Buyer's Guide

Answers to all your important questions about buying real estate!

Brought to you by:

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Where do I begin the process of looking for a home?

The first thing you should do is to begin focusing on what you're looking for in a home. You can start by establishing priorities in the following three areas:

Location: Are you relocating to a new town because of a new job or to be closer to your current job? How will the location of schools, shops, and transportation affect your choice of neighborhood?

Personal Tastes: How large of a home do you need? What style of architecture do you prefer? What type of lot do you prefer? Depending on where you move to, you may have a choice of homes in dozens of styles, sizes, and settings.

Budget: How much home can you comfortably afford?

As you consider these issues, do a little research of your own. Look through magazines for ideas about home styles and features. Drive through neighborhoods that appeal to you to see what's available. Read the real estate listings in the newspaper to learn about current prices in the areas you're considering. Talk to friends about the features that you'd really like to have in your home. The more knowledgeable you become, the better your final decision is likely to be.

Then sit down and consider carefully all the things you're looking for in a home. The Homebuyer's Wish List worksheet later in this section is a good starting point. When you've filled it out, you'll begin to get a good idea of what you'd like your dream home to be.

How do I know how much home I can afford?

We've found that affordability is probably the single biggest concern of today's first-time home buyers. Given the wide range of media coverage regularly devoted to the issue, it's not surprising that many young families wonder how long it will take them to afford their first home.

Our advice: Don't sell yourself short. Talk to your real estate professional. A good sales professional is committed to honestly and responsibly working with you to determine your affordable price range. There are many financing options available today, and some include low down payments. Your sales professional will help find an option that fits your budget, and you may be surprised at just how much home you can afford.

How does buying compare to renting?

Renting offers a lifestyle that's nearly maintenance-free. That may appeal to you, but consider that renting offers you no equity, no tax benefit, and most likely no protection against regular rent increases.

If your rent has averaged $700 a month for the last 10 years, you've spent $84,000 with nothing to show for it. Isn't it time you invested in yourself instead of your landlord?

Several financing options hold special advantages for first-time buyers or families with limited cash reserves. FHA-insured and VA-guaranteed mortgages can minimize or even eliminate your down payment. You may also consider a lease-purchase agreement, or borrow cash for a down payment from life insurance, profit-sharing or a retirement account.

In addition to tax deductions you'll likely receive that can partially offset the cost of real estate taxes, insurance and home maintenance, your home may appreciate in value. If you purchase a home that costs $100,000 and the property increases in value only two percent each year, your potential appreciation in just two years is nearly $4,200. And due to changes to the tax code, subject to certain restrictions, up to $250K (or $500K if married filing jointly) of the profit you make when you sell the house is tax-free as long as you own the property for a minimum of 24 months.

CHOOSING A COMMUNITY

BUYING TIP
If commuting time is important to you, take a "test drive" — get up extra early a few days and drive to work from the home you're considering.

What should I think about when I'm deciding which community I want to live in?

Good city services, nice parks and playground facilities, convenient shopping and transportation, a track record of sound development and good planning — these are just a few considerations that are important to many people when they choose a community in which to live.

As for individual neighborhoods within a village or city, there is no better source of information than your real estate professional. Sales professionals know the people and the communities they serve, and chances are they can help you find a neighborhood that really fits your family's needs.

Where can I get information about local schools?

Again, a good real estate professional is perhaps your best source. They know where the local schools are and can provide you with valuable information about school districts, including test scores, extracurricular activities, bus service and more. If you're relocating, a sales professional may even be able to put you in touch with teachers and principals when you visit the area. And if you want to do a little searching on your own, the Internet may also be a good place to start. ERA.com has a special link to neighborhood information, including information about area school districts.

How can I find out what homes are selling for in a given neighborhood?

In most areas, home sales are a matter of public record — you can get all the information you want about recent sales, including prices and listing times, by calling the county Recorder of Deeds.

An easier way is to ask your real estate professional. If you're interested in a particular home, a sales professional may be able to provide you with a list of comparables— sale prices of homes in your area that are roughly the same size and age as the home you're considering. Although there will certainly be some differences between the homes — the house next door may have an extra bedroom, or the one down the block may be older than the one you're looking at — it's a good basis for evaluating the seller's asking price.

PROPERTY TAXES

How can I find out what my property tax bill will be?

Usually, the total amount of the previous year's property taxes is included on the listing information sheet for the home you're interested in. If not, ask to see the seller's receipt.

Remember, tax rates change from year to year, so the previous year's bill should be considered simply as a "ballpark" figure of what you would pay. For a more precise projection, call the local assesor’s office for assistance, or ask your real estate professional.

UNDERSTANDING LISTINGS

If I'm moving a considerable distance, is there any way I can screen homes before I start traveling?

Yes. Today's Multiple Listing Services (MLS) — which include as much as 90 percent of the homes listed in any given community — have made it relatively easy for buyers to access detailed information on homes for sale practically anywhere in the country.

ERA Real Estate has taken the MLS concept into the next generation with *ERA.com*, our Web site, which features over 50,000 domestic listings. It's a powerful way for buyers to find the perfect home. The site also includes ERA® International listings, allowing interested buyers to expand their search to other countries without ever leaving their home.

BUYING TIP
Pay attention to the original listing date of the homes you look at. Sellers tend to be more flexible the longer the house is on the market.

Real estate listings and ads seem to have a language all their own. What do all those abbreviations mean?

Abbreviations are a necessity in real estate advertising because so much information must be communicated in so little space. Some common abbreviations and their meanings:

ba	bath	**fin ll**	finished lower level	**mstr**	master bed room/suite
blt	built-in	**fpl**	fireplace	**mtg**	mortgage
br	bedroom	**fml**	formal	**pvcy fence**	privacy fence
brk	brick	**fr**	family room	**sec sys**	security system
bkporch	back porch	**frog**	finished room over garage	**scrnd porch**	screened porch
bldrs redo	builder's renovation	**fsbo**	for sale by owner	**th**	townhouse
cac	central air conditioning	**gmt kitchen**	gourmet kitchen	**txs**	taxes
dr	dining room	**ingrd pool**	inground pool	**wbs**	wood-burning stove

dk	deck	**lr**	living room	**w/o**	walk-out
fdr	formal dining room	**mk**	modern kitchen	**u/g sprk**	underground sprinkler system
fha/va	qualifies for FHA/VA financing	**meik**	modern eat-in kitchen	**yd**	yard

HOME HUNTING TIPS

When I start visiting homes, what should I be looking for the first time through?

The house you ultimately choose to call home will play a major role in your family's life. A home can be an excellent investment, but more importantly, it should fit the way you live, with spaces and features that appeal to everyone in the family.

As you look at each home, consider these important factors:

- Is there enough room for you now and in the near future?
- Is the home's floor plan right for your family?
- Is there enough storage space?
- Will you have to replace the appliances?
- Is the yard the size that you want?
- Are there enough bathrooms?
- How much maintenance and/or decorating will you need to do right away? Later?
- Will your present furniture work in this home?

How many bedrooms should I be considering?

Whether you are married or not, or have kids or not, spare bedrooms come in handy when family and friends come to stay. And when you're not having guests, extra rooms are useful as a library, den, or TV room.

