

Home Buyer's Handbook



Stephanie CALLEN
ABR, CRS, GRI, REALTOR®
Helping You Find Your Cottages and Castles in Life.

**COLDWELL
BANKER**



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The Role of Your Agent

Buying a new home is more than just a financial decision. It's an emotional decision as well. That is why it is so important to choose the right real estate representative, one who is not a "salesperson" trying to sell you something; but someone who wants to help you accomplish what you have decided you to do. In order to do this successfully your full-service real estate broker must be:

- **Your Property Specialist**
- **Your Transaction Coordinator**
- **Your Community Consultant**
- **Your Experienced Negotiator**
- **Your Trusted Advisor and Consultant**
- **Your Real Estate Professional**

As a Real Estate Licensee of the state of Washington your broker is bound by the law to fulfill these certain duties:

- **To be loyal to the buyer**
- **To timely disclose any conflict of interest**
- **To advise to seek expert advice on matters beyond the agent's expertise**
- **Not to disclose any confidential information about the buyer**
- **To make a good faith and continuous effort to find a property to purchase**

**Your agent is obligated to provide you with
THE LAW OF REAL ESTATE AGENCY PAMPHLET**

What you can expect from me...

The Best Service - evidenced by overwhelming client satisfaction

Results - I'll find the best home that suits your needs.

Buyer Counseling - home trends, comparable price evaluations, making an offer, etc.

Vendor Referrals - mortgage brokers, inspectors, escrow, title, etc.

Access to all new resale homes available.

Integrity

Ethical Standards - I support and practice the professional and ethical standards set forth by the National Association of REALTORS® (NAR), Washington REALTOR® Association (WRA), and the Tacoma Pierce County Association of REALTORS® (TAPCAR).

Experience - benefit from the transactions of hundreds of satisfied buyers and sellers, I have been a licensed real estate agent since 2006 & I am currently serving on the Board of Directors for TAPCAR. I am also the Pierce County Representative for Certified Residential Specialists (CSR).

My Credentials



In an effort to serve my clients to highest the standard, I have placed a high value on education that is far beyond what is standard in the industry.

Accredited Buyer Representative (ABR) - This professional designation is the benchmark of excellence in buyer agency services. This designation is awarded to real estate professionals who have completed advanced training and have proven experience.

Certified Residential Specialist (CSR) - This is the highest designation awarded in the residential sales field. This designation requires completion of extensive course work as well as a production standard. Only 4% of all realtors hold this designation and these realtors are responsible for 25% of all sales.

Graduate of the Realtor Institute (GRI) - The mark of a real estate professional who has made a commitment to providing a superior level of professional service by completing a high level of training in the many areas of real estate.

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My Affiliations

National Association of REALTORS® (NAR)

A real estate agent is a **REALTOR®** when he or she becomes a member of the **National Association of REALTORS®**.

The term “**REALTOR®**” is a registered collective membership mark that identifies a real estate professional who is a member of the **National Association of REALTORS®** and abides by its strict Code of Ethics. These principles can be loosely defined as:

- Loyalty to clients;
- Fiduciary (legal) duty to clients;
- Cooperation with competitors;
- Truthfulness in statements and advertising; and non-interference in exclusive relationships that other REALTORS® have with their clients.

Washington REALTORS® Association (WRA)

Tacoma Pierce County Association of REALTORS® (TPCAR)

WRA and **TPCAR** are local affiliates of **NAR**, subscribing to the same principles and code of ethics.

Look for the trademark “R” to ensure you are working with a **REALTOR®**



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My Accomplishments

I have received a number of awards over the last several years.

