent to pay off the loan
- b) Find out the total amount due on the loan
- c) As for a reconveyance

d) All of the above *A proper request for demand will ask all of the above information from a lender - whether they are an institutional lender or an individual lender. While it is not necessary to receive a full reconveyance (or the necessary documents to obtain one) from an institutional lender, it is imperative that you do so when working with an individual beneficiary.*

5) A joint tenancy may consist of all of these except:

- a) A husband and wife
- b) A single man and a married man

c) A married man and a corporation. *For purposes of vesting, a corporation is considered an artificial person.*

- d) A single woman and an unmarried man

6) A receipt should always indicate:

- a) Name of the person who deposited the funds.** *This is an absolute must for every receipt!*
- b) The sellers' name
- c) The legal description of the property
- d) The property address

- 7) Escrow instructions may consist of everything except:
- a) The mutual promises of buyer and seller
 - b) Conditions of buyers purchase and seller agreement to deposit items necessary to deliver title to the property
 - c) General instructions of the escrow holder
 - d) **Buyers' social security number.** *This information would never be placed on the escrow instructions as it would then become available to the seller, which, in most cases would not be required or advisable.*
- 8) the parties to a grant deed are the:
- a) **Grantor and Grantee.** *These are your buyers and sellers*
 - b) Mortgagor and mortgagee
 - c) Lessor and lessee
 - d) Trustor and Beneficiary
- 9) Which of the following is not a party to a deed of trust?
- a) Trustor
 - b) Trustee
 - c) **Maker.** *This is the person who signs the note but not the trust deed. This would be your buyer or borrower.*
 - d) Beneficiary
- 10) An amendment is normally used to:
- a) Eliminate the CAR Contract
 - b) Identify the sellers' TIN
 - c) **Modify the terms of the original escrow instructions.** *Since we must always have all of our instructions in writing, we use an amendment to set forth these changes and/or additions to the original contract.*
 - d) Complete 1099 processing

Oral Questions

- 1) The Broker calls and tells you that the Buyer's do not have enough money to close and wants you to credit a portion of their commission to the Buyer at closing. What would you do?
First, you need to advise the Broker that you have to prepare an amendment and that the amendment will need to be signed by the Buyer, the Seller and the Broker. Additionally, this amendment needs to be sent and approved by the lender in the transaction. The lender must know about this as it may be in violation of the conditions of the loan. Before you do anything, however, you should immediately advise your escrow officer of the request.
- 2) A Buyer is bringing in their deposit the day before closing. They hand you the check and you notice that it is a check drawn on their personal account. What would you do?
This check does not comply with the "Good Funds" law that we are obligated to comply with. You need to politely explain to them that these are not good funds and that they will need to obtain a cashiers check or have the funds wired to our escrow trust account. Again, if you as the assistant feel awkward, you should always involve your escrow officer.
- 3) You receive a call from your bank that the Buyers deposit check was just returned by the bank. What would you do?
First and foremost, you advise your escrow officer. You should immediately advise both Real Estate Agents - by fax or by written letter (not just verbally). Why is it important for both agents to know? It is our responsibility to always advise both agents if Buyers funds have not cleared. If there are no agents in the file, then you must advise the Buyer and Seller directly. Why in writing - because you may need to have proof that you advised them if a problem arises. Remember - always cover your rear end!
- 4) You receive a call from your buyer asking why he must complete and sign the Preliminary Change of Ownership Form. What do you tell him?
You explain that this form is required by the County Tax Assessor to assist him in accurately assessing the property taxes on the property that your buyer is purchasing. You further explain that it is important for him to complete the form in its entirety and as accurately as possible. You also tell him that his failure to return a completed and signed copy of the form will result in an additional charge to him from the County Recorder's Office of \$20.00.
- 5) When reviewing the signed escrow instructions from your seller you notice that he has made a change in one of the paragraphs. What do you do?

The first thing you should do is congratulate yourself on doing a good job of reviewing the incoming mail! Secondly, you should immediately bring this change to the attention of your escrow officer so that he or she can determine the next course of action.

6) When reviewing the preliminary report for your sale escrow, you notice that the report indicates 2 trust deeds of record but the loan information sheet you received from the seller indicates only one. What do you do?

You should verify with the Title Company that they have not missed any reconveyance. If this is the case, ask them to forward you a supplement correcting the error as soon as possible. If they indicate that no error has been made on their part, you need to bring this matter to the attention of your escrow officer as soon as possible. The officer will then more than likely ask you to contact the seller or his agent to ask about the second loan on the property.

7) When speaking with the buyer on the phone, you notice that the sale price for the property he is purchasing seems way, way too high. Would you say something to him? If so, what?

You would say absolutely nothing to him! Remember that you are a neutral third party in your escrows so you would have no opinion in this matter.

8) You receive a call from the sellers' attorney asking for specific information on his clients' file. What do you say to him?

First, you do not acknowledge that you have any file for the name of the client he has given to you. You further explain that you are unable to provide information on any file you may have without the express consent of the principal. You inform him that he may have the principal call you or send you a written instruction authorizing you to speak with him. This is a very important thing to remember, because providing information to an outside party may cause many problems for your principal, which could result in litigation for your company down the road! If you receive verbal instructions from your principal, be sure to make a full note of that in your conversation log!

9) You receive a call from the seller asking why he must complete and sign the 1099 Information Form. What do you say?