Another good reason to choose a home with extra bedrooms: extra space will make your home more appealing to a larger number of interested buyers when it comes time to sell.

Is an older home as good a value as a new home?

It's a matter of personal preference. Both new and older homes offer distinct advantages, depending upon your unique tastes and lifestyle.

New homes generally have more space in the rooms where today's families do their living, like a family room or activity area. They're usually easier to maintain, too.

However, many homes built years ago offer more total space for the money, as well as larger yards. Taxes on some older homes may also be lower.

Some people are charmed by the elegance of an older home, but shy away because they're concerned about potential maintenance costs. Consider a home warranty to get the peace of mind you deserve. The ERA® Home Protection Plan® protects you against unexpected repairs on many home systems and appliances for a full year or more after you move in.

> ***BUYING TIP***
> *You can assume that any appliances listed "as is" are on their last legs.*

What do I need to bring along when I'm looking at homes?

Bring your own:

- Notebook and pen for note-taking
- Flashlight for seeing enclosed areas
- Tape measure for checking room sizes, clearances, etc.
- Camera (digital or 35mm)

Be prepared to investigate a little. After all, you want to know as much as possible about the home you buy. Sellers understand that because their home is on the market, it will be looked over pretty thoroughly.

If you need to go back to a home for another look, your sales professional will be happy to schedule an appointment. Also, be sure to ask any questions you have about the home, even if you feel you're being nosy. You have a right to know, and the serious seller will not mind making you feel more confident that you've chosen the right house.

What should I ask about each home that I look at?

As a rule of thumb, ask any questions you have about specific rooms, features, or functions. Pay particular attention to areas that you feel could become "problem " ones — additions, defects, areas that have been repaired. And above all, if you don't feel your question has been answered, ask until you understand and are satisfied.

What should I tell the sales professional about the homes I look at?

Tell the sales professional everything you like and don't like about each home you see. Don't be shy about discussing a home's shortcomings. Is the home too small for your needs? Let the sales professional know. Was the home perfect except for the carpeting? Let the sales professional know.

However, remember that there can be two types of sales professionals involved in a real estate transaction; those working for the buyer, and, frequently, those paid by and working for the seller. The seller’s agent is obligated to help secure the best price for the seller. In addition, seller's agents may also report any confidences you share with them — including any willingness to pay a higher price should the seller not accept your initial offer(s). This is why you may want to be represented by a buyer’s agent, because he/she will keep your input confidential. A buyer's agent puts the interests of the buyer — not the seller — first.

How many homes should I look at before I buy?

There is no set number of homes you should look at before you decide to make an offer on one. That's why providing the sales professional with as many details as possible up front is so helpful. The perfect home may be waiting for you on your first visit. Even if it isn't, the house-hunting process will help you get a feeling for the homes in the community and narrow your choices to a few homes that are worth a second look.

If you're looking in more than one community, try to make the most of each house-hunting trip. Stop by the local Chamber of Commerce to pick up promotional literature about the community or ask the sales professional for welcome kits, maps, and information about schools, houses of worship, and recreational facilities. Also, be sure to take along a camera and snap some pictures of all the homes you're interested in. That will make it easier to remember and reach a decision.

HOME HUNTING TIPS

When you find a home you may be interested in buying, make sure the sales professional asks the owner the following questions:

- *How much money do you pay for monthly utilities?*
- *Have you had any problems with water or dampness in the basement?*
- *Are there defects or problem areas that need to be fixed right away?*
- *How old is the furnace and the central air conditioning system?*
- *How old is the roof? Have you experienced any leaking?*

APPRAISALS, INSPECTIONS, LEGAL, INSURANCE

How do I know I'm getting the best value for my money?

A professional appraisal is the best way to tell if a home is priced fairly. A real estate appraisal is an unbiased opinion of a property's value based on its style and appearance, construction quality, usefulness, and other factors, including the value of comparable properties nearby.

When you apply for a mortgage, the lender will have a professional real estate appraiser perform an appraisal of the property.

I'd like to have a professional look at the home before I buy it. What does a home inspector do?

For your own safety, and to make sure you're getting your money's worth in the home you choose, using a professional home inspector is highly recommended. A home inspector will check a variety of things such as your home's plumbing, heating, cooling, and electrical systems, and look for structural problems like a damp or leaky basement, etc.

Usually, you call an inspector immediately after you've made an offer on a home. However, before you sign any written offer, make sure (or have your attorney make sure) that it includes an inspection clause, which says that your purchase obligation is contingent on the findings of a professional home inspector.

Your inspector will not tell you whether he or she thinks the home is worth the money you are offering. Rather, the inspector's job is to make you aware of repairs that are recommended or necessary. A seller may be willing to renegotiate a price to accommodate needed repairs, or you may decide that the home will take too much work and money. A professional inspection will help you make an informed decision.

In choosing a home inspector, consider one who has been certified as a qualified and experienced member by a trade association. Your real estate professional can refer you to qualified inspectors in your area.

Should I be present during the inspection?

Yes. It's not required, but it is very much to your advantage. You'll be able to clearly understand the inspection report and know exactly which areas need attention. Plus, you can get answers to many questions, tips for maintenance, and a lot of general information that will help you when you move into your new home. Most importantly, you'll see the home through the eyes of an objective third party.

Are there any other inspections I need to have done?

In addition to the overall inspection, you may wish to have separate tests conducted to check for insects, the presence of radon gas, and the quality of drinking water, to name a few. Talk to your real estate professional for information about these tests and companies in the area that perform them.

Do I need to use a lawyer to buy a home?

Because the legal contracts and other paperwork involved in buying a home are complex and can be confusing to the general public, many people prefer to work with an attorney.

Your attorney will review contracts and make you aware of special considerations and potential problems, and can accompany you to the closing to help make everything go as smoothly as possible.

If you don't know a real estate attorney, ask your real estate professional for help. Sales professionals work with many legal professionals every month and can provide you with the names of several attorneys in the community.

> ***Relocation Tip!***
> *If your move is work-related, many of your moving expenses may be tax-deductible.*

Do I need to talk to my insurance agent?

Yes, and the sooner the better. Your real estate professional can help you with this, but most insurance professionals have a lot of experience in working with homeowners and can offer useful tips about homeownership, particularly regarding home safety and keeping your premiums low.

Once you've found a home, work with your insurance agent to develop a homeowner's policy that meets your individual needs. You'll need to bring evidence of a fully-paid policy for your mortgage lender when you come to closing. Make sure you take this step with your insurance provider as early as possible; in many locations you'll have trouble assuming title if you don't have proper insurance in place.

> ***BUYING TIP***
> *Measure all rooms for your furniture — don't try to judge by looking at the current owner's placement.*

MAKING AN OFFER

When I've found the home I like, how do I make an offer?

When you've found a special house you want to call home, you'll probably feel excited and a bit nervous. Let the sales professional know you're ready to write an "offer to purchase" — a written document that declares how much you are willing to pay for the home provided that certain conditions are met. Because it's a legally binding contract that you will sign and date, it may be a good idea to have a lawyer review it, within the grace period noted in the contract.

This is the time when it is most important for you to keep in mind that, unless you have specifically retained the services of a buyer’s agent, the sales professional is working for the seller. As the legal agent of the seller, he or she is obligated to help the seller get the best price, and will report to the seller any confidence you share.

