



SELLER'S GUIDE

Hello! This guide is to help you understand some general real estate terms and processes in a typical real estate transaction. The basic steps to selling your home are:

1. **Decide if it's the right time to sell your home.** Although hiring a full-time real estate broker will take much of the workload and worry off, it will still require time and attention.
2. **Interview multiple brokers.** Each real estate broker is essentially their own unique business with their own personal and professional goals. Find a broker who you feel comfortable speaking to and shows knowledge in your home, neighborhood, and current market. Don't feel pressured to use the first agent you come across!
3. **Decide on sales terms and a listing price.** Explain to the broker what your wants and needs are, not only of the price, but also how the transaction can balance with your life events. There are limitless options to structure a transaction to make your transition from one home to another as smooth as possible. An example of these options is renting your home back while searching for another home, requesting a shorter/longer transaction period, or even having what is called a "+3" where we would close the transaction of your home on one day and 3 days later we hand over possession. Again, the solutions are limitless so simply explain to the broker what concerns you have!
4. **Prepare for the sale.** Preparation is key to success. A quality broker will have the tools, strategies, and suggestions to get your home ready to not only be marketable, but to sell in the shortest amount of time and for the highest sales price.

5. **List the home.** Once the home is listed on the NWMLS, it will be syndicated to hundreds of other databases. Your broker will have security, presentability, and other guidelines for you during this short period.
6. **Review, negotiate, and accept offers.** Depending on what strategy your broker recommends, you will probably meet for several hours reviewing multiple offers to decide on the best offer. Each contract (offer) is approximately 15-30 pages and there are times when multiple offers are equally desirable due to their unique merits! This is one of many times your broker's negotiating skills may help by changing the terms/price of comparable offers to show who is the most serious about purchasing your home. The outcome of that situation is an even better offer!
7. **Inspections, negotiations, and transaction.** The transaction phase is when multiple important parties are hard at work behind the scene. Your broker is like the conductor of an orchestra, ensuring all of the sections (lender, title, escrow, attorneys, other agents) of the orchestra are performing during their parts. There may be various inspections performed and multiple moments of negotiations throughout this home selling phase.
8. **Signing and Close.** Signing of paperwork will take place 2-3 days of the actual close. On the day of close, all important parties tie matters up and after the county finishes recording information, the home is officially that of the new owner's - possession and keys are handed over.
9. **Search and/or close on purchase of new home.** On day of closing, you may have already moved into your next home but most likely you'll be closing on or still searching for a home. It is best to use the same broker for both transactions as you two will already be in close contact.

Please feel free to contact me, Brian Huie or the BH Real Estate Group at any time. There is never a question too small or too large for us to help you find an answer or solution to!

Here are some key areas of a typical transaction that this guide will expand on:

1. Selling Process
2. Home Inspection Process
3. Home Warranty
4. Appraisals
5. Title Insurance
6. Escrow
7. Who pays what?
8. Capital Gains
9. Prepare for Listing
10. Glossary of Terms

1.THE SELLING PROCESS

HOME SELLER:

Choose a Broker	Ready Your Home	List Property	Open House	Review Buyer's Offer	Negotiate Terms & Accept Offer
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TRANSACTION / OPEN ESCROW:

Open Escrow, Title, and Preliminary Report	Buyer's Earnest Money Deposit in Escrow	Buyer Starts Loan Process	Buyer Starts Escrow Packet	Buyer Package Sent to Lender
Loan Processing	Buyer's Loan Approved	Inspections Ordered & Completed	Property Appraisal	Home Warranty Ordered

TRANSACTION / CLOSE ESCROW:

Loan Document Signed	Escrow Instructions Signed	Lender Funds New Loan	Down Payment & Closing Costs in Escrow	Record Deed	Escrow Closed Buyer Owns Property
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2.HOME INSPECTION PROCESS

A home inspection is an evaluation of the condition of a residential property's general integrity, functionality, and overall safety. The purpose of an inspection is to ensure that a buyer knows exactly what is being purchased prior to completing the transaction.

In the course of a home inspection, the inspector will evaluate your home's foundation, framing, roofing, site drainage, attic, plumbing, heating, electrical system, fireplaces, chimneys, pavement, fences, stairs, decks, patios, doors, windows, walls, ceilings, floors, built-in appliances, and numerous other fixtures and components. Pool and spa inspections are add-ons that buyers can inspect as well. Inspections are not intrusive (holes in the walls). An inspection will take about an hour per 1,000 square feet on average.