- 2012 Coldwell Banker Bain President's Circle
 - Coldwell Banker Bain 2006, 2007, 2008, and 2009 International Sterling Society
 - 2006 Rookie of the Year
 - Top Listing Leader
 - Top Sales Leader
 - Top Production Leader
-

One Stop Shopping

- I can show you any property that is listed in the South Sound area.
- I can sell your current property too.
- Are you looking for new construction?
- Are you looking for investment property?
- Was the home you saw listed by another company or builder? I can help!
- Did you see an ad in the paper, magazine, or a flyer? I can help!
- Did you find something that appealed to you on the internet? I can help!
- Do you want to buy or sell in another geographic area? It would be my pleasure to refer you to a reputable REALTOR® anywhere in the USA.

Advantages of Home Ownership

BUYING

You will have a great tax write off.

Your housing expense may never go up.

You can use, decorate, make physical changes to, and enjoy as you see fit.

You may increase your equity as your home increases in value.

You are not at the mercy of your landlord.

Your house will become home, not a temporary living situation.

VS.

RENTING

You will have no tax write off.

Your rent can go up each year, typically four to ten percent.

You must get permission from your landlord to make changes to the house.

You have no equity build-up. Your money is gone for good.

You can be evicted, lose your security deposit, and more.

Your living situation is always temporary.

Let's Get Started!

My Pledge To Buyers

To provide unsurpassed service to help you buy your home at a fair market price, in the shortest amount of time, with the least inconvenience to you I will:

- Explain real estate agency relationships.
- Maintain communication during the process.
- Analyze your property needs & desires.
- Orient you to current market conditions.
- Provide helpful community data.
- Explain local real estate practices & procedures.
- Provide information on lenders and financing alternatives.
- Search the NW Multiple Listing for suitable properties.
- To coordinate appointments and show all properties of interest, whether the properties are listed by my company or not.
- Provide relevant market data as to fair market value of other homes.
- Disclose all material defects of the property known.
- Explain the offer presentation process.
- Deliver the state required Property Disclosure form.
- Present all offers to seller in a timely manner.
- Strive to obtain the best possible price and terms for you.
- Explain your obligations and time frames once your offer is accepted.
- Follow-up on buyer obligations and time lines.
- Keep confidential all information that you designate as confidential.

Let's Get Started!

I've outlined my commitment of time, resources, knowledge and expertise. In order for us to work together as a successful team to accomplish your goals, these are the things that I will ask of you:

Your Commitment

- To communicate responsibly and honestly.
- To willingly provide pertinent information as needed.
- To promptly inform me of changes in timing, requirements, or other critical information that will affect your search for a home or your transaction.
- To submit loan application and all lender required information within the time frames of the contract when financing.
- To enter into contracts in good faith and make every effort to adhere to negotiated contingencies.
- To notify all other real estate agents that you are represented by Stephanie Callen.
- To agree to work solely with Stephanie Callen in cooperative effort to locate and purchase your new home.

The Home Buying Process

Step One: Get Prequalified by a Lender

This is very important. Getting prequalified by a lender serves several purposes. It will cost you nothing and you will gain a wealth of valuable information. If you have credit issues that preclude you from being able to qualify for a loan, a good lender will identify what issues exist and be able to counsel you as to how to repair your credit. A lender will be able to tell you how much you can afford. The last thing you want to do is to start looking at homes that are beyond your affordability. Getting prequalified will save you from this. A lender will be able to break down the amount that you can afford into monthly payments. This will help you budget your mortgage payment.

Step Two: Your Consultation

We will quickly go over the basics of buying a home and I will provide you with the **Law of Real Estate Agency** pamphlet. We will discuss what your specifics are in looking for your new home.

Step Three: Find Your New Home

Once we have identified all of your particulars we will use internet technology to search the NW Multiple Listing for properties that meet your criteria. We can either look at these together in my office, or I can e-mail them to you for viewing in the privacy of your own home. You can let me know which homes look interesting to you. From there I can make appointments for us to view your selected properties. When we go out to view these selected homes, don't forget to bring your checkbook! Don't be surprised if you fall in love with a home your very first day. Many people do.

Step Four: Draft Your Purchase Agreement

Once we have found your dream home, we will complete a Purchase and Sale Agreement. At that time we will discuss all of the terms of the contract.

