INFORMATION REGARDING OWNERSHIP OF KINGDOM HALLS

March 1, 2000

The Kingdom Hall of Jehovah's Witnesses is a place of unity and the center of true worship locally. Therefore, all in the congregation should take an interest in the Kingdom Hall, recognizing that it belongs to Jehovah. While some congregations may rent their Kingdom Hall facilities, others have purchased their Kingdom Hall property. This is a matter that should be decided by the local congregation. The Society does not decide if a local congregation should or should not purchase its own Kingdom Hall property. Our purpose here is to provide information that will be of assistance to congregations owning or contemplating ownership of Kingdom Hall property. In addition, we are including a Glossary to provide an explanation of some words and terms commonly used in real estate transactions that may not be familiar to all.

REGIONAL BUILDING COMMITTEE

[2] Regional Building Committees assist congregations in evaluating properties and building or renovating Kingdom Halls. The chairman of the Regional Building Committee should be contacted before a congregation purchases property, accepts property as a donation, or begins any construction work.

PROPERTY EVALUATION

[3] The Regional Building Committee will assist the congregation to evaluate whether potential Kingdom Hall property should be purchased or accepted as a donation. When evaluating property, special attention should be given to the fact that the site development costs can far exceed the cost of the Kingdom Hall itself. Therefore, all site development costs must be carefully considered. In addition, careful consideration is to be given to its location, potential environmental hazards, local zoning regulations and building codes and their application before a commitment to purchase or acceptance as a gift is made. Determine if zoning regulations permit use of the property for a church or place of worship. Building codes should be studied to determine the type, style, placement, and cost of building permitted to be constructed. Requirements for off-street parking should be considered. A copy of the local regulations should be obtained from the local zoning department or building department. These free services should be utilized before taking the matter to a local attorney for assistance. Also, the deed records should be examined to see whether there are any restrictive covenants that make it illegal to use the property as a Kingdom Hall. If the property is restricted to "church" use only, it may make it unacceptable, since such restriction may complicate a future sale of the property.

OBTAIN CLEAR TITLE

[4] Before any new property is purchased or accepted as a donation, you should engage the services of a title insurance company to search the real estate records and provide a Commitment for Title Insurance. In areas where title insurance is not available, you should obtain a preliminary written opinion of title from your attorney. Doing so will assure that you are dealing with the true owner of the property and provide the status of the property's title before you conclude the transaction.

[5] Confirm that you will receive "fee simple" (clear) title to the property and that there are no covenants, easements, encroachments, liens, mortgages, or restrictions that could adversely interfere with your use of the property. Any unacceptable exceptions to the coverage and problems involving title to the property must be resolved before closing.

[6] The property description on the contract of sale, current owner's deed, survey, and commitment for title insurance or opinion of title from your attorney should all match. If there is a problem and they do not match, corrective measures are to be taken before the transfer is finalized.

TITLE INSURANCE/ATTORNEY'S TITLE OPINION

[7] When new property is purchased or accepted as a donation, an Owner's Policy of Title Insurance may be purchased to protect the interests of the congregation and establish clear, unqualified title and legal ownership to the property. You may wish to obtain coverage equal to the purchase price of the land and the market value of the new building constructed or renovated. Title insurance protects against loss from some occurrence that may have happened in the past, such as a forged deed somewhere in the chain of title. If your project will use a licensed surveyor, have a title survey prepared. Inform your title insurance agent that your title survey should be written into the policy. If you do not purchase title insurance, you will need to obtain a formal written opinion of title from your attorney.

[8] Title insurance is not transferable. Sale or transfer of title, perhaps to another congregation, will cancel the current policy of title insurance. The new title owner would need to obtain a policy of title insurance.

TWO WAYS TO HOLD TITLE

[9] There are two ways by which title to property can be held by a congregation. These are: **(1) a corporation formed by the congregation** or **(2) trustees appointed by the congregation.** A contract to purchase real property or a deed to a corporation or trustees cannot be made until either the congregation corporation has been legally formed, or the congregation trustees have been properly appointed.

[10] Due to considerable variations of laws from state to state, one arrangement may be more desirable than the other. Therefore, you should enlist the services of an attorney for assistance in your discussion of the best arrangement to be used in your area. Your Regional Building Committee may be able to assist you to locate a qualified local attorney.