All pertinent findings will be detailed in a written report for the buyer's reference and review, and the inspector will make a complete verbal presentation of these conditions for those who attend

the inspection. This information enables a homebuyer to make educated decisions about a home purchase: whether to complete the transaction, whether to ask the seller to make repairs, or whether to buy the property as is. Buyers can also determine how much repair and renovation will be needed after taking possession, which problems are of major concern, which ones are minor, and what conditions compromise the safety of the premises.

WHO PAYS? Your Purchase Sale Agreement will specify who is responsible for the costs of inspections and for making any needed corrections or repairs. It is negotiable between the parties and should be considered carefully. Your agent will advise you what is customary and prudent.

STRUCTURAL PEST CONTROL INSPECTION. A licensed inspector will examine the property for any active infestation by wood destroying organisms. Most pest control reports classify conditions as Section I or Section II. The inspection and the ensuing Section I repair work is usually paid for by the Seller. Section II preventative measures are generally negotiated, and not necessarily completed.

Section I Conditions are those currently causing damage to the property. These conditions generally need to be corrected before a lender will make a loan on a home.

Section II Conditions are those not currently causing damage but which are likely to, if left untreated.

HOME INSPECTION. This inspection may encompass roof, plumbing, electrical, heating, appliances, water heater, furnace, exterior siding, and other visible features of the property. A detailed report will be written with recommendations and pictures which may include the suggestion to consult a specialist (such as a structural engineer or roofing contractor). The inspection fee is usually paid by the buyer.

Some sellers opt to do a house inspection when they list their property to determine in advance which items might be challenges to selling and to address issues that positively impact the sell ability and competitive marketability of a home. Properly maintained homes typically go into escrow faster.

GEOLOGICAL INSPECTION. If requested, soil engineer will inspect the soil conditions and the stability of the ground beneath the structure, as well as research past geological activity in the area. You may also elect to go to the city and research the property's proximity to known earthquake fault lines. Typically the buyer pays for this inspection.

COMMON DEFECTS found during Home inspections:

- **Building Violations:** often identified where additions and alterations were constructed without a permit

- **Roofing Defects:** Problems with roofing material resulting from age, wear or improper installation warranting maintenance, repair, or in some cases, replacement.
- **Ceiling Stains:** Some stains are merely the residual effects of leaks that have been repaired but others can indicate an unresolved issue. Inspectors will determine if a leak is active.
- **Electrical Safety Hazards:** such as ungrounded outlets, lack of ground fault interrupters (shock protection devices), faulty wiring conditions in electrical panels can be identified.
- **Water Intrusion:** groundwater conditions can result in water intrusion into basements or crawlspaces. Correction can be as simple as regrading the exterior grounds or adding roof gutters or as major as French drains designed by experts.
- **Rotten Wood:** can be found in places where wood stays wet for long periods such as roof eaves, exterior trim, decks, around tubs and showers, or below loose toilets.
- **Minor Plumbing Defects:** Loose toilets, dripping faucets, slow drains, leaking drains and hot water at the right faucet are most commonly found during inspections.
- **Unsafe Fireplace & Chimney Conditions:** a lack of maintenance or faulty installation of fixtures are often found. Unsafe conditions are often attributed to a lack of spark arrestors and involve insufficient clearance between hot metal surfaces and combustible materials within the property.
- **Firewall Violations in Garages:** Special fire-resistive construction is required for walls and doors that separate a garage from a dwelling. Violations are common, either due to faulty construction, damage or alterations to the garage interior, or changes in code requirements since the home was built.
- **Faulty Installation of Water Heaters:** Check to make sure your water heater is installed in full compliance with plumbing code requirements. Violations can include inadequate strapping, improperly installed overflow piping, unsafe flue conditions, or faulty gas piping.
- **Hazardous Conditions Involving Gas Heaters:** Most gas-fueled heaters are in need of some maintenance, if only the changing of an air filter while others might be in need of a long-overdue review by the gas company.

3. HOME WARRANTY

THE HOME WARRANTY'S ROLE IN YOUR SALE. As a seller, a home warranty is basically an insurance policy covering the mechanical, electrical, and plumbing systems of a house against unforeseeable events after you close escrow. A policy can ward off potential disputes after the sale for repair and/or replacement of covered items.