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The Home Buying Process

Step Five: Write Earnest Money Check

At this point, you also submit an earnest money check to go along with your offer. This check is usually written for an amount equal to one percent of the purchase price of the home. I take your offer and earnest money check to the listing agent and negotiate the sale on your behalf. If the seller accepts your offer by signing the sales contract, you will have **mutual acceptance**.

PLEASE NOTE: When your contract is accepted by the seller, your earnest money check will be cashed and held for the duration of the transaction

Step Six: You Bought Your New Home

This is often the hardest part of the process. Why? Because “buyer’s remorse” may set in. Although the majority of buyers are very excited, some still feel a bit anxious. This happens because it is time for a decision, commitment, and the signing of legal documents. So, the butterflies you feel are very normal. It will all be OK in the end.

Step Seven: Formalize Your Financing

Now that the paperwork is signed it is time to formally make application for your loan. Expect to pay for an appraisal and an extensive credit report. You will be asked to provide much documentation from your lender, to include verification of your employment and tax records. You also will apply for home owner’s insurance at this time.

Step Eight: Inspection of the Home

Although you have more than likely received the required disclosure from the seller (there are some exemptions), nothing substitutes for a formal inspection. It is money well spent in avoiding any possible unpleasant surprises later on. Your inspector will advise you regarding any deficiencies or repairs that the home is in need of. If there are any significant issues that are discovered, I will negotiate on you behalf for a remedy to what ever the issue is. If we are unable to reach a satisfactory remedy with the seller, then you can walk away from the transaction, no strings attached and have your earnest money returned.

The Home Buying Process

Step Nine: Title Insurance

Both the buyer and the seller are required to purchase title insurance. The buyer purchases title insurance for his lender and the seller purchases title insurance for his lender and the seller purchases title insurance for the buyer. The title company runs a title search on the property looking to see if the title is clear and marketable for sale to the buyer. The search looks for defects, liens, and encumbrances on the property.

Step Ten: Prepare to Move

The closing process takes some time. It takes an average of 30 to 45 days for the transaction to move to completion. The closing and possession date are determined at the time the offer is written. This is agreed upon by both the buyer and the seller. I work hard to make sure that everything runs smoothly and to make it as easy and pleasant an experience as possible. I'll coordinate your lender, inspector, appraiser, and identify problems and find solutions.

Please feel free to contact me at any time during the process. Although I work hard to make sure that you are informed, there may be information that needs further explanation.

**You now know more about the “real world”
buying process than 90% of those who are
looking to purchase a home!**

Understanding Closing Costs

Application Fee: Fee charged by the lender to offset fixed costs related to mortgage loan processing such as appraisal, credit report, and underwriting.

Commitment Fee: This is often called the loan origination fee.

Discount Points: Each point is equal to one percent of the mortgage amount. The lender uses points to adjust the yield on the mortgage when it is sold to an investor. By paying more points the buyer can obtain a lower mortgage interest rate.

Escrow Fee: The fee charged by the escrow company that prepares the closing documents and closes the loan on behalf of the lender.

Funding Fees: Normally applicable to VA loans only, equal to one percent of the loan amount. The fee is due at closing or may be added to the loan amount and financed.

Homeowner's Insurance: A one year premium is due in advance at the time of closing.

Pre-payables: Adjustments to escrow accounts from the date of closing to the date of the first payment. Interest is paid through the end of the month of closing. Taxes are prorated and the balance of the six month term is collected. Two months of PMI (Principal Mortgage & Interest) are collected. Two months of homeowners' insurance must be provided along with a receipt showing that the first year's premium is paid.

Processing Fee: Fees charged by the escrow processor either working for the escrow company, title company, or real estate company for administrative services performed from the point of contract through closing.

Recording Fees: Fees charged by state or municipal entities for entering the closing documents into the public record.

Understanding Closing Costs

Survey Fee: The title company checks the survey for encroachments from within or outside the subject property.

Title Insurance: Provides protection for lenders and homeowners against financial loss resulting from legal defects in the title.