[11] It is preferable that each congregation hold title to its property in its own name. Where two or more congregations share the same Kingdom Hall, the corporation or trustee arrangement should be the instrument of only one congregation. This would preferably be the congregation holding the territory in which the Kingdom Hall is located, although not absolutely necessary, as long as the congregation having the titleholding entity also shares the use of the Kingdom Hall.

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[12] A corporation may not hold title to Kingdom Hall property of another congregation, even upon the request of the other congregation, except with written approval of the Society. The congregation should not take title to Kingdom Hall property in the name of the Society. The Society does not desire to take title to Kingdom Halls or permit Kingdom Halls to be registered in the name of the Society. Title to property bought for the congregation should not be held in the name of one of the elders or any other member of the congregation.

(1) TITLE HELD BY A CORPORATION

[13] The procedure for the formation of a corporation differs in each state, and you will need the services of a local attorney in forming a corporation. He will probably advise you that your corporation should be created under the religious or nonprofit laws of the state where your congregation is situated. If he does not so advise, inform the Legal Department of the reason why he recommends otherwise, or have him write and explain the situation.

ARTICLES OF INCORPORATION

[14] You may contact the Regional Building Committee for sample articles of incorporation, as well as bylaws, for your state. Use of the samples provided will reduce the attorney's work. The procedure for the formation of a corporation is that articles of incorporation are properly prepared by an attorney and approved and filed in the Office of the Secretary of State or recorded in the County Clerk's Office, where required. This would be in the state or county where the congregation is situated. After approving the articles, the state issues a certificate of incorporation; the two documents together become the charter that gives the corporation its legal existence.

[15] The corporation name is usually the same as the congregation's name. Example: Central Congregation of Jehovah's Witnesses, Patterson, New York, Inc.

[16] The purpose in forming a corporation would be to hold title to Kingdom Hall property. Therefore, the articles of incorporation should specifically state the purpose to acquire and hold title to real estate as a meeting place and place of worship for the local congregation of Jehovah's Witnesses. The right to accept gifts and bequests of personal and real property and to mortgage its property should also be included.

[17] If the corporation is required to have a Taxpayer Identification Number (TIN) (for corporations this is referred to as an Employer Identification Number (EIN)), use the exact name of the corporation on your application to the Internal Revenue Service. In your application to the Internal Revenue Service for a tax identification number, please describe the corporation as a 'church.' Do not use the number that the Internal Revenue Service issued to your congregation.

[18] **Please note that the following two paragraphs are to be included in your charter or articles of incorporation (this may require an amendment to your existing charter or articles of incorporation):**

> The property of this Corporation is irrevocably dedicated to religious purposes, and no part of the net earnings or assets of this corporation shall inure to the benefit of a director, officer, or member of the Corporation or any private individual. No substantial part of the activities of this Corporation shall consist of the carrying on of propaganda or otherwise attempting to influence legislation, nor shall this Corporation participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office. This Corporation is organized exclusively for religious purposes within the meaning of Internal Revenue Code Section 501(c)(3). Notwithstanding any other provisions of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on (1) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States tax code) or (2) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States tax code).
>
> Upon the winding up and dissolution of this Corporation, after paying or adequately providing for debts and obligations of the Corporation, the remaining assets shall be distributed to Watchtower Bible and Tract Society of New York, Inc. No assets will be deemed to be received by Watchtower Bible and Tract Society of New York, Inc., until such acceptance is evidenced in writing. If Watchtower Bible and Tract Society of New York, Inc., is not then in existence and exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States tax code), then said assets shall be distributed to any organization designated by the ecclesiastical Governing Body of Jehovah's Witnesses that is organized and operated for religious purposes and is a corporation exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code of 1986 (or the corresponding section of any future United States tax code).

[19] If the above two paragraphs are not included in your present articles of incorporation, please file an amendment to your articles of incorporation to include them. You should contact the Legal Department for all questions regarding amending existing articles of incorporation.

[20] After the articles of incorporation have been filed with the state, bylaws may also be necessary. If they are required in your state, the corporation should adopt them. Your attorney can advise if they are necessary.

OFFICERS OF THE CORPORATION

[21] Mature ministers who are not likely to move away from the congregation should be chosen as corporation officers. Where possible, elders or ministerial servants of the congregation should be appointed to act as officers. In the event an elder or ministerial servant who has been appointed as a corporation officer no longer serves as an elder or ministerial servant, he should be replaced where possible.

