

the advantages of Home Ownership

Buying a home can be a big project but it is a sound Financial decision for a number of reasons.

- **Accumulation of equity**—As a homeowner you gain equity that can help you create financial freedom for yourself
- **Stable Housing Costs**—As a homeowner, your mortgage payments can remain the same, even as other costs of living increase.
- **Increased value**—Houses typically “appreciate” over time. This increase in value is like money in the bank to you as a homeowner.
- **Tax Benefits**—As a homeowner, you enjoy tax breaks that can save you a substantial amount each year on your income taxes.



As with any journey, you may encounter problems along the way. Stewart Title is here to help you leap the hurdles, navigate the obstacles or smooth the snags that might impede your progress.

Let's look at some important issues that will provide you with the answers and steps that will make your journey a pleasant and rewarding experience.

- 1 **How much can you afford?**
- 2 **The Benefits of using a Professional Realtor®**
- 3 **Finding the perfect home**
- 4 **Making the offer**
- 5 **Selecting the most advantageous lender**
- 6 **Choosing the right mortgage**
- 7 **Closing the deal**
- 8 **Understanding the escrow process**



the home **Buying** process



GETTING STARTED

- Determine Your Budget & Get Pre-Approved
- Work With An Agent to Find Your Home
- Make The Offer
- Choose the Title and Escrow Company
- Review the Seller's Response
- Purchase Agreement Accepted



OPEN ESCROW

- Deposit Earnest Money
- Property Inspection & Appraisal
- Receive Preliminary Title Report
- Final Loan Approval
- Obtain Homeowner's Insurance

CLOSE ESCROW

- Deposit Funds for Down Payment & Closing Costs
- Sign Loan Documents
- Record Documents
- Transfer Deed to Your New Home

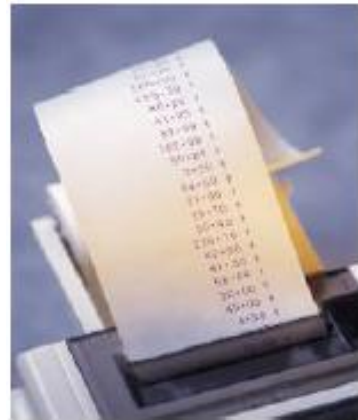


1

how much Home can you reasonably afford?

Before you begin the search for your dream home, decide how much you can comfortably spend. Mortgage lenders often will take into consideration all of the following:

- The size of your down payment
- Your job stability
- Credit references and,
- Payment history



Knowing your credit status and how credit agencies rate your credit also may be a deciding factor, especially when you begin talking to lenders. There are three main credit reporting agencies that will, for a small fee, send you the most current credit report on file.

Lenders usually use the following two qualifying guidelines to decide how much of a loan you can manage:

- Your monthly housing expenses—mortgage payment, property taxes, insurance, etc. These expenses should not total more than 28 percent of your total monthly gross income.
- Your monthly living expenses and any long-term debts—utilities, car and school loan, child support, health and car insurance, etc. These expenses should be no more than 36 percent of your monthly gross income.



2

the benefits of using a Professional Realtor®

Buying a home is a challenging project. There are many ways a professional can help you. Here are just a few benefits.



Fewer transaction problems

An experienced agent can often identify potential problems and or resolved issues and lead you to a successful close.



It doesn't cost you a penny!

The agent that helps you find your home is typically paid by the seller.

More home choices

As a member of the MLS, your agent has thousands of homes to choose from and is more likely to find what you want, where you want it.

They will help you get “pre-qualified” for a loan

Knowing what you can afford is the first step towards getting a home. If you don't already have a lender, they can assist you with getting pre-qualified for a loan. This will help you and your agent focus on the right property for your needs and budget.

Realtors® do the paperwork

Your agent will prepare the offer and assist you through the home buying, mortgage and escrow process.

They know the market, the process and how to get it done.

A professional knows the market. They are a vital source of information on resale and new homes, mortgages, and the purchase process. As with any major journey, you need a capable, competent guide, one who is clearly able to lead you through the steps that ultimately will bring you to your final destination—your new home.



3 finding the Perfect Home

Do you know what kind of home you are looking for? Do you know what neighborhood in which you wish to live? What kind of schools will your children be attending? Would you be comfortable in a condominium, a townhouse or even a pre-fabricated home?

