FOREIGN INVESTORS

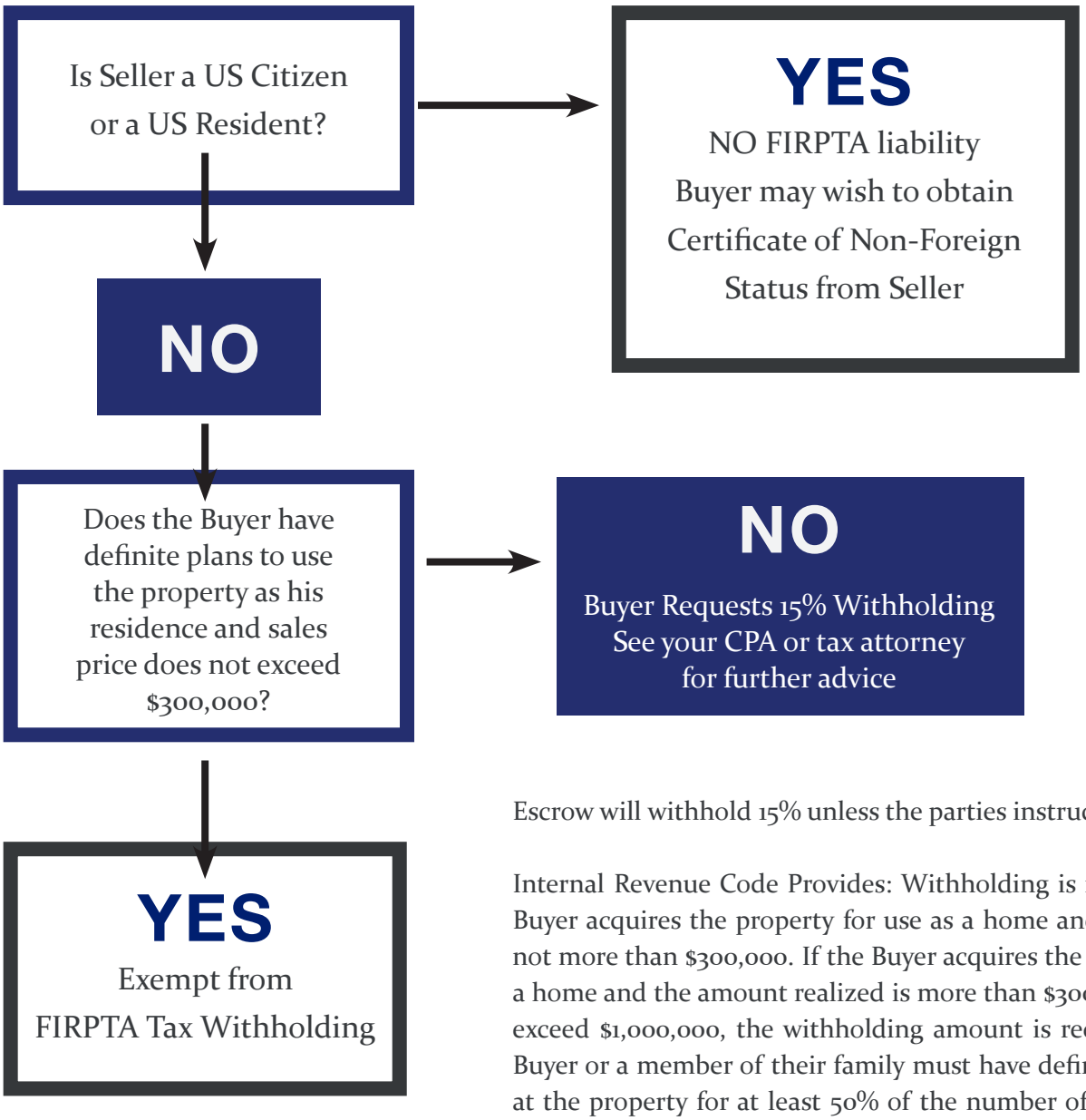
Guide to Purchasing and Selling a Home in Arizona

Committed to Your Success

SECURITY
TITLE AGENCY
A Fidelity National Financial Company

Foreign Investment in Real Property Tax Act

FIRPTA is a U.S. law governing the sale of real property by non-resident aliens and foreign entities when the property is located within the United States.



Escrow will withhold 15% unless the parties instruct otherwise.