ANNUAL MEETING

[22] Each year, as outlined in the corporation's articles or bylaws, a meeting is to be held to satisfy the state's legal requirement. Only those who are members of the corporation as defined in the articles of incorporation and bylaws are to vote at this meeting. Minutes of the business conducted at the annual meeting, including the election of officers, are to be kept. When required by the state, annual corporate statements may need to be filed with the Office of the Secretary of State. Failure to follow through on the above matters may cause the cancellation of your corporation. Your titleholding entity would then no longer exist.

[23] All corporation documents, including the minutes of the annual meeting, are to be kept current and filed in the congregation's permanent file.

(2) TITLE HELD BY TRUSTEES

[24] If you choose to hold title to the Kingdom Hall property under the trustee arrangement, you will need to do so under the laws of your state, and you may need the services of an attorney. You may contact the Regional Building Committee for sample trustee documents.

TRUSTEES FOR THE CONGREGATION

[25] When the congregation decides to have trustees hold property in its behalf, the congregation must first appoint the trustees. This is accomplished by a resolution presented to and approved by the congregation appointing three brothers as trustees. In selecting trustees, mature ministers who are not likely to move away from the congregation should be chosen. Where possible, elders or ministerial servants of the congregation should be appointed to act as trustees. In the event an elder or ministerial servant who has been appointed as a trustee no longer serves as an elder or ministerial servant, he should be replaced where possible. When it becomes necessary to appoint a substitute trustee, he should be appointed by resolution duly adopted by the congregation.

TRUSTEE DOCUMENTS

[26] Consult with your attorney as to the language to be used in the appointment of trustees and in the appointment of substitute trustees. Have your attorney advise if anything needs to be recorded in the land records when a trustee is changed. The following sample trustee documents are available from the Regional Building Committee and may reduce the attorney's work: Certificate of Appointment of Trustees, Certificate of Appointment of Substitute Trustee, Declaration of Trust for Trustees, Declaration of Trust for Substitute Trustee.

[27] To establish the appointment of trustees or substitute trustees, the Congregation Service Committee is to sign and have notarized a **Certificate of Appointment of Trustees.** When it becomes necessary for the congregation to appoint a substitute trustee, a **Certificate of Appointment of Substitute Trustee** should be signed and notarized. These are to be kept in the congregation's permanent file.

[28] The appointed trustees are to sign a **Declaration of Trust for Trustees.** Subsequently, the deed for the Kingdom Hall property can be made to the named and appointed trustees, followed by the phrase: *"as trustees for the (full name of the congregation)."* The Declaration of Trust signed by trustees should include language recognizing the authority of the congregation to replace trustees and appoint substitute trustees.

[29] In the deed a paragraph should be inserted authorizing the congregation to appoint a substitute trustee to act in the place of any trustee who may die, resign, or become disqualified to act as trustee. Your attorney should prepare the suggested paragraph.

[30] When a substitute trustee is appointed by the congregation, it is advisable to have the original resolution appointing a substitute trustee kept with the deed. The substitute trustee need not record anything, but if the property is sold it will be necessary to have the resolutions indicating who constitute the current trustees. This is in order to keep the title records up to date and avoid complications. The substitute trustee is to sign a **Declaration of Trust for Substitute Trustee.** Trustees are to be kept current.

[31] Although it may not be required by state law, everyone who is appointed a trustee or substitute trustee should sign a Declaration of Trust for Trustees or Declaration of Trust for Substitute Trustee before a notary public showing that he takes title to the property as a trustee and that he has no personal right, title, or interest in and to the property conveyed to him. This clearly affirms that neither his estate nor heirs have any interest in and to the property if the trustee or substitute trustee dies. Although these documents may not need to be recorded, they should be carefully kept in the congregation's permanent file. Your attorney handling the interests of the congregation in respect to the property can guide you in respect to the language of the Declaration of Trust so that the congregation will be fully protected legally under the laws of your locality.

RELATIONSHIP BETWEEN CONGREGATION AND TITLEHOLDER

[32] The entity holding title for the congregation by either a corporation or trustee arrangement is the same as any other instrument, equipment, or property used to carry out the work of the congregation. All such instruments or tools are used to serve the congregation in harmony with the theocratic arrangement.