Your agent will ask these questions and many more regarding amenities and specific features. Your agent will be much more capable of finding the right home for you if they know your requirements, needs, and desires.

Needs, Don't Needs and Wish lists

To help your real estate agent with this process, make three lists - a **need list**, a **do-not-want list** and a **dream list**. Factor in your current housing needs, likes, dislikes and possible future changes in your lifestyle, such as more children, less children, parents moving in or out and other major life changing factors.

Your needs list may include:

- The bedrooms & baths you need
- A formal or casual dining room
- Garage space, number of cars



While your do-not-want list may include:

- Small bathrooms
- No Counter Space
- Tiny yard
- No garage

For your dream list, write down features you would love to have, which may include:

- Fireplace
- Swimming pool with Jacuzzi



You may already have an idea of where you want to live, but if you don't, here are few things you think about:



- Look at the surrounding houses in the neighborhood. Are the homes and yards well kept? The condition of these homes will affect the value of the homes you buy.
- Is it visually appealing? Explore the lot thoroughly. Does it offer adequate privacy?
- What kind of area is it in? How close are shopping facilities, banks, churches, hospitals, schools, parks and movie theatres?
- What is the traffic like and how will it affect your commute to and from work?
- Is the home in an area that may flood when it rains? Slope and the soil's ability to absorb water will determine where and how fast water drains away from the house.

Whatever you do, don't be afraid to ask questions. Your real estate agent or escrow officer will be happy to provide you with as much information as possible. Remember, this is potentially the largest purchase you will ever make—ask questions until you are satisfied with the answers.

By the way, if your relocating to a new area, have your agent provide you with "Stewart Title's "Relocation packet.

It has a great overview of our community and you'll learn a lot about the many directions the valley is taking, from housing to hotels and schools to hospitals.



wants and needs **Worksheet**



Your real estate agent will work hard to find the perfect home for you. But how does he or she know what to look for? By completing the information below and sharing it with your agent, you will make it easier for them to find you the best home.

Home Profile				
	Circle or make marks on what applies. Fill in the appropriate number for living area, price, etc.			
Type of Home	Single	Town House	Condo	Mobile
Stories	1	2	3	Split
Condition	Excel	Good	Average	Rehab
Age of home	New	1-5	6-10	10+
Price Range	Low		High	
Living Area Sq.Ft.	Low		High	
Lot Size	Low		High	
Major Area	NW	NC	NE	Boulder
	SW	SC	SE	Hend.
Comments				
Exterior				
	Very Important	Important	Somewhat Important	Not Very Important
Landscaping				
Side Access				
Patio				
Back Yard				
Fencing				
Garage				
View				
Gated				
Master-Planned				
Comments				

Interior				
	Very Important	Important	Somewhat Important	Not Very Important
No. of Bedrooms				
Number of Baths				
Living Sq.Ft.				
Living Room				
Family Room				
Formal Dining Room				
Kitchen Appliances				
Laundry Room				
Carpeting				
Tile Flooring				
Fire Place				
Storage				
Comments				
Systems				
	Very Important	Important	Somewhat Important	Not Very Important
Security				
Energy Saving				
Comments				
Extras				
	Very Important	Important	Somewhat Important	Not Very Important
Swimming Pool				
Spa				
Workshop				
Den/Office				
Comments				

4 you're ready. . .

Make the offer!

Once you and the owner have come to an agreement—**Put it in Writing.**

With your agent's help, offer the seller a contract with commitments and promises that you and the seller need to agree on.

The contract you submit should be comprehensive and include everything of any importance. Keep in mind, once the seller accepts the contract, it may be too late to add or change anything. Your contract should include the following:

- The offering price
- Down payment
- Legal description of the property
- Method of conveying the title
- Amount of deposit
- The settlement date
- Fees to be paid and who pays them
- Conditions under which the seller and buyer can void the contract
- Financing arrangements
- A list of appliances, furnishings and personal property included with the home.

Earnest Money

After you have come up with an offer price, the next step is to determine how large a deposit you want to make with your offer. You want the “earnest money deposit” to be large enough to show the seller you are serious, but not so large you are placing significant funds at risk.