Internal Revenue Code Provides: Withholding is not required if the Buyer acquires the property for use as a home and the sales price is not more than $300,000. If the Buyer acquires the property for use as a home and the amount realized is more than $300,000 and does not exceed $1,000,000, the withholding amount is reduced to 10%. The Buyer or a member of their family must have definite plans to reside at the property for at least 50% of the number of days the property is used by any person during each of the first two 12 month periods following the date of transfer. When counting the number of days the property is used, do not count the days the property will be vacant.

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WHAT YOU **NEED TO KNOW**

Basics

When a foreign owner gets ready to sell, they could be subject to a 15% (of the Sales Price) withholding unless the transaction qualifies for certain residence exceptions.

If the Sales Price is $300,000 or less, and the Buyer or a member of their family will reside at the property for at least 50% of the number of days the property is used by any person during each of the first two twelve month periods after sale, the withholding rate is reduced to 0%. If the property will be the Buyer's residence and the sales price does not excede $1,000,000 (but is more than $300,000) the withholding rate is reduced to 10%.

Funding

All funds deposited in escrow must be by wire transfer. Outside of US Wire Transfers/Swift Fee: International transfers are executed through SWIFT –– Society for Worldwide Interbank Financial Telecommunication. There is an additional charge for this type of transfer. Typically the charge is a flat rate and does not exceed $50. The charge is deducted from the wired funds and varies from bank to bank, so we recommend that our clients wire an additional $50 when wiring from outside of the U.S.

Forms

Forms you may need are available at www.IRS.gov and some may be completed on-line.

w-7	Application for IRS Individual Taxpayer Identification Number.
8288_B	Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests.

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GOOD **FUNDS**

Arizona law requires that "escrow agents not disburse money from an escrow account until funds related to the transaction have been deposited and available. ARS –– 6-834. The law specifies which forms of payments are acceptable for deposit.

The availability of funds for use in escrow is based on funds being deposited in our bank for the specified days shown below. The days refer to Business Days which are defined as calendar days other than Saturday or Sunday, and excluding most major holidays.

Same DAY

Electronic Payment/Transfer or Wire. This is the preferred method for receiving funds.

Next DAY

- Official Checks. In-State checks drawn on FDIC Insured Institution.
- Cashiers, Certified, and Tellers Checks.
- US Treasury Checks.
- Postal Money Orders (for other money orders, see Fifth Day).
- Federal Reserve, Federal Credit Union, and Federal Home Loan Bank Checks.
- State and Local Government Checks. Must be in State.
- Security Title Agency Checks drawn against the same bank or branch as our own depository bank.

Second DAY - See Caution

- Local Checks –– Personal, Corporate, Credit Union, Money Market, and Traveler's Checks.

fifth DAY - See Caution

- Official Checks –– Out of State and/or not drawn on FDIC Insured Institution.
- Money Orders (except Postal Money Orders which are available Next Day).
- State and Local Government Checks from Out of State.
- Other Checks –– Personal, Corporate, Credit Union, Money Market, and Travelers Checks form Out of State.

FOREIGN CHECKS

It is the policy of Security Title NOT to accept foreign checks into escrow. This includes foreign checks paid through a US Bank. All money coming from outside the United States must be sent via wire transfer.

THIRD PARTY CHECKS

Security Title does NOT accept third party checks. Third Party checks are drawn on a non-financial account, payable to a payee other than Security Title Agency, and subsequently endorsed over to Security Title. There is one exception –– United States Treasury checks payable to Farmers Home Administration's borrower, endorsed over to Security Title Agency.

Caution

Due to the length of time it takes to receive notice from banks on NFS and returned items, written verification from the customer's bank that the check has paid is required if 10 days have not elapsed since the funds were deposited in escrow

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CLOSING **COSTS**

The Seller can generally expect to pay:

- Owner's title insurance premium
- Real estate commission
- Half to the escrow fee (except VA)*
- Notary fess (if applicable)
- Any loan fees required by Buyer's lender (according to contract)
- Payoff of all loans including accrued interest, statement fees, reconveyance fees, and any prepayment penalties
- Termite inspection (according to contract)
- Home warranty (according to contract)
- Any judgements, tax liens, etc. against the Seller
- Recording charges to clear all documents of record against the Seller
- Tax proration for any taxes unpaid at time of transfer of title
- Any unpaid homeowner's association dues
- Any bonds or assessments (according to contract)
- Any and all delinquent taxes

*On VA loans, the entire escrow fee must be paid by the Seller

The Buyer can generally expect to pay:

- Lender's title policy premiums
- Half of the escrow fee (except VA)*
- Document preparation (if applicable)
- Notary fees (if applicable)
- Recording charges for all documents in Buyer's name
- Termite inspection (according to contract)
- Homeowners' association transfer fee (according to contract)
- All new loan charges (except those which the lender requires the seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Home warranty (according to contract)
- Fire insurance premium for first year
- All pre-paid deposits for taxes, insurance, MIP, etc.