[33] The mere fact that the congregation has authorized the formation of a legal corporation or trustee arrangement does not mean that a separate organization has been formed that can function separately and apart from the congregation and be used to guide and direct its policies. The titleholder is merely a special servant of the congregation by whom legal title to the Kingdom Hall is held. Corporation officers or trustees, as such, do not act as a part of the Congregation Service Committee to operate the Kingdom Hall or run the business of the congregation. It is the responsibility of the congregation to determine the use to be made of the property or what kind of work is to be done in it.

[34] The operation of the Kingdom Hall, repairs and improvements, payment of expenses and obligations, and all other business in connection with owning and maintaining the property are under the direction of the theocratic organization through the elders and ministerial servants appointed through the Society. Consult the counsel and instructions provided by the Society for guidance in matters of service and organization. If there are legal functions that the titleholders need to perform, they should act in harmony and willing cooperation with the congregation body of elders.

[35] It should be understood that any brothers who contribute or loan large or small sums of money for the acquisition and maintenance of the Kingdom Hall do not have any voice in its management, other than as members of the congregation. Those who loan money have the right to expect repayment and good business management. If a corporation is used, the officers are not paid any salary, but they, as any other members of the congregation, are entitled only to be reimbursed for expenses authorized by the congregation. The same is true for trustees.

[36] If your congregation intends to change the name of the congregation and is holding title to the Kingdom Hall property by either a corporation or trustee arrangement, please contact the Legal Department before making any changes in your corporate documents, trustee documents, or deed to the property.

ACCOUNTS

[37] Payments for expenses, maintenance, notes, and all other obligations incurred as the result of the ownership and maintenance of the Kingdom Hall are to be paid out of the congregation's funds, contributed in the regular way. When two or more congregations share the same Kingdom Hall, it is recommended that a separate bank account be established to receive each congregation's monthly contribution to care for the Kingdom Hall expenses. The account would be opened under the Taxpayer Identification Number (TIN) or Employer Identification Number (EIN) of the congregation having the titleholding entity. All accounts are to be cared for as outlined in *Instructions for Congregation Accounting* (S-27a). **The titleholding corporation (if one is used) will never have any funds, since all money belongs to the congregation(s) and is to be placed in the regular congregation bank account.** Even though a congregation may use a corporation for titleholding purposes, the bank account is to be opened as an unincorporated association.

FINANCING THE KINGDOM HALL

[38] Financing the purchase or construction of a Kingdom Hall is the responsibility of the entire congregation(s). Before final plans for a Kingdom Hall are made, the congregation(s) should determine how much money could be contributed. If potential donations are not sufficient, determine how much must be borrowed and what size loan, payable in monthly installments, the congregation(s) can reasonably bear. Therefore it should be determined: (1) how much money can be raised by outright contributions from the members of the congregation(s), (2) how much can be raised by loans from members of the congregation(s), (3) how much will be necessary and advisable to borrow, and (4) how much the congregation(s) can and will contribute monthly to retire all loans and care for all congregation and Kingdom Hall expenses and maintenance costs. To determine this, slips of paper can be distributed, giving everyone the privilege and opportunity to anonymously indicate the amounts. Publishers should be encouraged to begin contributing the amount they have indicated. Be aware that at times the amounts listed on the survey slips are higher than what will actually be contributed. Therefore, keep that in mind when determining the amount that can be paid monthly for the loan repayment.

[39] Promissory notes shall be given to the members of the congregation who loan money. These unsecured notes can be executed by the Congregation Service Committee as the congregation's promise to pay. You may contact the Regional Building Committee for a sample promissory note.

[40] If a congregation needs further assistance to finance the construction or renovation of a Kingdom Hall, it may request a *Kingdom Hall Loan Application* (S-84) from the Regional Building Committee. It is important that there be evidence of local congregation support of the Kingdom Hall project in order to assist the Society in approving financial assistance.

[41] Temporary financing should not be obtained through commercial banks or loan associations unless the congregation has first contacted the Society for assistance and receives written direction.

REAL ESTATE TAX EXEMPTION

[42] Almost every state provides for the exemption from the payment of taxes on real property used for a place of worship by a congregation. Application for exemption must be made in the time and manner provided for by local law and practice. Inquire at the office of your local tax assessor or tax collector. In a few states the law does not allow for exemption unless a corporation owns the property. Also, if part of the property is not used for congregation activity, an exemption may not be granted, but the application can be made for exemption from taxes on the part used by the congregation. Follow through to assure that you have received real estate tax exemption. Of course, all taxes are to be paid in a timely fashion until you qualify for exemption.