It's best to make your offer without sharing with the agent your willingness to offer any higher price if the seller does not accept your offer.

Your offer should have a time limit for the seller to accept it, reject it, or make a counter-offer. If a counter-offer is made, you will have some time to respond. Often, several offers go back and forth until an offer is accepted, or one party decides to end negotiations.

How do I determine the amount of my initial offer?

There is really no rule to use in calculating an initial offer. Naturally, the buyer wants the best value and the seller want the best price, but negotiations can be influenced by many factors, such as a seller who may be changing jobs and wants to sell quickly, or a buyer who is set on a specific home.

After you've looked at the home's features, asked questions, checked comparables, and talked about it with your sales professional, you should have a good idea of what the home's value is in the current market. Consider what you can afford, and make an offer that you consider to be fair.

Most buyers and sellers negotiate on price, with both sides "giving" a little until both agree.

At that point, you typically will begin the process of arranging for an inspection and applying for a mortgage.

What is "earnest money" and how much do I need?

When you sign an offer to purchase, your sales professional will ask you for " earnest money." This refers to a monetary commitment that shows you are serious about wanting to buy. Usually, you will be asked to write a check for one to 10 percent of the sale price.

This money will be held in a special escrow account. If your offer is accepted, your earnest money will be included as part of your down payment. If your offer is not accepted, you'll get back all your earnest money. But keep in mind that if you back out, you may forfeit the full amount.

Is there any way I can protect myself against emergency repair bills in my new home?

Yes. Home warranties offer you protection against many potentially costly problems not covered by your homeowner's insurance. Such warranties have become increasingly popular in recent years, and for good reason. The coverage can save you thousands in the event of a major mechanical breakdown at a time when your cash reserves have been depleted by your down payment and moving expenses.

CLOSING PROCEDURES AND MOVING

There's so much to remember before I close. What do I have to do?

Your sales professional can help you with many of these considerations:

- Are all the necessary inspections complete?
- Are all the required repairs complete?
- When will you conduct your final walk-through inspection?
- Is your attorney satisfied that title to the property is clear (no one else has a claim on it)?
- Have you confirmed a date, time, and place for your closing?
- Who will conduct the closing?
- Is your insurance policy paid and ready to go into effect the day you close? You'll need a receipt for proof.
- What form of check should you use (and who should it be made out to) to pay for the closing costs?
- Has your closing sales professional told you the closing amount?
- Do you have receipts for the items you have already paid for, including your deposit and inspection fees?
- Bring your checkbook to cover any last-minute extras that might have been overlooked.

What should I look for on my final walk-through?

In most cases, you'll be given the opportunity to inspect the home immediately prior to closing. At this time, it's important to check on any work the seller agreed to have done in response to your initial inspection. You should also carefully check the condition of walls and ceilings from which window treatments, pictures, or any other attached furnishings have been removed. If you find any problems, don't hesitate to bring them up at the closing. It's the seller's responsibility to correct them.

What will happen on closing day?

The lender’s agent will ask for your paid home insurance policy.

The agent will list the adjustments. These include the money you owe the seller (the remainder of the down payment; prepaid taxes) and what the seller owes you (unpaid taxes; prepaid rent).

You will sign the mortgage. This gives the lender legal rights to the property if you don't make your payments.

You will sign the mortgage note (the promise to repay the loan in regular monthly payments).

You will get title from the seller in the form of a signed deed.

The lender's agent will collect the closing costs from you and give you a settlement statement of all the items you have paid for.

The deed and mortgage will be recorded in the town or county Registry of Deeds.

Is there anything I should do immediately after closing?

The first thing you'll want to do is have the locks changed. Also, put your deed and other important paperwork from the closing in a secure place, preferably a safe deposit box. Even though it's all on file with the county, it's smart to know where your copies are and have access to them at all times.

Should I move myself or use a moving company?

In almost every case, you can save yourself time and energy by using a reputable moving company to help you move.

Ask your sales professional, friends, and co-workers for recommendations, then get estimates from several companies. Don't choose a mover based on price alone — consider the reputation and professionalism of the company, too.

Work closely with the moving company to coordinate your efforts and your move will be achieved with maximum efficiency.

When applying for a mortgage, you will need just a few pieces of information:

- Name and Social Security number of each applicant
- Current address
- Phone number where you can be reached
- Monthly salary and sources of income (include child support or alimony received)
- Information on length of employment, and employer address and phone number

MORTGAGES

What is a mortgage, and what are the benefits of different kinds of mortgages?

Simply put, a mortgage is a loan that a homebuyer obtains directly from a lender to purchase real estate. The mortgage is a lien on the property that secures a promissory note (promise to repay the debt) that states the terms of the loan, including the interest rate and the number of payments.

The most popular mortgages available to home buyers today can be divided into two general categories: those that offer fixed interest rates and monthly payments, and those in which one or both of those factors are adjustable.

Fixed-rate/fixed-payment loans are more traditional and remain the most popular home financing method, currently accounting for about two-thirds of all residential mortgages. Their advantages are well-known: you always know what your monthly principal and interest payment will be, so your basic housing cost will remain unaffected by interest-rate changes until the mortgage is paid off.

Mortgages that entail flexible rates and/or payments have grown in popularity in recent years, primarily during periods of high interest rates and/or rapidly rising home prices. Many, including the popular ARMs(Adjustable Rate Mortgage), offer lower-than- market initial interest rates that allow buyers a measure of affordability unavailable in fixed-rate loans. The tradeoff may be higher interest rates and higher monthly payments later on.

What are the different types of lenders, and how do I choose the right one for me?

Before someone lends you the money to purchase your home, they'll want to know a lot about you. And you're entitled to know as much as you can about them too.

It's important because getting a mortgage is not just a one-time signing of documents, a handshake and a check. You will be depending on your lender to fund the loan as promised, on time, and over the life of the loan; to keep good payment records, pay your taxes and insurance (if included in your monthly payment); and to perform many other continuing services. As the preferred lender for ERA Real Estate, ERA Mortgage provides all such services.

Talk to your ERA® real estate professional about the lenders you have in mind. Experienced sales professionals are quite familiar with mortgage lenders and can give you sound advice about a lender's reputation, its qualifying procedures, and the unique programs and benefits it offers home buyers.

Are there any mortgages especially designed for first-time buyers?

Today, first-time buyers enjoy a number of mortgage options that make purchasing a home more affordable by minimizing down payments and keeping monthly payments as low as possible during the early years of the loan.

Most ARMs feature an interest rate that is below market for the first year and may only rise gradually after that.

VA- and FHA-insured loans call for extremely low down payments (zero to five percent of the purchase price) and often offer a below-market interest rate. Similarly favorable terms can be arranged with the help of private mortgage insurance or PMI.

Finally, first-timers who can find a cooperative seller or third-party investor can look into such non-traditional financing methods as a lease/buy arrangement.

FINANCING TIP

Anyone can apply for an FHA mortgage provided the loan amount doesn't exceed the maximum allowed by law.

Can I get an FHA or VA mortgage?

Just about anyone can apply for an FHA-Insured Mortgage through banks and other lending institutions. They are particularly well-suited for buyers of moderate income; the low down payment requirements (as low as five percent of the purchase price) are matched by a relatively low maximum mortgage amount.