TYPES OF COVERAGE. Home warranty plans range, on average, from \$250 to \$1,000 depending on coverage, and are prepaid for a year in advance. When used, the homeowner often pays a co-pay direct to a service provider when a service covered under the plan is rendered. Most home warranty payments are not due until the close of escrow and it becomes

part of the seller's closing costs. The policy is mailed to the new policy holder and can be renewed on an annual basis going forward.

Coverage varies from policy-to-policy. Basic home warranty plans cover appliances. Optimal coverage for air conditioning, heating, plumbing, electrical systems, and pools/spas are an optional upgrade. More comprehensive plans cover such items as irrigation systems, roofs, and garage door openers.

A home warranty plan can also be ordered at the time of listing to protect the seller during the listing period, usually not exceeding six months, then assumed by the buyer at the time of the sale.

HOW IT WORKS. Once the policy is in effect, when service is needed, the policyholder often has the option to either call the warranty company who will facilitate a call directly from an outside service company to arrange for service or they can call the warranty company's in-house service department directly to arrange service. If an appliance is malfunctioning and cannot be repaired, depending on contract coverage, the home warranty company will pay to replace and install the appliance, for example.

4. APPRAISALS

If the buyer is securing a new loan to purchase your home, the buyer's lender will require an appraisal to determine the fair market value of the property. A licensed or certified appraiser will research nearby "comparables", houses in your immediate area that have sold in the last six months and are similar in size, age, construction, and amenities.

An appointment will be made for the appraiser to measure your home, draw a representative floor plan, take photographs inside and out, and confirm the property's condition, specific improvements, and features. After a few days, the appraiser delivers an appraisal report on a standardized form to the buyer's lender which includes the appraiser's opinion of the market value of the property. Sometimes the appraisal report is used by both parties to set the sale price of the property appraised.

If you feel that your appraisal is not fair or accurate, discuss with your broker.

5. TITLE INSURANCE

Q) WHAT IS TITLE INSURANCE?

- A) Title insurance is a policy of indemnity protecting homeowners and lenders from financial loss in the event that certain problems develop regarding the rights of property ownership. There are often hidden title defects that even the most diligent title search will not reveal. In addition to the protection from financial loss, title insurance pays the cost of defense against the covered claim.

Q) WHO NEEDS TITLE INSURANCE?

- A) The seller, buyer, and lender all benefit from the insurance provided by title companies. Buyers and lenders in real estate transactions want to know that the property they are involved with is insured against certain title defects. Title companies provide this needed insurance coverage subject to the terms of the policy.

Q) WHAT TYPES OF POLICIES ARE AVAILABLE?

- A) Title insurance represents a guarantee that the property being sold is unencumbered by any legal notices or judgments that might limit or jeopardize ownership. Any prospective buyer will need evidence that their real estate investment is free of title defects and isn't likely to take the seller's word on that. In fact, the title insurance policy is required in most contracts of sale. Absent title insurance, the buyer would need to thoroughly search county and other records to try to find out, and if they made a mistake in searching, they would have no recourse.

Q) WHO PAYS FOR TITLE INSURANCE?

- A) In most regions, the seller typically pays for the owner's title insurance policy as it is the seller's customary means of proving to the buyer "clear title." If the purchase is financed, the buyer pays for the lender's title policy which conveys to the lender that title is "free and clear." If the buyer is paying cash, there is no requirement for separate title insurance.

Q) WHAT PROTECTION DOES A TITLE POLICY PROVIDE?

- A) A title insurance policy contains provisions for the payment of the legal fees in defense of a claim against your property which is covered under your policy. It also contains provisions for indemnification against losses which result from a covered claim. A premium is paid at the close of a transaction. Unlike other types of insurance, there are no continuing premiums due.

Q) WHAT ARE MY CHANCES OF EVER USING MY TITLE POLICY?

- A) Not all title searches are free from defect. As such, there have been sellers who, as an example, might find during escrow that there are undisclosed mortgages or liens on their property from an original developer. Claims against your property may not be valid, making the continuous protection of the policy all the more important. With title insurance, you could go forward with your closing as scheduled and the title company would undertake the obligation to discharge the liens and clear the title. When a title company provides legal defense against claims covered by your title insurance policy,

the savings to you as a seller for that legal defense alone will greatly exceed the one-time premium paid.

Q) WHAT DOES TITLE INSURANCE PROTECT AGAINST?