[43] Even after tax exemption has been obtained, an annual filing may be required. Check yearly with your local assessor to confirm that the Kingdom Hall property is still tax exempt and that only proper assessments, if any, have been levied. All proper assessments are to be paid within the terms outlined. If any assessment is questioned, promptly follow through on the matter so that it is either removed or paid.

[44] The need for apartments in Kingdom Halls is limited. If a special circumstance arises, before proceeding with plans for an apartment, please contact the Society and explain why a special provision should be made. It is recommended that congregations limit any housing to those in special full-time service. There should be no written or oral obligation to pay rent in exchange for the housing. Contributions to the congregation are acceptable but should be voluntary and in no way related to the cost of housing. All occupants should clearly understand that no rent is paid in exchange for the housing. This understanding points to the need to select occupants with a high level of spirituality who appreciate this arrangement. Under this arrangement no income is earned on property renovated or acquired through debt to your lender. If you have any questions, please contact the Society.

ANNUAL CONGREGATION PROPERTY DOCUMENTS & SAFETY INSPECTION WORKSHEET

[45] Each year congregations will receive an *Annual Congregation Property Documents & Safety Inspection Worksheet* (T-34). The congregation holding title to the property should fill out the form. This will assist in verifying that all legal documents are current and in good order. A photocopy of the completed form should be given to each congregation sharing the Kingdom Hall and should be filed in its respective permanent file.

[46] In addition, the worksheet is to be used to help you identify potential areas of property damage or accidents that could result in losses. Please take immediate action in correcting any noted problems, and document the action taken.

[47] When requesting a Kingdom Hall loan, the current completed *Annual Congregation Property Documents & Safety Inspection Worksheet* (T-34) will be helpful to the Regional Building Committee in assisting you with completing the *Kingdom Hall Loan Application* (S-84) and verifying that you have the proper and current documents on file.

KINGDOM HALL ASSISTANCE ARRANGEMENT (KHAA)

[48] Congregations may choose to participate in the Kingdom Hall Assistance Arrangement, or they may purchase commercial general liability and property insurance. The Society uses contributions designated for the KHAA to pay for property damage, as well as expenses and liability claims arising from incidents at Kingdom Halls. For more information, please refer to the most recent *Key Facts About the Kingdom Hall Assistance Arrangement* letter.

PERMANENT FILE

[49] All legal documents pertaining to the ownership of the Kingdom Hall property are to be kept in a permanent file in a secure location known to the elders meeting in the Kingdom Hall. This would include the property deed, policy of title insurance, attorney's title opinion, charter or articles of incorporation, bylaws, minutes of corporation annual meetings, copies of annual corporate statement filings, Certificate of Appointment of Trustees, Certificate of Appointment of Substitute Trustees, Declaration of Trust for Trustees, Declaration of Trust for Substitute Trustees, promissory note, *Annual Congregation Property Documents & Safety Inspection Worksheet* (T-34), and so forth. It would be good if the file for these records or the location was fireproof.

[50] If, after reviewing this information, any congregation has further questions, it should feel free to write to the Society for additional information that may be needed. We are very much interested in your efforts to have and maintain good Kingdom Hall facilities.

GLOSSARY

The following are some words and terms commonly used in real estate transactions. However, please note that these definitions are not meant to be all-inclusive or conform to dictionary standards. As far as possible, terms are expressed in layman's language, substantially accurate without being technically or legalistically correct.

ABSTRACT An abbreviation of the principal aspects of all recorded deeds, mortgages, leases and other instruments affecting the title to a particular piece of land.

AGREEMENT A word often used synonymously with "contract" but being broader in meaning. An agreement is not always a contract.

ANNUAL MEETING A meeting held once a year by a corporation in which directors and officers are elected as outlined in the articles of incorporation or bylaws. A written record, referred to as minutes, of each annual meeting is made.

ARTICLES OF INCORPORATION A document filed with a state by the founders of a corporation. After approving the articles, the state issues a certificate of incorporation; the two documents together become the charter that gives the corporation its legal existence. The charter embodies such information as the corporation's name, purpose, and number and identity of directors. The corporation's powers thus derive from the laws of the state and from the provisions of the charter. Rules governing its internal management are set forth in the corporation's bylaws, which are drawn up by the founders.

ATTORNEY'S TITLE OPINION See Title Opinion.

BARGAIN AND SALE DEED Sometimes called a "fee simple deed." A deed of conveyance that presumes that the grantor holds title, but which makes no warranty with respect to the title.