Similarly, VA-guaranteed loans often require no down payment for up to four times the amount guaranteed by the VA. These loans are reserved for either active military personnel or veterans, or spouses of veterans who died of service-related injuries.

If there is a downside to these loans, it's the qualifying process. Though you apply for government-insured financing through a lending institution, the Federal Housing Administration or the Department of Veterans Affairs must insure or guarantee the loan and may require specific documentation or procedures not necessarily required for conventional financing. That may take more time than is generally required for conventional mortgage approval. Additionally, FHA-required insurance must be added to your payment.

As the preferred lender for ERA Real Estate, ERA Mortgage has been delegated authority by each of these agencies to ensure a quicker loan process.

DOWN PAYMENTS & AFFORDABILITY

How much of a down payment will I need to buy a home?

The amount of money that a buyer must put down at closing depends on the loan-to-value ratio — the percentage of the property's appraised value or sales price (whichever is less) that a lender is willing to loan.

For example, if a property is appraised at $100,000 and the loan-to-value ratio is 90 percent, the lender would be willing to loan $90,000. The buyer's down payment is the remaining $10,000. Because the loan-to-value is a percentage, the higher the sales price of a house, the higher the down payment.

A down payment of 20 percent has been the benchmark for conventional financing, but today, many options are available, some requiring as little as five percent down. A representative from ERA Mortgage can help you determine which down payment option is right for you and your budget. Contact ERA Mortgage for more information about their services.

How does a lender determine the maximum mortgage I can afford?

The three primary areas lenders examine in determining the size of mortgage you can handle include your monthly income; non-housing expenses; and cash available for down payment, moving expenses and closing costs.

The most common way lenders interpret these variables to estimate your mortgage capacity is the Percentage Method. Most lenders feel a family should spend no more than 28 percent of its income on housing costs, including the mortgage, insurance, and real estate taxes. In addition, these housing costs plus your long-term debts (car loans, child support, minimum credit card payments, student loans, etc.) shouldn't exceed 36 percent of your income. Some mortgage companies, including ERA Mortgage, have relaxed ratios to help you purchase the home of your dreams.

Although it is not a standardized method, you can also use the Multiplier Method formula as a general rule of thumb to determine how much home you can afford. Most lenders' guidelines allow a family to carry a mortgage that is two to three times its gross annual income (income before taxes and expenses are taken out). The amount of down payment and the type of mortgage (fixed or variable rate) will determine the precise ratio used by the lender.

THE LOAN PROCESS

What are the steps involved in the loan process?

When you apply for a mortgage, you will need to furnish information regarding your income, expenses and obligations. It will be very helpful, and save time, if you have the following items available:

- Two most recent pay stubs from your employer
- W-2s for the last two years
- Last two months' bank statements
- Long-term debt information (credit cards, child support, auto loans, installment debt, etc.)

CAN'T AFFORD A 20 PERCENT DOWN PAYMENT? ASK YOUR REAL ESTATE PROFESSIONAL ABOUT PRIVATE MORTGAGE INSURANCE (PMI).

For buyers who qualify for conventional financing, but can't handle the high down payment requirements, ERA Mortgage may still offer this financing with PMI, or private mortgage insurance.

Designed to protect the lender against default by the borrower, PMI allows you to obtain traditional financing with a down payment significantly lower than the standard 20 percent. By using PMI, you may be able to get a fixed-rate or adjustable-rate mortgage by putting as little as five percent down.

As with an FHA-insured loan, you must pay premiums for PMI coverage, the amount being determined by the type and amount of your loan. But unlike FHA financing, the maximum loan amount is determined by the lender. Moreover, PMI premiums are often lower than FHA insurance, and may be paid as part of your monthly mortgage payment, in annual installments, or in a lump sum at the time you obtain the loan.

If you'd like to find out more about the unique advantages of PMI, ask your ERA real estate professional to put you in touch with ERA Mortgage.

CLOSING COSTS

What are typical closing costs?

You can expect to pay the following closing costs at the time of settlement:

- Appraisal fee — covers the cost of a professional written estimate of the property's value.
- Attorney's or escrow fees — your own and the lender's if they have one.
- Credit report fee.
- Points
- Documentation preparation — covers the cost of preparing the Deed and other paperwork.
- First year's premium on fire and hazard insurance.

- Impounds (also known as “escrow account”— sufficient to cover real estate taxes on the purchased property for the current tax period to date. The lender then pays these bills when they come due.
- Interest— paid from the date of closing until 30 days before your first monthly payment.
- Title Insurance
- Mortgage Insurance if required.
- Origination fee— covers the lender's administrative costs.
- Recording fees.
- FHA mortgage insurance (FHA loans only).
- VA guarantee fees (VA Loans only)

> ***REFINANCING TIP***
> *Consider refinancing when rates fall two percent below your current rate and you plan on staying in your home at least 18 months more.*

POINTS

What are points, and what's the point in paying them?

In real estate, the term "point" refers to one percent of the total mortgage loan amount. Buyers often pay lenders a supplemental fee, calculated in points, to get a better interest rate on a particular mortgage.

For instance, a lender may offer you a choice of two 30-year mortgages: the first at eight percent with no points, and the second at 7.5 percent with an additional three points. If the loan is for $100,000, those three points will cost you an extra $3,000 up front — but you'll get a payback of significantly lower monthly payments for the lifetime of the loan.

Many lenders will advise you to pay the points for the better rate if you can afford it, especially if you plan on keeping the home for more than a few years. Like interest, the money you pay for points may be tax-deductible, and the investment may pay for itself through savings generated by lower monthly payments. We suggest you call your tax preparer.

GOVERNMENT REGULATIONS

Is the lending process regulated by the government?

Most definitely. There are many laws and government regulations that all lenders must follow to ensure that all applicants are given fair and equal treatment. For example, in 1968, Congress passed the Truth in Lending Law, which requires that lenders provide borrowers with information about a loan's true interest rate. By law, lenders must reveal a loan's annual percentage rate (APR).

The law also stipulates that for refinancing and second mortgage loans, the borrower has up to three days after closing to change his or her mind and call the deal off. The lender may not disburse money until after this three day "recession period" has passed.

MORTGAGE PAYMENTS

What is APR and how is it calculated?

The annual percentage rate (APR) is a calculated rate of interest for a loan over its projected life. This rate includes the interest, all points (which are considered prepaid interest), Mortgage, and other charges associated with making the loan that the lender collects from the borrower.

The APR is calculated by a standard formula that all lenders use. This enables the borrower to comparison-shop between lenders and/or loan products.

What is a good-faith estimate?

Your lender or loan agent must provide you with a good-faith estimate within three days of your application. This is the information you need to make a fair and accurate judgment when shopping for a loan.

Your estimate is a written document that shows all the costs that can be estimated in advance by the lender. You need this information so there are no surprises on the day you close your sale on the property to be purchased. You will be expected to pay closings costs.

What does my monthly mortgage payment include?

The bulk of your monthly mortgage payment goes toward paying off the principal and interest of your loan. In addition, most lenders require that you pay a sufficient amount to cover your local real estate tax, plus your homeowner's or hazard insurance. This amount is placed in an escrow account, from which your lender then pays your tax and insurance bills as they come due.

Can I pay off my loan early?