- A) Title insurance covers the insured party for any claims and legal fees that arise out of such problems. These rights or claims remain attached to the title to the property until they are rectified.
- False impersonation of the true owner of the property
 - Forged deed releases or wills
 - Instruments executed under invalid or expired power of attorney
 - Undisclosed or missing heirs
 - Mistakes in recording legal documents
 - Misinterpretations of wills
 - Deeds by persons of unsound mind
 - Deeds by minors
 - Deeds by persons supposedly single, but in fact married
 - Liens for unpaid estate, inheritance, income, or gift taxes
 - Fraud

Q) WHAT IF A CLAIM IS MADE AGAINST YOUR INSURED TITLE?

- A) The title insurance provider protects you by:
- Defending your title, in court if necessary, at no cost to you
 - Bearing the cost of settling the case, if it proves valid, in order to protect your title to maintain your possession of your property

Title insurance gives you the assurance that possible claims on title to the property can be discovered from the public records - have been called to your attention so that these defects can be corrected. It is insurance that, if any undiscovered claims covered by your policy arise out of the past to threaten your ownership of real estate, it will be disposed of, or you will be reimbursed exactly as your title insurance policy provides.

Q) WHO CAN HELP ME ANSWER A FEW MORE QUESTIONS?

- A) Ask your broker any additional questions you may have. Your broker will either explain in detail what options you may have in a specific situation, or they will point you towards the proper resources. A quality broker will have formed relationships with lenders, title, escrow, attorney, inspector, and appraisals representatives, not for incentives, but to provide resources for their client.

6. ESCROW

WHAT IS ESCROW? Escrow is the depositing of funds and documents that establish the terms and conditions for the transfer of property ownership with an impartial third party for delivery upon completion of the terms of the escrow instruction.

You've probably heard the term: documents are held "in escrow" or that the parties have "opened escrow". The principals of the escrow (Seller, buyer, lender) will give to the escrow holder written instructions setting out the terms and conditions under which the further delivery is to be made. The Escrow Officer holds responsibility for seeing that these terms are adhered to.

WHO CHOOSES THE ESCROW COMPANY? The selection of escrow is typically done by agreement between the principals. In most areas of the country, including ours at this time, the seller typically makes the selection. Often times, this aspect of a transaction is directed towards the seller's preference because if a home has fallen out of escrow prior, disclosures and reports are already ordered and paid for with an escrow company so it makes sense based on cost and efficiency to stay with the same company. Real estate agents or lenders often recommend an escrow holder but it is the right of the seller and buyer to select the company they deem to be most competent and experienced.

THE PURPOSE OF AN ESCROW. The common use of an escrow is to enable the parties in a real estate transaction to deal with each other with less risk, since the escrow holder acts as:

- Custodian for funds and documents
- A clearing house for payments of all demands
- An agency to perform the clerical details for the settlement of the accounts between the parties

TYPICAL ESCROW TRANSACTION. An escrow begins with the broker opening the order for title work and providing the Purchase Sale Agreement and all executed documentation to escrow. Once received, the escrow company prepares a preliminary report. Upon receipt of the preliminary report, an analysis is made to determine the necessary action and documents required to complete the transaction:

- Demands for satisfaction of liens not acceptable to buyer and/or lender
- Documents for recording
- Instructions and requirements of the new lender

In most areas, buyer and seller instructions are prepared for signature from the information gathered. When all the title and financial requirements are met, and instructions from all parties

can be fully complied with, the escrow is said to be 'in perfection' and can close. Once the financial settlement takes place, documents are recorded and the title insurance policies are then issued.

FROM CONTRACT TO CLOSE.

1. Buyer writes up offer
2. Contract negotiated
3. Contract accepted
4. Contract sent to Lender, Title, and Escrow company
5. Earnest money deposited with Escrow

6. Buyer's inspection period
7. Negotiation of inspection
8. Appraisal ordered
9. Receive escrow packet - Return ASAP
10. Appraisal takes place - Possible conditions

11. Documents go to lender for underwriting
12. Lender may request additional verification of documentation
13. Final conditions from underwriter (i.e. bank statement, proof of employment)
14. Final walk through/re-inspection
15. Final approval from underwriter/possible final conditions

16. Documents drawn by lender and sent to Escrow
17. Escrow works up your documents
18. Signing appointment set by Escrow - Expect a call
19. Signing by Seller and Buyer's - Separate documents
20. Escrow sends Lender final signed documents

21. Lender Releases Funds
22. Recording of new owner at county
23. Transfer of title from Seller to Buyer
24. Property is closed
25. Keys are provided to Buyer

During much of these 25 steps, Title searches the following:

- **History of property:** Including Owner's of Record and liens.
- **Clouds on Title:** Documents Filed by Legal Description
- **Both the Buyer and Seller:** For liens, lawsuits, divorces, probates, document filed by person's name, no property description.