BOARD OF DIRECTORS A group of individuals elected, usually at an annual meeting, by the shareholders or members of a corporation and empowered to carry out certain tasks as spelled out in the corporation's charter.

BYLAWS The rules governing the internal management of an organization.

CERTIFICATE OF TITLE A document issued by a title examiner stating the condition of a title. Usually more formal than an attorney's opinion.

CLEAR TITLE A title that is free of liens or legal questions as to ownership of property.

CLOSING The process of completing a real estate transaction (transfer of title) during which deeds, mortgages, leases and other required instruments are signed and/or delivered, an accounting between the parties is made, the money is disbursed, the papers are recorded, and all other details such as payment of outstanding liens are attended to.

CLOSING COSTS The expenses over and above the price of the property incurred by the buyers and sellers in transferring ownership of a property.

CLOUD ON TITLE An irregularity, possible claim, or encumbrance which, if valid, would adversely affect or impair title.

CONTRACT A legally binding agreement by which rights or acts are exchanged for lawful consideration.

CONVEYANCE The transfer of an interest in real estate from one person to another.

CONTINGENCY An event that may or may not happen. In real estate contracts, a contingency is usually an event that must occur before the buyer is obligated to complete the purchase. Contingencies frequently found in real estate contracts are: the buyer obtaining financing; the buyer's sale of another property; approval of a zoning change or special use permit; the buyer making an inspection of the property; the seller providing a current survey; and the seller having marketable title.

CORPORATION A legal entity, separate and distinct from the persons who own it. The courts regard it as an artificial person; it may own property, incur debts, sue, or be sued.

COVENANT A statement by which a party pledges that something is done, will be done, or will not be done or stipulates to the truth of certain facts.

DEED An instrument, of various forms, by which title to real estate is conveyed from one party to another.

DEED RESTRICTION A restriction contained in a deed which limits the use or occupancy of the real estate or the type, size, purpose and location of improvements to be constructed on it.

DEED OF TRUST An instrument in the nature of a mortgage that secures the payment of a debt. Distinguished from a mortgage in that the title is transferred to, and held by, a trustee for the benefit of the holder of the debt.

DEFECT A blemish, imperfection or deficiency. A defective title is one that is irregular and faulty.

EARNEST MONEY The advance, or down payment, by a purchaser of a small part of the purchase price as evidence of good faith.

EASEMENT A right in favor of one person to use the real estate of another person for a special purpose.

EGRESS The path or opening by which one goes out from real estate.

ENCROACHMENT The extension of a structure from the real estate to which it belongs across a boundary line and onto adjoining property.

ENCUMBRANCE A claim, lien, charge, or liability upon real estate in favor of someone other than the owner of the real estate.

ESCROW The depositing with an impartial third party called the escrow agent (usually the title company) of anything pertaining to a real estate transaction including money and documents of all kinds which are to be disbursed and delivered to the rightful parties by the escrow agent when all conditions of the transaction have been met.

FEE SIMPLE The highest degree of ownership which a person can have in real estate. An interest in real estate which gives the owner unqualified ownership and full power of disposition.

GRANT A transfer of real estate, between individuals, by deed.

GRANTEE One to whom a grant is made. (Buyer)

GRANTOR One who makes a grant. (Seller)

INGRESS The act, or right, of entering real estate; access to real estate.

LENDER'S POLICY (MORTGAGE POLICY) An insurance policy written by a title company protecting a lender's mortgage against title claims that might affect the priority of the mortgage. Mortgage lenders usually require that a borrower obtain a lender's policy as a condition of obtaining a mortgage loan.

LIEN A claim, encumbrance, or charge on property for payment of some debt, obligation, or duty. Such liability may be created by contract, such as a mortgage, or by operation of law, such as a mechanic's lien. A legal claim that usually must be paid when the real estate is sold.

LIEN SEARCH A report showing the findings of a search of public records for liens by an attorney or title company.

MARKETABLE TITLE A title which is free from encumbrances and any reasonable doubt as to its validity.

MECHANIC'S LIEN A lien on real estate, created by operation of law, which secures the payment of debts due to persons who perform labor or service or furnish materials incident to the construction of buildings and improvements on the real estate.

MINUTES A written record of the business conducted at a meeting, including all meetings of directors and members of a corporation.

MORTGAGE A legal document that pledges a property to the lender as security for payment of a debt.