Underwriting Fee: Practices vary from lender to lender. Check the Good Faith Estimate for the amount of the underwriting fee.

Preparing for the Financing Process

THE BEST ADVICE...GET PRE-APPROVED

Most real estate agents and lenders highly recommend that you, as a home buyer, get pre-approved with a lender before selecting a home to purchase. This way, you will have the best information about the right price range for your pocketbook

Preparing for the Financing Process

NINE GREAT REASONS TO GET PRE-APPROVED

1. Pre-approval determines which loan program best fits your needs.
2. You won't waste time considering homes you cannot afford.
3. You are ready to write and present an offer on the home you really want when you find it.
4. Your real estate broker can give the seller a pre-approval letter for you.
5. In today's market, if you encounter multiple offers on a property, pre-approval puts you in a much better negotiating position.
6. You will know the amount needed for down payment and closing costs.
7. If you are a first-time buyer, you may be able to qualify for a special first-time buyer program that may allow you to afford more home for your money.
8. If you feel you would like and can afford a higher mortgage payment, other options may be available.
9. Peace of mind.

Preparing for the Financing Process

LOAN APPLICATION CHECKLIST

When it comes to getting pre-approved for your loan, your lender will ask you for the following information ready when you apply:

BORROWER INFORMATION:

- ◇ Full Name
- ◇ Marital Status
- ◇ Age
- ◇ Address
- ◇ Previous Address (if less than 2 years at current residence)
- ◇ Landlord (past 2 years)
- ◇ Phone Number
- ◇ Place of employment (if less than 2 years at current employer)
- ◇ Social Security Number
- ◇ Names and ages of dependents

INCOME:

- ◇ Base pay (pay stubs for 1 month)
- ◇ Overtime
- ◇ Bonuses
- ◇ Real Estate Income
- ◇ Alimony/Child Support (copy of divorce decree)
- ◇ Other regular income (social security, retirement accounts, etc.)
- ◇ Last 2 years W2s and federal tax returns
- ◇ Bank Statements (past 3 months)

Preparing for the Financing Process

LOAN APPLICATION CHECKLIST (continued):

ASSETS:

Names and addresses for these accounts will be required along with account numbers.

- ◇ Cash (savings, checking, money market)
- ◇ Securities (stock, mutual funds)
- ◇ Value of real estate
- ◇ Proceeds from sale of current home
- ◇ Automobiles
- ◇ Personal property

LIABILITIES:

You will need the total due, monthly payments, and amount of payments remaining. Names, addresses and account numbers will also be required.

- ◇ Automobile loan
- ◇ Bank loan
- ◇ Personal loan
- ◇ Notes payable
- ◇ Credit cards
- ◇ Alimony/Child support
- ◇ Outstanding judgments
- ◇ Miscellaneous debt
- ◇ Bankruptcy and discharge of bankruptcy



Things you should NOT DO when applying for a home loan!



This is a list of things to steer clear of when you are seeking to obtain financing for a home.

Don't buy or lease an auto!

Lenders look carefully at your debt-to-income ratio. A large payment such as a car lease or purchase can greatly impact those ratios and prevent you from qualifying for a home loan.

Don't make large bank deposits without checking with your loan officer.

Don't move assets from one bank account to another!

These transactions show up as a new deposit and complicate the application process. If you must, then disclose and document the source of the funds for each new account. The lender can verify each account as it currently exists. You can consolidate your accounts later if you need to.

Don't co-sign a loan for anyone.

Don't change jobs! A new job may involve a probation period, which must be satisfied before income from the new job can be considered for qualifying purposes.

Don't buy new furniture or major appliances for your "new home"!

If the new purchases increase the amount of debt you are responsible for on a monthly basis, there is a possibility this may disqualify you from getting the loan, or cut down on the available funds you need to meet closing costs.

Don't run a credit report on yourself! This will show as an inquiry on your lender's credit report. Inquiries must be explained in writing.