When it comes to buying your new home, everything is negotiable. Your real estate agent can be very helpful with this process. A partial list of what's negotiable when purchasing your new home may include:

- Price
- Financing
- Closing costs (except where specified by financing law)
- Repairs (Will the seller repair the roof, plumbing, windows, etc., and what kind of quality of repairs will be made?)
- Fixtures (Which lights, fans, appliances, etc. stay and which go?)
- Prepaid taxes and insurance (Will the seller credit you with these?)

Negotiation gives you—the buyer—incredible power in making a favorable transaction. As in any negotiation, be prepared to do some give and take. Let your real estate agent help you and work with you and the seller to come to the best possible terms for everyone.



home Inspections



What is a “Home Inspections?”

A home inspection is an objective visual examination of a physical structure and systems of the home from the roof to the foundation. The standard report will include an evaluation of the condition of the home’s heating system, central air conditioning system, plumbing and electrical systems. It also should include the roof, attic, visible insulation, walls, ceilings, floors, windows, doors, the foundation, and overall visible structure.

Why do I need a Home Inspector?

The Purchase of the home is probably the largest investment you will ever make. You should learn as much as possible about the condition of the property and need for any repairs before you buy so that you can minimize surprises and difficulties afterwards.

After the inspection you will have a much clearer understanding of the property you are about to purchase, and you will be able to make an informed buying decision.

The report may include recommended measures that might help avoid costly future repairs. Sellers may opt for having an inspection prior to placing the home on the market — if this is the case, the seller may opt to share the report with you prior to making an offer on the home.



What will it cost?

The inspection fee for a typical single-family house varies, just like the varying cost of housing. The fee may vary based upon the size and features of the house, its age, and additional inspection such as septic, well, or radon testing.

The knowledge gained from an inspection is well worth the cost, the lowest priced inspector is not necessarily a smart bargain. The inspector’s qualifications, including his or her experience, training, certifications and professional affiliation should be the some of the most important considerations.

Can I do it myself?

Even the most experienced homeowner usually lacks the knowledge of a professional inspector.

An inspector is typically familiar with most elements of home construction and maintenance. He or she understands how the home’s systems and components are intended to function, as well as how and why they fail.

In addition, Buyers and Sellers find it difficult to remain completely objective and unemotional about the house; finding a neutral party to give it a final once-over is a good place to turn.

One last point, appraisers are not inspectors. While they may point out needed repairs, they do not test the home and its systems.



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selecting the most advantageous

Lender

Buying a home is an important financial decision. Your lender is a key member of the team of experts assisting you. By working with a professional you'll save time and money and you'll also gain negotiating power if you get pre-approved.

Each lender is different, so be sure to choose one that will work with you and your specific circumstances.

Mortgage Companies: Make just over half of all home mortgages, including most VA-guaranteed and FHA insured loans.

Savings Institutions: Originate close to a quart of home mortgages.

Commercial Banks: Active in residential lending.

Mortgage Brokers: Act as intermediaries and can refer a prospective borrower to a mortgage banker, savings institution or a commercial bank.

Credit Unions: Make close to one-third of all first-mortgage loans, but you must be a member.

Public Agencies: State and local finance agencies make below-market-rate financing available to eligible low and moderate-income first time buyers through the sale of tax exempt bonds.

The next step in your journey is choosing the right type of mortgage for your individual financial needs. While there are some people who can and do pay cash for a new home, most are like you, and this is where your lender's skills and knowledge will take effect.

Getting Your Loan Pre-Approved

Pre-Qualifying before house hunting puts you ahead of the game. A pre-approval from a lender will give you added confidence and negotiating power when you make an offer on a home.

Completing a Loan Application

The very first step is to complete a loan application. The enclosed worksheet will help you gather the needed information. Once the application is submitted and the lender will begin the verification process.



the right 6 Mortgage



The following list contains the mortgages you are likely to see. Ask questions; your lender will be happy to explain each type of loan arrangement and satisfy all your concerns.

Fixed-Rate Mortgage (FRM)

This is the standard mortgage model. It is the oldest and most easily understood type of mortgage. Its primary attraction is that the interest rate and amount of payment remain fixed for the life of the loan, typically either 15 or 30 years. However, if rates fall, the holder cannot benefit from the new, lower rate except by refinancing.

Adjustable-Rate Mortgage (ARM)

An essential question to ask about ARM is whether there are limits on how much your rate can be raised, both at each review and over the whole term of the loan.

Without limits, known as “caps,” you’ll have no way to predict how much your rate (and thus your monthly payment) will change in the future.