The above information is not necessarily all-inclusive and all the services for which payment may be non-allowable may not be identified.

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TAKE TITLE IN **ARIZONA**

Community Property	Joint Tenancy With the Right of Survivorship	Community Property With the Right of Suvivorship	Tenants in Common
• Requires a valid marriage between two persons.	• Parties need not be married; may be more than two joint tenants.	• Requires a valid marriage between two persons.	• Parties need not be married; may be more than two tenants.
• Each spouse has an undivided one-half interest in the estate.	• Each joint tenant holds an equal and undivided interest in the estate, unity of interest.	• Each spouse has an undivided one-half interest in the estate.	• Each tenant in common holds an undivided fractional interest in the estate. Can be disproportionate; e.g., 20% and 80%, 60% and 40%, etc.
• One spouse cannot partition the property by selling his of her interest.	• One joint tenant can partition the property by selling his or her joint interest.	• One spouse cannot partition the property by selling his or her interest.	• Each tenant's share can be conveyed, mortgaged, devised to a third party.
• Requires signatures of both spouses to convey or encumber.	• Requires signatures of all joint tenants to convey or encumber the whole.	• Requires signatures of both spouses to convey or encumber.	• Requires signatures of all joint tenants to convey or encumber the whole.
• Each spouse can devise (will) one-half of the community property.	• Estate passes to surviving joint tenants outside of probate.	• Estate passes to the surviving spouse outside of probate.	• Upon death, the tenant's proportionate share passes to his or her heirs by will or intestacy.
• Upon death, the estate of the decedent must be "cleared" through probate, affidavit or adjudication.	• No court action required to "clear" title upon the death of joint tenant(s).	• No court action required to "clear" title upon the first death.	• Upon death, the estate of the decedent must be "cleared" through probate, affidavit or adjudication.
• Both halves of the community property are entitled to a "stepped up" tax basis as of the date of death.	• Deceased tenant's share is entitled to a "stepped up" tax basis as of the date of death.	• Both halves of the community property are entitled to a "stepped up" tax basis as of the date of death.	• Each share has its own tax basis.

Note: Arizona is a community property state. Property acquired by a husband and wife is presumed to be community property unless legally specified otherwise. Title may be held as "Sole and Separate". If a married person acquires title as sole and separate, his or her spouse must execute a disclaimer deed to avoid the presumption of community property. Parties may chose to hold title in the name of an entity; e.g., a corporation, a limited liability company, a partnership (general of limited), or a trust. Each methods of taking title has certain significant legal and tax consequences. Therefore, you are encouraged to obtain advice from an attorney or other qualified professional.

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About Security Title.....

As a leader in the Metropolitan PHOENIX real estate community since 1975 and as one of the largest title operations in the Southwest, Security Title is uniquely capable and positioned to offer our customers The very best and most complete service. As a direct operation of Fidelity National Financial, we enjoy the strength of our association with The largest title insurer in the world combined with the same local knowledge, experience, and decision-making the has marked our success. Our professional staff is widely recognized for the depth of knowledge and experience brought to each transaction. Our Commitment to customer service is exemplified by our constant refrain: "Attitude is everything". With offices located throughout Maricopa County, Security Title is the premier choice in Arizona's escrow and title insurance industry.

Strengths.....

Security Title has a well-established reputation in our field. Many of our employees have been with the company for 20 – 30 years, providing an un-paralleled reservoir of professionalism. As one of the few Arizona title companies to have weathered all the economic storms from the 70's through the present day, Security Title has a track record as one of the most desirable title companies at which to be employed. We can and do boast about the quality of knowledge and service offered at every Security Title location.

Our executive staff consists of long-term, successful people who have risen through the ranks –– yes, even from the mailroom –– by demonstrating uncommon wisdom, customer care, and pursuit of solutions.

As an agent of several major underwriters, we have the ability to provide your title insurance in the most competitive environment. We have the flexibility to use the underwriter that can best meet your needs in terms of underwriting, problem-solving, and pricing.

"Where Attitude is Everything"

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