Don't attempt to consolidate bills before speaking with your lender! Your lender can advise you if this needs to be done.

Don't spend money you have set aside for closing.

Don't pack or ship information needed for the loan application!

Important paperwork such as W-2 forms, divorce decrees and tax returns should not be sent with your household goods. Duplicate copies take weeks to obtain and could stall the closing date on your transaction.

Don't apply for any credit! Lenders will pull a refresh credit report a few days before closing to verify that you have not incurred any new debts. This could throw off your debt-to-income.

Don't use credit cards excessively or let current credit accounts fall behind.

Don't omit debits of liabilities on your application.

Quick Tips to Make Finding Your Home Easier

WHAT ARE YOUR CONCERNS?

Please review and rank your concerns on the scale from **No Concern** to **Very Concerned**.

Area of Concern	No Concern	Mildly Concerned	Somewhat Concerned	Concerned	Very Concerned
Closing Costs	<input type="checkbox"/>				
Inspections	<input type="checkbox"/>				
Financing	<input type="checkbox"/>				
Utility Costs	<input type="checkbox"/>				
Upkeep Costs	<input type="checkbox"/>				
Schools	<input type="checkbox"/>				
Security/Crime	<input type="checkbox"/>				
Neighbors	<input type="checkbox"/>				
Construction	<input type="checkbox"/>				
Architecture	<input type="checkbox"/>				
Floor Plan	<input type="checkbox"/>				
Storage	<input type="checkbox"/>				
Bedrooms/Baths	<input type="checkbox"/>				
Kitchen	<input type="checkbox"/>				
Family Room	<input type="checkbox"/>				
Office	<input type="checkbox"/>				
Yard Size	<input type="checkbox"/>				
Landscaping	<input type="checkbox"/>				
Patio	<input type="checkbox"/>				
Privacy	<input type="checkbox"/>				
Garage	<input type="checkbox"/>				
RV Parking	<input type="checkbox"/>				
Gated	<input type="checkbox"/>				

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The Home Inspection

Most buyers choose to have a home inspection done at their expense when purchasing their new home. It is highly recommended that you do so. Most offers are made subject to a home inspection. The home inspection allows you to buy a home with confidence. Some items on your inspection report will include:

EXTERIOR: Exterior walls, windows, and doors, porches, decks and balconies, garage.

ROOF: Roof type and material

INTERIOR PLUMBING SYSTEM: Hot and cold water system, the waste system and sewage disposal, water pressure and flow, and hot water equipment.

ELECTRICAL SYSTEM: Type of service, number of circuits, type of protection, outlet grounding, and load balance.

CENTRAL AIR SYSTEM: Energy source, type of cooling equipment, capacity, and distribution.

ATTIC: Structural, the trusses, insulation and ventilation information.

FIREPLACE: Notes about the chimney, damper, and masonry.

INTERIOR WALLS, CEILINGS, FLOORS, WINDOWS, AND DOORS: Walls, floors, ceiling, stairways, cabinets and counter tops.

GARAGE: Doors, walls, floor, automatic garage door opener.

APPLIANCES: Included could be a wide range of built-in and other home appliances listed in the purchase agreement.

LOT AND LANDSCAPING: Ground slopes away from foundation, condition of walks, steps and driveway.

Title Insurance

Title Insurance is protection against loss arising from problems connected to the title to your property.

Both the buyer and the seller purchase title insurance. The seller purchases coverage for the buyer and the buyer purchases coverage for the lender. A title search will be conducted to see if there are any claims or other encumbrances upon the title. If any arise they will need to be addressed by the seller prior to the sale of the property.

Prior to you purchasing this property, it may have gone through several ownership changes, and the land on which it stands went through many more. There may be a weak link at any point in that chain that could emerge to cause trouble. For example, someone along the way may have forged a signature in transferring title or there may be unpaid real estate taxes or other liens. Title insurance cover the insured party for any claims and legal fees that arise out of such problems.