If you can afford it, and are interested in the considerable advantages of having more equity and/or owning your home free-and-clear at the earliest possible date, the answer in most cases is yes.

The FHA, VA, and even some states do not allow lenders to charge penalties for paying mortgages early or refinancing. In fact, many lenders now include space on monthly statements for borrowers to itemize an additional principal payment they wish to include with their regular payment.

If you're unsure about the rules governing pre-payment, review your loan agreement.

What are the respective advantages of 15-year and 30-year loans?

The 30-year fixed-rate mortgage remains the standard mortgage, with an array of valuable benefits designed especially for buyers who expect to stay in their homes for a long time. Because the borrower pays more interest than principal for the first 23 years, the tax deduction is substantial. And as inflation causes both living expenses and income to increase, your unchanging monthly mortgage payments account for a relatively smaller portion of income as the years go by.

As you'd expect, a 15-year monthly mortgage means higher monthly payments than an equivalent 30-year loan...but not as much higher as you may think. At the same rate of interest, payments on the 15-year mortgage are roughly 20-25 percent higher than a loan that takes twice as long to pay off. And one of the benefits of choosing a 15-year mortgage is that you can generally get a lower interest rate for an otherwise similar loan. Another advantage is faster equity build-up because a larger portion of your early payments is going to pay off principal. This makes the 15-year mortgage an ideal alternative for couples approaching retirement or anyone else interested in owning their home free-and-clear as quickly as possible.

MORTGAGE POINTS

Consider paying the points for the better rate if you can afford it, especially if you plan on keeping the home for more than a few years. Like interest, the money you pay for points may be tax-deductible, and the investment may pay for itself through savings generated by lower monthly payments.

Do adjustable-rate mortgages offer any protection against rising rates?

Yes. ARMs and other variable-rate-of-payment plans offer lower-than-market interest rates initially, but because they are tied to the interest rates of U.S. Treasury Bills or other indexes, interest rates later in the loan term may rise. However, many such loans offer built-in safeguards designed to minimize the effect of any rapid escalation in interest rates.

One such safeguard is the rate cap. Many ARMs include provisions for the maximum amount your rate can rise, both annually and over the life of the loan. For example, if your initial rate is 6.5 percent, the loan may include one-percent annual and five-percent lifetime caps...which means even if rates rise dramatically, you'll pay no more than 7.5 percent next year, 8.5 percent the following year and so on, until a maximum rate of 11.5 percent is reached.

An ARM may also allow your rate to decrease when the index it is tied to goes down. As you might expect, decreases are usually capped as well.

A second protective device included in some ARMs is the payment cap. Under this provision, your monthly payments may rise by only a set dollar amount. The potential disadvantage of this type of cap is that it can slow or even reverse your equity build-up. If rates rise dramatically, you could actually wind up owing more principal at the end of the year than you did at the beginning.

Of course, ARM holders can also consider refinancing to a fixed-rate loan after a few years. Some ARMs even include a provision for converting to a fixed-rate loan after a set period of time.

What can I do if I have a fixed-rate loan and interest rates go down?

When interest rates drop significantly as they have in recent times, the homeowner should investigate the financial advantages of refinancing. Essentially, this means taking out a new loan to pay off your existing loan.

Refinancing may require paying many of the same fees paid at the original closing, plus oringination fees. Most mortgage experts agree that if you can get a rate two percent less than your existing loan, and you plan on staying in your home for at least 18 months more, refinancing is a good investment.

What is the difference between pre-qualifying and pre-approval?

A pre-qualification consists of a discussion between you and a loan officer. The loan officer will collect information regarding your income, monthly debts, credit history and assets, and based on this information calculate an estimated mortgage amount for which you qualify. The pre-qualification is not a mortgage approval, but more an estimate on what you can afford.

A pre-approval, on the other hand, is a more comprehensive approach giving an actual decision on a home loan. With ERA Mortgage, a credit report is ordered electronically and is received within 30-60 seconds. This is an actual credit approval and it carries with it some considerable benefits. From this information, a loan approval is given agreeing to finance a home and specifying the total mortgage amount available to you.

What could be more comforting than the peace of mind that goes with knowing that your mortgage is fully approved?

You will have a greatly improved negotiating position when you are pre-approved for a mortgage. Sellers are more apt to negotiate with someone who already has a mortgage approval in hand. The pre-approval letter lets the seller know they are working with a serious cash buyer. A pre-approved buyer can also close on a property more quickly — another major consideration for a motivated seller. We strongly recommend it.

WANT TO PAY OFF YOUR LOAN EARLY? THERE ARE SEVERAL WAYS.

- Save some extra money every month. With the interest you earn on savings you may be able to make an extra payment at the end of the year.
- Pay an extra twelfth of your principal and interest payment every month.
- Send whatever extra you can every month.
- Whichever method you choose, be sure to clearly indicate that the excess payment is to be applied to principal.

Homebuyer's Wish List

Community Requirements

These are communities I'm interested in learning more about:

___________________________________ __________________________________

___________________________________ __________________________________

____________________________________ __________________________________

Rank Importance: 3=Must Have   2=Desirable   1=Not Important

Community Services

- [ ] Good schools 3 2 1
- [ ] Child care services available 3 2 1
- [ ] Churches/synagogues 3 2 1
- [ ] High-quality health care 3 2 1

Convenience

- [ ] Close to present or future jobs 3 2 1
- [ ] Near grocery or other stores 3 2 1
- [ ] Easy access to public transportation 3 2 1
- [ ] Parks/play areas 3 2 1

Neighbors

- [ ] Relatives/friends in the neighborhood 3 2 1
- [ ] Children for your kids to play with 3 2 1
- [ ] Active community groups 3 2 1

Home Requirements

What home styles do you prefer? (examples: Cape Cod, Contemporary, Ranch, Victorian)

____

- [ ] Older Home - [ ] Newer Home
- [ ] One Story - [ ] Two Stories

How many Bedrooms? ____________

How many Bathrooms? ____________

Rate these rooms and features according to how important they are to you, then add your comments about special requirements you have or features you'd like:

Indoor

Kitchen ____

Living Room ____

Dining Room ____

Family Room ____

Den/Study ____

Master Bedroom ____

Extra Bedrooms ____

Basement ____

Fireplace ____

Comments ____

Outdoor

Garage ____

Patio or Deck ____

Size of Yard ____

Landscaping ____

Play Area ____

Comments ____

Personal Tastes/Special Needs

Special home requirements for children:

____

____

Special home requirements for pets:

____

____

Special home requirements for home office:

____

____

Other features that are important:

____

____

____

Specific features that you will NOT accept:

____

____

Sales Professional-Related Requirements

What days will you be available to view homes?

____

What times are best for you?

____

How quickly do you want/need to move?