With this kind of mortgage, the interest rate you pay rises and falls along with other rates charged throughout the economy. Therefore, you, the borrower, assume the risk of rising rates and you stand to benefit when rates fall.

Convertible Option

FRM and ARM represent the primary options available to home buyers today. The convertible mortgage represents something of a compromise between the two. It is designed for those who want the advantages of the ARM, but also want to limit the risk of rising rates.

Under this arrangement, the buyer starts out with an ARM, but has the option of converting it to FRM at specified points during the term.

You may want to ask the lender these questions: When can you convert? How often can you consider the option? Are there any up-front fees involved? Will you have to pay more for an ARM with the conversion feature than for an ARM without it? Are there additional fees due if and when you decide to convert? Find out the lender’s conversion rate.

Graduated Payment Mortgage (GPM)

Fixed-rate GPM starts out with low payments, usually below that of a fixed-rate and possibly that of an ARM, but rise gradually (usually over five to ten years), then level off for the remaining years of the loan.



Growing-Equity Mortgage (GEM)

This option is designed for borrowers who want to pay off their mortgage as soon as possible. Therefore, the interest rate remains fixed, but the amount of monthly payment increases according to a prearranged schedule, with the higher payments going to reduce the principal balance. This mortgage can be appealing to someone who is expecting regular income growth and wants to build equity quickly.



Biweekly Mortgage

Another option for people who want to repay their loans sooner is the biweekly mortgage. Instead of making a single mortgage payment each month, borrowers who choose this option make two equal payments monthly.

Federal Housing Administration Insured Loans (FHA)

FHA, also known as the Federal Housing Administration, operates under the control of the Department of Housing and Urban Development (HUD) and has the primary responsibility for administering the government home insurance program. This program allows buyers who might not otherwise qualify for a home loan to obtain one because FHA removes the risk from the lender.



Veterans Administration Guaranteed Loans (VA)

VA loans have most of the advantages of FHA loans, and then some, but they also have eligibility restrictions. They are available only to veterans of the armed services, those currently in the service and their spouses. VA loans are typically half a percent or more below market rates, and they can be obtained with no money down.

Fifteen-Year Mortgage

Like the GEM, the fifteen-year mortgage enables borrowers to repay their loan more quickly, which means they build equity faster and pay less interest over the life of the mortgage.



the loan

Application



To help the lender get the loan process started, you should bring certain information to your loan appointment. Helpful information includes the items on the "Financial Worksheet" and the following:

A valid driver's license or identification card

Verification of employment

Two years of W-2 forms showing your annual earnings.

A current bank statement showing the money you have for a down payment and closing costs.

***tip** Keep it safe with . . .

Homeowner's Insurance

You need to have active homeowner's insurance before your loan is approved. To obtain a homeowner's policy, you can have your Stewart Title escrow officer get you a quote from:

Stewart Insurance and Financial Services of Nevada.

Ask Questions. . .

What other coverage do I need? Are you covered if . . . There's a wildfire? If a fire spreads to a neighbor's house? Sewer & drain back-up? Earthquakes? Floods?

As an independent insurance agency, Stewart Insurance and Financial Services works with more than 45 A-rated insurance companies and can get you the lowest and most competitive rates for your insurance needs.

Once the application is complete, the lender will begin the verification process. As part of the process, your lender will request other items including:

A credit report to show your credit history

A property appraisal once you are in escrow

A preliminary title report once you are in escrow.

After you are pre-qualified or after you open escrow and apply for a loan, your real estate agent, lender and escrow officer will keep you informed every step of the way.

Each member of the team can assist you with obtaining all the required items to ensure a smooth transaction.



[Request a quote](#)

www.stewartinsurance.net

financial **Worksheet**

It helps to review your finances before meeting with your mortgage lender to determine what price range you can afford. Your mortgage amount is one factor that affects your purchasing power. Other factors include your income, expenses, credit history and FICO scores, along with the money you have for a down payment. By sharing accurate and up-to-date information with your real estate agent and your lender you enable them to get your pre-approval process started.