Escrow

Escrow is the process in which an impartial third party, such as an escrow or title company, is entrusted with the job of seeing that the transfer of ownership from the seller to the buyer takes place according to the terms of the written contract agreed upon by all parties involved. The escrow or closing agent keeps or holds any funds or documents safely until all the details have been settled and disburses them to the proper parties at the proper time.

Closing

At last!! You are nearing the end of the transaction. Once all of the contingencies of the contract have been satisfied, your lender will send the loan documents to escrow. Both the buyer and the seller are scheduled to sign the closing documents. After the loan funds, the seller has their money and the transaction records with the county, the keys are yours! CONGRATULATIONS!!!

Glossary of Terms

ADJUSTABLE RATE MORTGAGE: a mortgage in which interest and payment rates vary periodically, based on a specific index, such as 30 year Treasury bills or the cost of Funds Index.

AGENCY: a mutual consent legal relationship in which a seller or buyer engages a broker/agent in the sale of purchase of property.

ANNUAL PERCENTAGE RATE (APR): the total finance charge (interest, loan fees, points) expressed as a percentage of the mortgage amount.

APPRAISAL: a professional and unbiased written opinion of a property's value that is based on recent, comparable sales; quality of construction and current condition; and style of architecture.

ASSESSED VALUE: the established value of a property for tax assessment purposes, which may or may not reflect market value.

BRIDGE LOAN: a short-term mortgage made until a longer-term loan can be made; it's sometimes used when a person needs money to build or purchase a home before the present one has been sold.

CLOSING: the final settlement at which time the title is transferred from seller to buyer, accounts are settled, new mortgages are signed, and all fees and expenses are dispersed or satisfied.

CLOSING COSTS: all fees, taxes, charges, commissions, surveys, lender fees, and other costs paid by the buyer and/or seller at closing.

COMMISSION: a previously agreed upon percentage of the home's sale price paid to the listing and selling agents.

Glossary of Terms

COMPARABLES: similar properties in type, size, price, and amenities that have sold recently, been adjusted, and are used for comparison in the appraisal report.

CONVENTIONAL MORTGAGE: most popular home financing form not insured by Federal Housing Administration (FHA) or guaranteed by Veteran's Affairs (VA). Available from many lenders at varying rates, terms and conditions.

COUNTEROFFER: an offer made by a buyer or seller to the other party, responding to the asking price or a subsequent adjustment to that price to complete a purchase of sale.

DEED: a legal "instrument" that conveys the title to a property from seller to buyer.

DISCLOSURE LAWS: state and federal regulations that require sellers to disclose such conditions as whether a house is located in a flood plain or if there are any known defects that would affect the value of the property.

DISCOUNT POINTS: additional charges made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent. These additional interest charges are paid at the time a loan is closed to increase the rate of return to the lender so as to approximate the market level.

DOWN PAYMENT: the buyer and lender determine the down payment requirements during the pre-qualification process. The down payment is usually expressed as a percentage of the purchase price.

EARNEST MONEY: money paid by the buyer at the time an official offer to purchase is submitted to the seller, intended to demonstrate good faith of the buyer to complete the purchase. Earnest money is applied against the purchase price when the sale is finalized. Under certain conditions, the earnest money may be forfeited if the buyer fails to complete the purchase under the terms of the sales contract.

Glossary of Terms

EASEMENT: a right to use the land of another

ENCROACHMENT: a condition that limits the interest in a title to property such as a mortgage, deed restrictions, easements, unpaid taxes, etc.

EQUITY: the difference between the sale price of a property and the mortgage balance owed on the property.

ESCROW ACCOUNT: a third-party account used to retain funds, including the property owner's real estate taxes, the buyers earnest money, or hazard insurance premiums.

FANNIE MAE: the Federal National Mortgage Association (FNMA) is a privately owned corporation created by Congress to buy mortgage notes from local lenders and provide guidelines for most lenders to use to qualify borrowers.