____

List some of the characteristics of your ideal sales professional:

____

Home Features Worksheet

General Information

Home Location: ____

Lot Size: ____

Number of Rooms: ____

Number of Bedrooms: ____

Number of Baths: ____

Age of Home: ____

Living Room:

size: ____________ closets: ____________ flooring: ____________

Dining Room:

size: ____________ closets: ____________ flooring: ____________

Kitchen:

size: ____________ closets: ____________ flooring: ____________

Master Bedroom:

size: ____________ closets: ____________ flooring: ____________

Bedroom #2:

size: ____________ closets: ____________ flooring: ____________

Bedroom #3:

size: ____________ closets: ____________ flooring: ____________

Bedroom #4:

size: ____________ closets: ____________ flooring: ____________

Garage: Y ☐ N ☐ Size: __________

Basement: Y ☐ N ☐ Finished: Y ☐ N ☐

Porch: Y ☐ N ☐ Patio: Y ☐ N ☐ Deck: Y ☐ N ☐

Heating: ☐ Gas/Oil ☐ Electric/Solar ☐ Forced Air ☐ Hot Water/Steam ☐ Other

Central A/C: Y ☐ N ☐ Fireplace: Y ☐ N ☐

Humidifier: Y ☐ N ☐ Water: City ☐ Well ☐

Air Purifier: Y ☐ N ☐ Waste: Septic ☐ Sewer ☐

Exterior Painting

Condition of Paint: Good Average Poor

Condition of Trim: Good Average Poor

Comments: ____

Lawn and Shrubs

Condition of Lawn: Good Average Poor

Condition of Shrubs: Good Average Poor

Comments: ____

Interior Decorating

Wallpaper: ____

Paint: ____

Carpet: ____

Tile: ____

Hardwood: ____

Appliances/Utilities

Dishwasher

Comments:____

Oven

Comments:____

Range

Comments:____

Microwave

Comments:____

Disposal

Comments:____

Vent Fan

Comments:____

Compactor

Comments:____

Air Conditioning

Comments:____

Humidifier

Comments:____

Garage Door Opener

Comments:____

Remote Transmitter

Comments:____

Water Heater

Comments:____

Water Softener

Comments:____

Electronic Air Filter

Comments:____

Other _________________

Comments:____

Other _________________

Comments:____

Other _________________

Comments:____

Additional Comments:

____

____

____

Mortgages at a Glance

Below is a brief synopsis of the types — and the pros and cons — of some of today's most popular mortgage loans.

TYPE	DEFINITION	ADVANTAGES	DRAWBACKS	COMMENTS
30-YEAR FIXED-RATE	A long-term loan in which principal and interest are amortized over 30 years; both interest rate and amount of monthly payment remain unchanged for life of the loan.	Considerable tax benefits, especially in early years. Payments never rise, regardless of inflation.	Slow equity build-up.	The most common mortgage in the U.S., a particularly good investment when rates are low.
15-YEAR FIXED-RATE	As above, but payback period is 15 years.	Usually lower interest rate than 30-year. Faster equity build-up. Less interest paid out over life of loan.	Higher monthly payments; less tax-deductible interest.	Good option for buyers whose income will rise and/or when rates are expected to drop.
ARM (Adjustable Rate Mortgage)	A mortgage whose rate changes over time according to terms specified by the lender, usually according to short-term Treasury Bill rates.	Low initial interest rate, sometimes below market. Payments may decrease over time.	Payments may increase over time. Risky if rates rise significantly.	Good option for buyers whose income will rise and/or when rates are expected to drop.
FHA/VA MORTGAGE	Government-insured or guaranteed mortgages that can make purchase more affordable than conventional loans.	Little or no down payment required. Marginally better rate than conventional 30-year mortgages.	Lower limits on the maximum that can be borrowed. VA requires current or past military service record.	Good option for first-time buyers with little funds to invest in a down payment.
GPM (Graduated Payment Mortgage)	A fixed-rate mortgage offering low initial monthly payments that increase by a predetermined amount, then level off after about five years.	More affordable payments for first few years. Unlike ARMs, buyer knows up front how much payments will rise in the future.	Slower equity build-up. Buyer's income may not rise in proportion to payments.	Another good choice for buyers who expect income to rise after home is purchased.
Balloon Mortgage	A short-term (3-5 year) loan, usually at a fixed rate. Paid back in equal, monthly payments and a final "balloon" payment for the remaining balance.	Lower monthly payments. Full tax benefits.	Little or no equity build-up. Monthly payments are often interest only. Balloon payment usually requires refinancing or selling the house.	Designed for buyers who plan on moving within a few years and/or are confident in the short-term appreciation of a property.

SIX REASONS FOR BUYERS TO WORK WITH AN ERA REAL ESTATE SALES PROFESSIONAL

1. **ERA® real estate professionals have detailed knowledge about the communities in which they sell properties.**
   Whether you need information about neighborhoods, city services, or even sources of financing for your home, look to your ERA real estate professional first.
2. **Nobody uses cutting-edge technology and innovation to show you more homes that are right for you than an ERA® real estate professional.**
   ERA Real Estate- unlike other real estate companies — was founded on providing its customers with online, interactive and value-added resources that are unmatched in real estate today. Beyond subscribing to your local MLS, your hometown ERA® office is linked to every other ERA® office across the world via *ERA.com*. What's more, *ERA.com* allows you to search for homes from coast to coast.
3. **ERA® real estate is committed to customer service.**
   Every ERA® broker and sales professional has participated in the most comprehensive, service-oriented training in the real estate industry. Their service to you is backed by a powerful national referral and relocation network, as well as thousands of other ERA® offices nationwide.
4. **Your ERA® real estate specialist offers the ERA® Home Protection Plan®.**
   This warranty covers unexpected repair expenses for many of your new home's major mechanical systems and components if they break down, and delivers the peace of mind that service is always just a phone call away.
5. **ERA Real Estate — Always There For You®**
   The commitment behind this tagline comes naturally to ERA real estate professionals, who often say that the most rewarding aspect of their work is the chance to help people. That means we'll listen carefully to you, then work hard to help you find the home that matches all your needs — and your dreams.
6. **Only an ERA® real estate professional can offer you the ERA® Sellers Security® Plan that guarantees the sale of your current home.***
   For those sellers that need to sell their current home before buying a new home, the ERA® Sellers Security® Plan can provide a qualified seller a guaranteed sale and closing date on their old home. The ERA® offer puts you in a better negotiating position than other buyers who may still have a house to sell.

   * Certain terms, costs and limitations apply.

Glossary

A

Abstract of title: A condensed version of the history of title to a piece of land that lists any transfers in ownership, as well as any liabilities attached to it, such as mortgages.

Acceptance: An acceptance is a promise by the offeree to be bound by the exact terms proposed by the offeror. The acceptance must be communicated to the offeror.

Acknowledgment: A declaration made by a person to a notary public, or other public official authorized to take acknowledgments, that the instrument was executed by him and that it was his free and voluntary act.

Acre: A measure of land equal to 43,560 square feet.

Adjustable Rate Mortgage (ARM): A mortgage with rates and terms that can change. The adjustable rate loan has become commonplace, with allowable ranges as to time intervals, percentage of increase or decrease and total increases or decreases likely to change as market conditions change.

Adjustments: Money that the buyer and sellers credit each other at the time of closing. Often includes taxes and down payment.

Agency: A relationship created when one person, the principal, delegates to another, the agent, the right to act on his or her behalf in business transactions and to exercise some degree of discretion while so acting. An agency gives rise to a fiduciary relationship and imposes on the agent, as the fiduciary of the principal, certain duties, obligations, and high standards of good faith and loyalty.