**Completing
this will help
get the pre-
approval
process
started**

Name		
Address		
Home Phone -- Cell Phone		
	Buyer 1	Buyer 2
Work Phone		
Employer		
Address		
City/State/Zip		
Title		
Length of Employment		
Annual Income		
Do you have a lender?		
Lender Name		
Loan Officer		
Approved loan amount		
Have you been Pre-qualified	Yes or No	When?
Recent Credit Report?	Yes or No	When?
Maximum Down Payment Available		
Source of Down Payment?		
Maximum Monthly Payment?		
Do you need to Sell a Home in Order to Buy?		
Notes		



7 closing the Deal

There are many people and services involved behind the scenes to make this happen.

Escrow and Title Related Charges

Closing costs should be addressed in the Offer and Acceptance Agreement. The escrow officer that is processing your transaction can quote fees. Any disputes or confusion regarding who pays these fees must be clarified in writing to the escrow company and signed by both parties.

The term “customary” can vary according to the type of transaction involved. What is considered customary in Clark County varies from other counties in the state.

In each transaction there are escrow, title, and lender related charges that will apply. In addition to these fees, some transactions will have various other charges, depending on the terms of the purchase, items discovered during escrow and financing.



Stewart Title Guaranty Company has been protecting consumers for over 110 years with the strongest financial ratings in the industry and commitment to customer satisfaction.

FHA/VA Financing

In a transaction involving new FHA or VA financing the broad term “customary closing costs” is not appropriate. There are loan fees that are subject to negotiation between parties and also fees which FHA/VA regulations require the Seller to pay on behalf of the Buyer.

Efforts should be made to specify at least, the maximum amount of the loan fees the Seller is willing to incur.

Typically, the Buyer pays the loan Origination Fee, the Mortgage Insurance Premium, impounds for taxes and insurance, the first year insurance premium and pre-paid interest on the new loan.

The Seller frequently pays discount points paid by either party. In addition, there are certain fees that the VA and/or FHA will not allow the buyer to pay. The Seller must pay some of these fees. Guidelines exist that are published by these organizations.



The escrow officer acts as an impartial third party to process and oversee the money and paperwork involved in transferring ownership and works with you, your agent and the lender to insure that the transaction goes smoothly.

Opening Escrow

The agent will open escrow for your home purchase when you and the seller have signed the agreement. You and the seller will sign joint escrow instructions which list all of the requirements for escrow to close.

Preliminary paperwork

Your escrow officer will need a Statement of Identity form to verify the date of birth, social security numbers, etc

The Escrow Officer's Role

While your new home is in escrow the escrow officer will:

- Handle adjustments on insurance, taxes, interest, etc.
- Coordinate payoff of the seller's mortgage
- Handle the final accounting and disbursement of any money to all parties
- Forward the deed to the County Recorder for recording your name as the new owner.
- Issue an official closing statement

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your guide to Escrow

Escrow Opens

Complete Preliminary Paperwork

Seller deposits the Deed

Escrow Officer Manages the Paperwork

Buyer Funds the Down Payment

Buyer & Seller Sign Escrow Documents

Lender funds Buyer's Mortgage

Escrow Officer Closes the Transaction



***tip** the SureClose® advantage

At Stewart Title, we know your time is valuable. That's why we worked with lenders and agents to develop SureClose®. With SureClose®, you can use the internet from anywhere to track the progress of your transaction. When you open your escrow with Stewart Title, simply ask your escrow officer to give you the SureClose® advantage.



Closing Costs **Who Pays** for What?

Title Insurance

Because you are making a significant investment with the purchase of your new home, title insurance is a welcome “security blanket” for home ownership. Purchased as a one-time expense by the buyer, title insurance protects you against potential pre-existing liens and hazards that may not be uncovered in a general title search.

Title insurance through Stewart Title of Nevada is a simple step you can take to protect yourself against potential problems with your title. To learn more about insurance, ask your real estate agent for a free copy of “What you need to know about title insurance” or give any Stewart Title office a call.

Ask your real estate agent to specify Stewart Title of Nevada as your title insurance company when you make your home purchase.