FHA INSURED MORTGAGE: a loan made by a local lending institution and insured by the Federal Housing Administration, whereas the buyer pays the premium.

FIXED RATE MORTGAGE: a mortgage with a set interest rate for the entire term of the mortgage.

FMHA LOAN: a loan insured by the Federal Home Loan Corporation (FHLMC), a federally controlled and operated corporation to support the secondary mortgage market.

FORECLOSURE: a legal procedure whereby mortgaged property is seized and sold as payment for a debt in the event of default.

FREDDIE MAC: the nickname for Federal Home Loan Mortgage Corporation (FHLMC), Freddie Mac is a federally controlled and operated corporation to support the secondary mortgage market. It purchases and sells residential conventional home mortgages.

Glossary of Terms

HOME INSPECTION: a formal survey of a home's structure, mechanical systems, and overall condition, generally performed by an Inspector or contractor.

HOME WARRANTY: a policy available to the buyer or seller as insurance against unanticipated home repair costs.

HOMEOWNER'S POLICY: a hazard insurance policy covering, at the very least, the appraised value of a house and property.

INSPECTION CONTINGENCY: a written stipulation contained in an "offer to buy" that makes the sales contract predicated upon the findings of a professional home inspector.

LIEN: a legal claim against the property that must be paid when the property is sold.

LISTING: a contract through which a seller agrees to terms and fees with an agent who will sell the property to a buyer.

LOAN COMMITMENT: a written promise by a lender to make a loan under certain terms and conditions. These include interest rate, length of loan, lender fees, annual percentage rate, mortgage and hazard insurance and other special requirements.

LOCK-IN RATE: a commitment made by lenders on a mortgage loan to "lock in" and interest rate pending mortgage approval. Lock-in periods vary.

MANAGING BROKER: a person licensed to represent home buyers or sellers for a contracted fee. Managing Brokers manage real estate offices and employ licensed agents to sell properties.

MARKET PRICE: the actual price at which a property is sold.

Glossary of Terms

MARKET VALUE: the price that is established for a property by existing economic conditions, property location, size, etc.

MORTGAGE: a legal claim received by the lender on a property as security for the loan made to a buyer.

MORTGAGE INSURANCE PREMIUM (MIP OR PMI): the consideration paid by a mortgager for mortgage insurance either to the FHA or a PMI company. On an FHA loan the payment is one half of one percent annually on the declined balance of the mortgage. It is part of the regular monthly payment and is used by the FHA to meet operating expenses and provide loss reserves.

ORIGINATION FEE: this fee is a supplement fee paid by buyers to lenders, usually stated as a percentage or as points.

POINT: a single percent of the loan principal, often charged by the lender in addition to various fees and interest.

PREQUALIFICATION: an informal estimate of the “financing potential” of a prospective borrower.

PRINCIPAL: the amount of money borrowed against which interest and possibly fees will be charged. OR: One of the parties to a contract.

PRIVATE MORTGAGE INSURANCE: Insurance issued to a lender by a private company to protect the lender against loss on a defaulted mortgage loan. It's use is usually limited to loans with high loan-to-value ratios. The borrower pays the premiums.

PURCHASE AGREEMENT: a written, legally binding contractual agreement between a buyer and a seller for the purchase of real estate.

Glossary of Terms

REALTOR® : is a member of the National Association of REALTORS® (NAR), and subscribes to NAR's strict Code of Ethics.

SETTLEMENT DISCLOSURE STATEMENT: a statement or list providing a complete breakdown of costs involved in financing a real estate transaction prepared by the lender's agent prior to closing and reviewed at closing by the buyer and seller.

TITLE: a legal document that defines the property, right of ownership, and possession.

TITLE DEFECT: an outstanding claim or encumbrance on property that affects marketability.

TITLE INSURANCE: an insurance policy that protects the buyer against errors, omissions, or any defects in the title.

TITLE SEARCH: a highly detailed search of the document history of a property title for the purpose of identifying any and all legal encumbrances to the property prior to title transfer to a new owner.