You explain to him that the Internal Revenue Code requires that all sales or exchanges of "Reportable Real Estate" be reported to the IRS. You further explain that you will not report any information on his loss or gain on the property, but only the identity of the property, the date it was sold and the sales price. It is our company policy not to close without receipt of this form, so it would be beneficial for you to consult your management to determine your company policies on this matter, as they should be conveyed to the seller.

10) The buyers' ask you for advice on how they should take title to the property they are purchasing. How do you reply?

The first words out of your mouth should be that you are unable to give them any advice, as you are a neutral third party in this escrow. You should direct them to their attorney and/or tax advisor to advice in this area.

THE PROBLEM-

Overview:

This escrow is a refinance and you will pay off an institutional loan, and figure the amount of funds the borrower is to receive, or needs to deposit to close escrow. You will also prepare an Interspousal Deed.

Close of Escrow: 3-11-04 - you will disburse on this day

Borrower: Sandra Simpson, a married woman as her sole and separate property

Property address: 123 Maple Street, San Diego, CA 92101

County: San Diego

Mailing address: same as property address

Loan Amount: \$450,000

New Lender: SCME Mortgage Corporation, Inc. See lender instructions for new loan charges. Interest in on a per diem basis, and the loan will fund the working day prior to recording.

Loan Funding Information: lender has notified you that loan has funded. The following are the only changes made to their original loan instructions: interest from 3-10-04 to 4-1-04 in the amount of \$1,491.82; wire amount is \$445,399.84.

Mortgage Broker: ABC Funding Corp.

First Payoff: is to be paid through your escrow to Countrywide Home Loans, Inc. Refer to the demand for payoff amounts and allow 2 days mail time for payoff to get to the lender.

Title Company: First American Title. See the title invoice for charges to paid to the title company. You are instructed to pay the taxes direct to the County Tax Collector.

Escrow Charges are: Escrow fee \$400.00; Demand fee is \$25.00 each; Overnight courier fee to return documents to the lender and to send out 1 payoff at \$25.00 each; Document preparation fee of interspousal deed at \$35.00, and a Notary fee of \$10.00.

Hazard Insurance Company: State Farm Insurance and you are instructed to collect the next years' premium in the amount of \$475.00.

Documents to Prepare: Interspousal Deed from borrower's spouse to borrower. You have prepared an instruction that was executed by the borrower and her spouse instructing you to prepare an Interspousal Deed from James Simpson, a married man to Sandra Simpson, a married woman as her sole and separate property. The instruction further states that no monies shall be paid to James Simpson for his execution of the deed; and that all costs incurred in the preparation and recordation of this document shall be paid by your borrower through your escrow.

PROBLEM QUESTIONS

- 1. Amount of loan proceeds paid to borrower \$_____
- 2. Amount of interest paid on the new first trust deed loan \$_____
- 3. Total payoff on existing first trust deed loan \$_____
- 4. Amount of fees due the title company \$_____
- 5. Amount of interest paid on the first payoff \$_____
- 6. Amount of fees due the escrow company \$_____
- 7. Total amount of funds disbursed through the escrow \$_____
- 8. Amount due tax collector \$_____
- 9. Amount of check to the hazard insurance company \$_____
- 10. Amount of funds deducted by lender from loan proceeds \$_____
- 13. Total number of disbursements (including escrow fee) you will make _____

On the Interspousal Transfer Deed, the numbered and circled areas should be completed as follows:

- 15. #1_____
- 16. #2_____
- 17. #3_____
- 18. #4_____
- 19. #5_____
- 20. #6_____
- 21. #7_____

RECORDING REQUESTED BY:

AND WHEN RECORDED MAIL THIS DEED AND, UNLESS
OTHERWISE SHOWN BELOW, MAIL TAX STATEMENTS TO:

1

Order No:
Escrow No:
A.P.N:

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

INTERSPOUSAL GRANT DEED

THE UNDERSIGNED GRANTOR(S) DECLARE(S)

THERE IS NO CONSIDERATION FOR THIS TRANSFER AND IT IS EXEMPT FROM DOCUMENTARY TRANSFER TAX PURSUANT TO CODE SECTION 11911 OF THE REVENUE AND TAXATION CODE. THIS IS AN INTERSPOUSAL TRANSFER AND THIS TRANSFER IS EXEMPT FROM REASSESSMENT PURSUANT TO CODE SECTION 63 OF THE REVENUE AND TAXATION CODE.

☐ From Joint Tenancy to Community Property.

☐ From one spouse to the other spouse.

☐ From one spouse to both spouses.

☐ From both spouses to one spouse.

☐ Other _____

GRANTOR:

2

hereby GRANT(S) to:

3

the following described real property in the city of

4

County of **5**, State of California:

6

AKA:

Dated: **JUNE 9, 2004**

7

STATE OF CALIFORNIA

COUNTY OF _____}SS.

On _____ before me, _____ (insert name) Notary Public,

personally appeared _____,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/ are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

(This area for official notarial seal)

MAIL TAX STATEMENTS AS DIRECTED ABOVE

TITLE INVOICE

FIRST AMERICAN TITLE INSURANCE COMPANY

Recording confirmed as of March 11, 2004

ALTA Lender's Policy fee	\$ 728.60
Sub-Escrow Fee	\$ 125.00
2 nd Half Taxes	\$ 597.36

	Recording Fees	
Deed of Trust		\$54.00
Interspousal Deed		\$10.00