The Seller Typically Pays:

- Commission to the real estate agents in the transaction
- Document transfer tax
- Any loan fess as required by the purchase agreement
- Balance of mortgages, loans in the seller's name
- Interest accrued to the seller's lender during escrow
- Any loan prepayment penalties
- Termite inspection and work (according to the contract)
- Home warranty (according to the contract)
- Any judgments, liens, etc. Against the seller
- Property tax proration (for unpaid taxes up to transfer of title)
- Any unpaid homeowner association dues
- Any association document fee for CC&R's or other documents
- Seller's Title Policy
- Wire Fee for Payoffs
- Courier fees for seller's documents
- Transfer and conveyance tax (according to the contract)
- 1/2 of the Escrow fee
- Homeowners association transfer fee

The Buyer Typically Pays:

- Lenders title insurance premiums
- 1/2 of the Escrow fee
- Notary fees for buyer's paperwork
- Recording charges for all documents in the buyer's name
- Property tax proration (from transfer to the buyer)
- Document preparation fee
- New loan charges (per the contract)
- Loan interest from funding to 30 days prior to the first payment
- Inspection fees (property inspection, etc.)
- Transfer and conveyance tax (according to the contract)
- Fire insurance premium for the first year
- Courier fees for the buyer's documents.

moving Checklist



What To Do First

Make reservations with the movers

Sort through your garage, closets, etc.

Hold a yard sale

Make repairs

Arrange for cleaning services if necessary

Preparation

Get a change of address kit from post office

Open bank accounts at your new location

Transfer auto, fire, health and life insurance

Obtain medical records from your doctor and dentist

Get copies of birth & marriage certificates, etc.

Contact the utility companies

Cancel or transfer your newspaper subscriptions

Just before You Move

Defrost and empty the freezer and refrigerator

Store food in a cooler or give to family or neighbors

Have cash or traveler's checks

Store jewelry and other valuables in a safe place

Pack an overnight bag with personal items

Take care of those last few loads of laundry

Pack your "first day" box

Plan for needs of infants

The Moving Day

Do a thorough and final walkthrough

Let a friend know your route and schedule

Double check closets, drawers, shelves

Leave all old keys needed by new owner

At Your New Address

Check on utility services

Ask mailman for mail he may be holding

Have new address recorded on driver's license

Visit city offices and register for voting

Enjoy your new Home



home buying FAQ's

What's better, older or newer home?

There's not definite answer to this one. It depends on factors such as the neighborhood, the home's condition, modernization and your needs.

What questions should I ask the agent?

Ask about anything to do with the home. The agent will do their best to meet your requests. Keep in mind that it is your responsibility (not the agent's) to determine if the home meets your needs. It's important that you are satisfied with the answers you get.

How many homes should I look at?

There isn't a set number. You should visit as many as it takes to find the "right one." Do your homework, know what you want and communicate it clearly to the agent. This will help the agent narrow the list of available homes that meet your needs.

What determines my initial offer?

Listen to your agent's advice, but it's your call on how much to offer. Be prepared for some give-and-take on the price and terms from the seller, until you both agree on a price.

How much earnest money do I need?

Earnest money shows the seller you are interested in the home and that you are a serious buyer. Seller's requirements vary, so look to your agent for advice.

Should I get a "Home Warranty?"

Home warranties offer you protection against potential problems that are not covered by homeowner's insurance. Many sellers will offer a warranty as part of the deal.

What is the "loan to value" and how does it impact my loan?

This is the ratio of the amount of money you borrow compared to the appraised value of the home. Each loan type has a specific LTV limit. A LTV higher than 80% may require mortgage insurance.

How much of a down payment do I need?

With the many loan programs available today, this can be as little as 5% or less of the sale price. Remember that you also need money for closing costs, moving expenses, decorating, etc., so consider your down payment carefully.

What is included in the mortgage payment?

The monthly payment mainly pays off principal and interest. Most lenders include local real estate taxes, homeowner's insurance, and mortgage insurance (if applicable).

What is an impound account?

Your lender uses this to place aside a portion of your mortgage payment to cover annual expenses for homeowner's insurance, mortgage insurance and property taxes.

How do pre-qualifying and pre-approval differ?

Pre-qualification is the way to estimate how much you may be able to borrow where pre-approval is a lender's actual commitment to a specific loan amount.

Are there costs and fees associated with getting a loan?

Yes, you'll pay a loan application fee that will cover the costs of underwriting the loan. It may cover (or you may be charged separately for) the appraisal, a copy of your credit report, etc.

What is a good faith estimate?

It's an estimate of all fees and charges paid before closing, closing costs, escrow costs, etc. associated with the purchase of the home.

What should I look for during the final walk-through?

Here you'll have a clear view of the home (without furniture). Check for any repairs that the seller agreed to make. Also check to see that all items the seller agreed to leave are there.