OPINION See Title Opinion

OWNER'S POLICY A policy of title insurance usually insuring an owner of real estate against loss occasioned by defects in, liens against, or unmarketability of the owner's title.

PLAT A map of a specific land area such as a town, section, or subdivision showing the location and boundaries of individual parcels of land subdivided into lots with streets, alleys, easements, and so forth, usually drawn to scale.

PLAT BOOK One in a set of books in the public records in which maps, plats, and copies of surveys are recorded.

PRINCIPAL The amount borrowed or remaining unpaid; also, that part of the monthly payment that reduces the outstanding balance of a mortgage or loan.

PROMISSORY NOTE A written promise to pay a specific sum of money, usually with interest at a specified rate, at a stated time or on demand, usually to a named person.

QUIT CLAIM DEED A deed which does not imply that the grantor holds title, but which surrenders and gives to the grantee any possible interest or rights which the grantor may have in the property.

REAL ESTATE Land, including all inherent natural attributes and any man-made improvements of a permanent nature placed thereon.

RECORDING The act of a recorder of receiving and transcribing, in a book or on film of the public records, instruments affecting the title to real estate.

REFINANCING The process of paying off one loan with the proceeds from a new loan using the same property as security.

RELEASE OF LIEN The instrument by which a lien is released from the real estate that it encumbers.

RESTRICTIONS Often called restrictive covenants. Provisions in a deed or other instrument whereby an owner of land is prohibited or restricted to certain use, occupation, and improvement of the land.

RIGHT OF WAY (1) The right to pass over property owned by another, usually based on an easement. (2) A path or thoroughfare over which passage is made. (3) A strip of land over which facilities such as highways or power lines are built.

SALE AGREEMENT A contract entered into between a buyer and seller, setting forth the terms, provisions, and conditions of a sale of real estate.

SATISFACTION The payment of a debt or fulfillment of an obligation. An instrument executed by the holder of a lien, debt or obligation that acknowledges payment or fulfillment. For example, a satisfaction of a mortgage sometimes is referred to as a satisfaction piece.

SEARCH A careful exploration and perusal of the public records in an effort to find all recorded instruments relating to a particular chain of title.

SURVEY A drawing or map to scale showing the precise legal boundaries of a property and the location of improvements, easements, rights of way, encroachments, and other physical features.

TAX EXEMPT Free from tax liability. Certain organizations, such as registered charities, religious organizations, educational institutions, and nonprofit groups, hold tax-exempt status, meaning that they may not owe certain taxes to the federal, state, or local government. Application must be made for such exemption.

TAX LIEN The lien that is imposed upon real estate by the operation of law that secures the payment of real estate taxes.

TITLE A legal document evidencing a person's right to or ownership of a property.

TITLE COMPANY A company that specializes in examining and insuring titles to real estate.

TITLE COVENANTS Covenants ordinarily inserted in conveyances and in transfers of title to real estate for the purpose of giving protection to the purchaser against possible insufficiency of the title received.

TITLE DEFECT (1) Any possible claim or right outstanding in a chain of title which is adverse to the claim of ownership. (2) Any material irregularity in the execution or effect of an instrument in the chain of title. (3) A gap in the chain of title.

TITLE INSURANCE A policy issued by a title company representing the state of title to a parcel of real estate and insuring the accuracy of its search against claims of title defects. Title insurance premiums are usually paid in one lump sum at the time the policy is issued, and the policy remains in force indefinitely for the named insured (the titleholder when the policy is issued). When title to the parcel is transferred, the new titleholder must purchase a new policy of title insurance for itself.

TITLE OPINION The conclusion and judgment of an attorney as to the status of a title, based upon a title examination.

TITLE SEARCH An examination of the public records to confirm the legal owner of the property and to reveal any liens or other claims outstanding.

TRUST A fiduciary relationship in which a person, called a trustee, holds title to property for the benefit of another person, called a beneficiary.

TRUST DEED See Deed of Trust.

WAIVER The voluntary and intentional relinquishment of a known right, claim or privilege.

WARRANTY The provisions in a deed, lease, or other instrument conveying or transferring an estate or interest in real estate under which the seller becomes liable to the purchaser for defects in or encumbrances on the title.

WARRANTY DEED A deed that explicitly contains covenants concerning the quality of the title it conveys.

ZONING LAWS State laws and municipal ordinances that regulate the use of real estate and buildings. Zoning boards are created by, and operate according to, zoning laws.