Annual Percentage Rate (APR): An expression of the relationship of the total finance charge to the total amount to be financed as required under the federal Truth-in-Lending Act. Tables available from any Federal Reserve bank may be used to compute the rate, which must be calculated to the nearest one-eighth of 1 percent. Use of the APR permits a standard expression of credit costs, which facilitates easy comparison of lenders.

Appraisal: An estimate of the monetary value of a property on the open market; an estimate of a property's type and condition, its utility for a given purpose or its highest and best use.

"As-is": Words in a contract intended to signify that no guarantees, whatsoever, are given regarding the subject and that it is being purchased exactly as it is found.

Asking (list) price: The price placed on a property for sale.

Assessment: The imposition of a tax, charge or lien, usually according to established rates.

Assignment: A transfer of property rights from one person to another, called the assignee.

Assessor: Municipal or county official who determines the value of property for taxation.

B

Balloon mortgage: A short-term loan, usually at a fixed interest rate, paid back in equal monthly payments, with a final "balloon" payment for the remaining balance.

Broker: Person licensed to represent homebuyers or sellers for a fee.

Brokerage: For a commission or fee, bringing together parties interested in buying, selling, exchanging, or leasing real property.

Building inspection: An overall inspection of a home or building performed by a qualified contractor or inspector. The inspection usually covers all major systems including foundation, plumbing, electrical, roof, heating and air conditioning.

Buyer listing: An agreement where a buyer agrees to pay a commission if a broker locates a property that the buyer purchases.

Buyer's agent: Agent who represents the buyer in the real estate transaction.

Buyer-agency agreement: A principal-agent relationship in which the broker is the agent for the buyer, with fiduciary responsibilities to the buyer. The broker represents the buyer under the law of agency.

Buyer's broker: A licensee who has declared to represent only the buyer in a transaction, regardless of whether compensation is paid by the buyer or the listing broker through a commission split.

C

Cap: The maximum allowable increase, for either payment or interest rate, for a specified amount of time on an adjustable rate mortgage.

Closing: The final transfer of the ownership of a house from the seller to the buyer, which occurs after both have met all the terms of their contract and the deed has been recorded.

Closing costs: Expenses of the sale (or loan refinancing) that must be paid in addition to the purchase price (in the case of the buyer's expenses) or be deducted from the proceeds of the sale (in the case of the seller's expenses). Some closing costs result from legal requirements; others are a matter of local custom and practice.

Commission: The compensation paid to a licensed real estate broker or by the broker to the salesperson for services rendered, usually a percentage of the selling price of the property.

Comparables: Houses and properties that are similar in style, appearance, construction quality, and usefulness to a particular property in a certain location.

Comparative Market Analysis (CMA): Realistic estimate of a home's current market value based on the most salient points of the local real estate market.

contingency: A provision in a contract that requires a certain act to be done or a certain event to occur before the contract becomes binding.

contract: A legally enforceable agreement to do, or not to do, a particular thing for a consideration.

contract of sale: The agreement between the buyer and seller on the purchase price, terms, and conditions necessary to both parties to convey the title to the buyer.

Conventional mortgage: Mortgage not FHA-insured or guaranteed by the VA, known by this name because it is the most popular home financing method.

Counter-offer: Offer made by the buyer or seller in response to the other's bid.

Curb appeal: Common term for everything prospective buyers can see from the street that might make them want to take a closer look at a house for sale.

D

Deed: A written instrument, when executed and delivered, conveys title to or an interest in real estate.

Down payment: Buyer's payment to the sellers at time of closing for that percentage of the purchase price required by the buyer's mortgage loan.

Dual agency: Representing both the buyer and the seller in the same real estate transaction. By law, all states require that dual agency be disclosed to all parties in the transaction.

E

Earnest money: Money paid by the buyer, at the time of making an offer or entering into a contract to purchase, which is intended to show the buyer's good-faith intention to complete the purchase. Generally, earnest money is applied against the purchase price, but may be forfeited if the buyer fails to complete the purchase.

Equity: The interest or value that an owner has in a property over and above any indebtedness.

Escrow: The process by which money and/or documents are held by a disinterested third person (a stakeholder) until satisfaction of the terms and conditions of the escrow instructions (as prepared by the parties to the escrow) have been achieved. Once these terms have been satisfied, delivery and transfer of the escrowed funds and documents takes place.

Escrow account: The trust account established under the provisions of the license law for the purpose of holding funds on behalf of the principal or some other person until the consummation or termination of a transaction.

Exclusive Agency (EA): A written listing agreement giving a sole agent the right to sell a property for a specified time, but reserving to the owner the right to sell the property himself without owing a commission. The exclusive agent is entitled to a commission if he or she personally sells the property or if it is sold by anyone other than the seller. It is exclusive in the sense that the property is listed with only one broker. The multiple-listing service must accept exclusive-agency listings submitted by participating brokers.

Exclusive right to sell (ERS): A listing agreement which gives the listing agent the right to sell the property for a specified time, with the right to collect a commission if the property is sold by anyone, including the owner, during the listing period.

F

Fiduciary: The relationship of trust, honesty and confidence between agent and principal; the faithful relationship owed by an agent to the principal.

Fair market value: highest price an informed buyer will pay, assuming there is not unusual pressure to complete the purchase.

FHA: The Federal Housing Administration which insures mortgage loans made by approved lenders, in accordance with FHA regulations.

FHA-insured mortgage: A mortgage with low down payment requirements, insured by the Federal Housing Administration and made available through banks and other lenders.

Fixed rate mortgage: A mortgage with an interest rate that doesn't vary for the term of the loan.

For Sale By Owner (FSBO): Some owners choose to sell their own property without the aid of a real estate broker. "For Sale By Owner" properties can be a source of listings when the owner is unsuccessful in selling their property.

H

Home equity loan: A loan (sometimes called a line of credit) under which a property owner uses his or her residence as collateral and can then draw funds up to a prearranged amount against the property.

Homeowners' insurance: A type of insurance policy designed to protect homeowners from financial losses related the ownership of real property. In addition to covering losses due to vandalism, fire, hail, etc., most policies also provide theft and liability coverage. Flood related damage requires a separate flood insurance policy or rider.

Home warranty: A policy purchased by a buyer or seller as an assurance against unexpected home repair costs.

House closing: The final transfer of the ownership of a house from the seller to the buyer, which occurs after both have met all the terms of their contract and the deed has been recorded. Also known as just "closing".

I

Impound account: Also known as an escrow account.

Inspection: A formal survey of a home's structure and systems, often performed by a licensed professional.

Inspection clause: A stipulation in an offer to purchase that makes the sale contingent on the findings of a home inspector.

Interest: A charge paid to a lender for borrowed money.

L

Lease-purchase agreement: An agreement between a tenant and landlord that a portion of monthly rent may be credited toward eventual purchase of the rental property.

Lease purchase: A contract in which an owner leases his house (usually for one to five years) to a tenant for an increased monthly rent, and which gives the tenant the right to buy the house at the end of the lease period for a price established in advance, with the incremental rent increase being used to form a down payment. Buyers should be wary of this type of contract since they may lose their extra rent/down payment money should the owner suffer financial setbacks before the purchase has been completed.

Lender's agent: A person who represents the lender holding the mortgage at closing.

Listing: A contract in which the seller agrees to pay a commission to the agent who finds a purchaser who can meet the specified terms.