Adjustable-Rate Mortgage (ARM)

A loan with an interest rate that changes periodically in keeping with a current index, like one-year treasury bills. Typically, however, ARMs can't jump more than two percentage points per year or six points above the starting rate.

Annual Percentage Rate (A.P.R.)

The yearly interest percentage of a loan, as expressed by the actual rate of interest paid. The A.P.R. is disclosed as a requirement of federal truth in lending statutes.

Appraisal

An expert judgment or estimate of the quality or value of real estate as of a given date.

Assessment

- (1) The valuation of real estate for purpose of taxes or special improvement charges.
- (2) The amount of taxes or special improvement charges. Special improvement charges are usually for the costs of streets, sidewalks, sewers, etc.

Buydown

A payment to the lender from the seller, buyer, third party, or some combination of these, causing the lender to reduce the interest rate during the early years of a loan.

CC&R's

Covenants, conditions and restrictions. A document that controls the use, requirements and restrictions of a property.

Closing Costs

Various expenses that buyers and sellers normally incur to complete a transaction in the transfer of ownership of real estate. These costs are in addition to price of the property and are items prepaid at the closing day.

Deed Restrictions

Limitations in the deed to a property that dictate certain uses that may or not be made of the property.

Due on Sale Clause

Provision in a mortgage or deed of trust which requires loan to be paid in full if property is sold or transferred.

Earnest Money

The deposit money given to the seller or his agent by the potential buyer upon the signing of the agreement of sale to show that he is serious about buying the house.

Escrow

Funds paid by one party to another (the escrow agent) to hold until the occurrence of a specified event, after which the funds are released to a designated individual



Fannie Mae

Federal National Mortgage Association (also FNMA) is a private corporation, federally chartered to provide financial products and services that increase the availability and affordability of housing.

Federal Housing Administration (FHA) Guarantee

An insurance contract in which HUD through FHA insures that the named lender will recover a specific percentage of the loan amount from the insurer (FHA) in the event that the loan goes bad.

Fee Simple

An estate under which the owner is entitled to unrestricted powers to dispose of the property, and which can be left by will or inherited. Commonly, a synonym for ownership.

Fixed-Rate Mortgage

A loan that carries an unchangeable interest rate over its entire term typically a period of 15-30 years.

Flood Certification

A common term for a Federal Emergency Management Agency (FEMA) Standard Flood Hazard Determination Form (SFHDF). This determines whether land or a building is located within a Special Flood Hazard Area for purposes of flood insurance requirements under the National Flood Insurance Program.

Freddie Mac

Federal Home Loan Mortgage Corporation (also FHLMC) is a stockholder owned corporation chartered by Congress that purchases mortgage loans.

Graduated Payment Mortgage

A loan in which monthly payments are relatively small in the beginning and gradually increase in dollar amount over the life of the mortgage.

Hazard Insurance

Real estate insurance that protects against damages caused to property by fire, windstorms and other common hazards.

Homeowner's Insurance

Real estate insurance protecting against loss caused by fire, some natural causes, vandalism, etc., depending on the terms of the policy. Also includes coverage such as personal liability and theft away from home.

HUD

U.S. Department of Housing and Urban Development. The federal department responsible for the major housing programs in the United States, such as FHA.

HUD 1

A form settlement statement required by the U.S. Department of Housing and Urban Development where federally related mortgages are being made. Showing the source and the distribution of funds in connection with the purchase.

Impounds

A trust type of account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums, and/or future insurance policy premiums, required to protect their security.

Joint Tenancy

An undivided interest in property, taken by two or more joint tenants. The interests must be equal, accruing under the same conveyance, and beginning at the same time. Upon the death of a joint tenant, the interest passes to the surviving joint tenants, rather than to the heirs of the deceased.

Lender's Policy

A title insurance policy which insures the validity, enforceability and priority of a lender's lien. This policy does not provide protection for the owner.

Lock-In

A guarantee, for which you are usually charged a fee, that you will receive a specific rate when you close your mortgage.

Mortgage

A lien or claim against real property given by the buyer to the lender as security for money borrowed. Under government-insured or loan-guarantee provisions, the payments may include escrow amounts covering taxes, hazard insurance, water charges and special assessments.

Mortgage Broker

A person or company that buys and sells mortgages for another on commission or who arranges for and negotiates mortgage contracts.

Glossary

Mortgage Commitment

A written notice from the bank or other lending institution saying it will advance mortgage funds in a specified amount to enable a buyer to purchase a house.

Multiple Listing

The pooling in a central bureau of listings of properties for sale. These listings are held individually by members of a group of real estate brokers, with the agreement that any member of the group may sell the properties and, in the case of a sale, the commission will be divided between the broker making the sale and the broker who filed the listing.

Negative Amortization

A condition created when a loan payment is less than the interest payment due. Even though payments are made on time, the amount of principal owed increases.

Owner's Policy

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



Personal Property

Any property that is not designated by law as real property (i.e., money, goods, evidences of debt, rights of action, furniture, automobiles).

PITI

Abbreviation for principal, interest, taxes and insurance, all of which are lumped together in your monthly mortgage payment.

P.M.I.

Private Mortgage Insurance. An insurance contract which insures that the named lender will recover a specific percentage of the loan amount from the insurer in the event the loan goes bad. Many lenders require this on higher percentage loans.

Points

A one-time-only fee you pay up front to your lender, sometimes in exchange for a slightly lower mortgage rate. One point equals one percent of the total amount you plan to borrow.

PRELIM or Preliminary Title Report

A written report issued by a title company, prior to issuing title insurance, which shows the recorded condition of title of the property in question. See Commitment.

Prepayment

Payment of mortgage loan, or part of it, before due date. Mortgage agreements often restrict the right of prepayment either by limiting the amount that can be prepaid in any one year or charging a penalty for prepayment.

Pro rate

To allocate between seller and buyer their proportionate share of an obligation paid or due.

Quitclaim Deed

A deed which transfers whatever interest the maker of the deed may have in the particular parcel of land. A quitclaim deed is often given to clear the title when the grantor's interest in a property is questionable. By accepting such a deed the buyer assumes all the risks. Such a deed makes no warranties as to the title, but simply transfers to the buyer whatever interest the grantor has.

Real Estate

Also called "real property." Land and anything permanently affixed to the land, such as building, fences and those things attached to the buildings. May refer to rights in real property as well as the property itself.

Real Estate Broker

A middle man or agent who buys and sells real estate for a company, firm or individual on a commission basis. The broker does not have title to the property, but generally represents the owner.

Real Property Transfer Tax (RPTT)

Is a tax collected when an interest in real property is conveyed and is collected by the County Recorder at the time of recording. A Declaration of Value form is required to be completed so the tax can be calculated. The rate is \$2.55 for each \$500 of value or fraction thereof. The basis for the tax is the actual selling price or the estimated market value.

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Recording

Filing documents affecting real property as a matter of public record, giving notice to future purchasers, creditors, or other interested parties. Recording is controlled by statute and usually requires the witnessing and notarizing of an instrument to be recorded.

Refinancing

The process of the same mortgagor paying off one loan with the proceeds from another loan.

Reverse or Reverse Annuity Mortgage

A mortgage for which the borrower pledges home equity in return for regular (monthly) payments, rather than a lump sum distribution of loan proceeds. Repayment is usually not required until the home is sold or the borrower's estate is settled, provided the borrower continues to live in the home and keeps current all taxes and insurance.

Sale Agreement

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

Special Assessments

A special tax imposed on property, individual lots or all property in the immediate area, for road construction, sidewalks, sewers, street lights, etc.

Street Improvement Bonds

Interest-bearing bonds issued, usually by a city or county, to secure the payment of assessments levied against land to pay for street improvements. The property owner may pay off the particular assessment against the property, or may allow the assessment to "go to bond" and pay installments of principal and interest over a period of years, usually at the city or county treasurer's office.

Title Insurance

Insurance against loss resulting from defects of title to a specifically described parcel of real property. Insurance benefits will be paid only to the "named insured" in the title policy, so it is important that an owner purchase an "owner's title policy," if he desires the protection of title insurance.

VA Guarantee

An insurance contract in which the Veterans Administration (VA) insures that the named lender will recover a specific percentage of the loan amount from the insurer in the event the loan goes bad.

**Variable Interest Rate**

An interest rate that fluctuates with the current cost of money; subject to adjustment if the prevailing rate moves up or down.

Zoning

Laws passed by local governments regulating the size, type, structure, nature and use of land or buildings.





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