Listing agreement: A written employment agreement between a property owner and a real estate broker authorizing the broker to find a buyer or a tenant for certain real property. Listing can take the form of open listings, net listings, exclusive-agency listings, or exclusive-right-to-sell listings. The most common form is the exclusive-right-to-sell listing.

Listing broker: The broker in a multiple-listing situation from whose office a listing agreement is initiated, as opposed to the cooperating broker, from whose office negotiations leading up to a sale are initiated. The listing broker and the cooperating broker may be the same person.

M

Market: A place where goods can be bought and sold and a price established.

Market analysis: A regional and neighborhood study of economic, demographic and other factors made to determine supply and demand, market trends, and other factors important to buying/leasing and selling real property.

Market value: The price that a willing buyer and a willing seller, both given full information, and neither under pressure to act, would agree upon. Also known as Fair Market Value.

Mortgage: A contract providing security for the repayment of a loan, registered against property, with stated rights and remedies in the event of default. Lenders consider both the property and financial worth of the borrower in deciding on a mortgage loan.

Mortgage broker/company: A person or firm that acts as an intermediary between borrower and lender; one who, for compensation or gain, negotiates, sells or arranges loans and sometimes continues to service the loans; also called a loan broker. Loans originated by the mortgage broker are closed in the lender's name and are usually serviced by the lender. This is in contrast to mortgage bankers, who not only close loans in their own names but continue to service them as well.

Mortgage insurance: A kind of insurance policy that will pay off the mortgage balance in the event of death, and in some policies, disability. Premiums are paid with the regular monthly mortgage payment.

Mortgage loan: A loan which utilizes real estate as security or collateral to provide for repayment should you default on the terms of your loan. The mortgage or deed of trust is your agreement to pledge your home or other real estate as security.

Mortgage note: A signed promise to repay a mortgage loan in regular monthly payments.

Multiple-Listing Service (MLS): A marketing organization composed of member brokers who agree to share their listing agreements with one another in the hope of procuring ready, willing and able buyers for their properties more quickly than they could on their own.

O

Offer: A proposal to enter into an agreement with another person. An offer must express the intent of the person making the offer to form a contract, must contain some essential terms — including the price and subject matter of the contract — and must be communicated by the person making the offer. A legally valid acceptance of the offer will create a binding contract.

offeree: The person to whom an offer is made — usually the owner.

offeror: The party who makes an offer — usually the buyer.

Open house: The common real estate practice of showing listed homes to the public during established hours.

Open listing: A listing given to any number of brokers who can work simultaneously to sell the owner's property. The first broker to secure a buyer who is ready, willing and able to purchase at the terms of the listing earns the commission. In the case of a sale, the seller is not obligated to notify any of the brokers that the property has been sold.

Origination fee: A fee charged by lenders, in addition to interest, for services in connection with granting of a loan. Usually a percentage of the loan amount.

Over-improvement: An addition or improvement in which the cost is greater than the increased value of the house.

P

Payment cap: protective device included in some adjustable-rate mortgages that sets a maximum amount monthly payment may rise in any given year.

PITI: Principal, Interest, Taxes, and Insurance, the four main parts of a monthly mortgage payment.

PMI: Private Mortgage Insurance, which protects the lender in case of default by the borrower. PMI is often used to allow buyers to obtain financing with less than a 20 percent down payment.

Points: Where one point equals one percent of the total mortgage loan amount. Buyers often pay lenders a supplemental fee, calculated in points, to get a better mortgage interest rate.

Pre-approval: An actual decision on a home loan, involving the obtaining of a credit approval and an agreement to finance a home, with specifics on the total mortgage amount available to the buyer.

Prepayment: Paying off all or part of the mortgage before the scheduled date.

Pre-qualification: An informal determination by a lender or broker of how large a mortgage a buyer can afford.

Principal: Money borrowed from a lender, not including any fees or interest.

Purchase offer: A document that lists the price, terms and conditions under which a buyer is willing to purchase a property.

Q

Qualify: The ability to meet a lender's mortgage approval requirements.

R

Rate cap: A protective device in some ARMs that sets a maximum amount that interest rates may rise or decrease annually over the life of the loan.

Real estate: The physical land at, above and below the earth's surface with all appurtenances, including any structures; any and every interest in land whether corporeal or incorporeal, freehold or nonfreehold; for all practical purposes, the term real estate is synonymous with real property.

Real estate agent: A person licensed to negotiate and transact the sale of real estate on behalf of the property owner.

Real estate brokerage: A Real Estate Brokerage is a business in which real estate license-related activities are performed under the authority of a real estate broker.

REALTOR®: A registered trade name that may be used only by members of the state and local real estate boards affiliated with the National Association of REALTORS® (NAR). The term REALTOR® designates a professional who subscribes to associations of REALTORS® to govern real estate practices of members of the board. The use of the name REALTOR® and the distinctive seal in advertising is strictly governed by the rules and regulations of the national association.

Referral: One agent's recommendation of a potential buyer or seller to another cooperating agent.

Refinance: To obtain a new loan to pay off an existing loan, or to pay off one loan with the proceeds from another. Properties are frequently refinanced when interest rates drop and/or the property has appreciated in value.

Return on investment: The net annual income divided by the original cash investment equals a percentage return on investment.

S

Sales contract: A real estate sales contract contains the complete agreement between a buyer of a parcel of real estate and the seller. Depending on the area, this agreement may be known as an offer to purchase, a contract of purchase and sale, a purchase agreement, an earnest money agreement or a deposit receipt.

Sales professional: A licensed representative who assists buyers and sellers with information, advice, and assessment of current market conditions.

Seller's agent: An agent who represents the seller of real property.

Settlement disclosure statement: A list giving a complete breakdown of costs involved in a real estate transaction, prepared by the lender's agent at closing.

T

Title: The right of ownership and possession of a property

Title insurance: Protection for lenders or homeowners against financial loss resulting from legal defects in the title.

U

Underwriting: The process of evaluating a mortgage loan applicant's credit, collateral value and the risks in making a loan.

V

VA loan: A government-sponsored mortgage assistance program administered by the Department of Veterans Affairs. Under the Servicemen's Readjustment Act of 1944, eligible veterans and widows or widowers (who have not re-married) of veterans who died in service or from service-connected causes may obtain partially guaranteed loans for the purchase or construction of a house or to refinance existing mortgage debt.

W

Walk-through: A final inspection of a property just before closing. This assures the buyer that the property has been vacated, that no damage has occurred and that the seller has not taken or substituted any property contrary to the terms of the sales agreement. If damage has occurred, the buyer might ask that funds be withheld at the closing to pay for the repairs.

Warranty: A promise that certain stated facts are true. A guarantee by the seller, covering the title as well as the physical condition of the property. A warranty is different from a representation in that a representation is a statement made in the course of negotiations leading up to the sale, but not incorporated into the contract. A warranty, on the other hand, is a statement in the contract asserting the truth of certain things about the property.

Z

Zoning: The regulation of structures and uses of property within designated districts or zones. Zoning regulates and affects such things as use of the land, lot sizes, types of structure permitted, building heights, setbacks and density (the ratio of land area to improvement area).

ERA Franchise Systems. http://www.era.com/erasell/answers-buying.html (September, 2007).