WHAT ESCROW NEEDS FROM THE SELLER. The goal of escrow is to ensure that your transaction moves along as smoothly as possible. Please provide your Closing Officer with the following information:

- **Statement of Information:** Once escrow is opened, you will receive a Statement of Information to complete. Statements of information provide the information needed to distinguish the Buyers and Seller of real property from others with similar names so as to disregard matters which do not affect the property to be insured. After identifying the true Buyers and Sellers, Escrow may disregard the judgments, liens, or other matters on the public records under similar names. This routinely requested document protects all parties involved and allows the title company to competently carry out its duties without unnecessary delay. You, and your spouse if you are married, will be asked to provide full name, social security number, year of birth, birthplace, and information on citizenship. If you are married, you will be asked the date and place of your marriage along with any previous marriage information, residence and employment information.
- **EXISTING LIEN HOLDER(S).** Provide names of your existing lien holder(s) along with address, phone number, and loan number.
- **IDENTIFICATION.** Be sure to bring your driver's license or other form of picture ID to the closing.
- **WIRING INFORMATION.** Escrow can wire proceeds into your account upon funding of the transaction. Please provide your Closing Officer with wiring information if you choose to have your funds wired.
- **RECEIPTS.** Any invoices for inspections, repairs or other items to be paid at closing but be submitted to escrow prior to closing.
- **POWER OF ATTORNEY.** If you intend to use Power of Attorney and will not be present at closing to sign documents, you must provide the original Power of Attorney prior to closing for approval and recording. The Lender will also need to approve the Power of Attorney. Please provide a contact number so that you can be reached for verification as well as to confirm that Power of Attorney has not been revoked.

7.WHO PAYS WHAT?

SELLER can generally expect to pay for:

- Real Estate Broker's commission
- Due and payable property taxes, bonds, assessments
- Prorated taxes, interest, rent HOA dues (could be a credit or debit)
- Payoff of all loans, other liens, and judgements of record against the property (except those to be assumed by Buyer) including, but not limited to: accrued interest, demand/statement fee, reconveyance fee, forwarding fee, late fees/prepayment penalty, if any

- Most of King/Pierce/Snohomish County and Washington State combined excise tax of 1.78%
- Title insurance premium for Owner's Policy

BUYER can generally expect to pay for:

- Prorated taxes, interest, rent HOA dues (could be credit or debit)
- Payable taxes (not yet delinquent) required to be paid in advance by Lender
- Inspection fees (physical, special, geological, etc)
- New financing costs, fees, prepaid interest and impounds, if any (except those costs to be paid by Seller, as required by Lender or as negotiated in Purchase Agreement) or Assumption costs if existing financing is to be assumed by Buyer
- Escrow fee
- Document preparation fee for documents prepared for Buyer's benefit
- Notary Public fees
- Document signing service, if requested
- Document recording charges
- Title insurance premium for Lender's Policy

NEGOTIATED TERMS. The costs and charges of a transaction are fully negotiable between the Buyer and Seller through their respective agents. The negotiated terms will be set forth according in the Purchase Agreement.

NEW RESPA REGULATIONS. In accordance with new RESPA regulations, all fees for Buyer's financing, Owner's Policy of Title Insurance and Documentary Transfer Tax must be disclosed as a cost to the Buyer on the Good Faith Estimate and be charged to the Buyer in Section 800, 1100, and 1200 according on the HUD Settlement Statement. If negotiated in the Purchase and Sale Agreement that Seller pays for these costs and charges, Buyer will receive a credit for same from the Seller which will appear in Section 200 of the HUD Settlement Statement.

8. Capital Gains

A capital gain is a profit that results from the sale of an asset, such as stocks, bonds or real estate, which amounts to more than the purchase cost. This difference between sale price and original price (cost basis) is the capital gain. Capital gains are often calculated for tax purposes and are not based on the purchase price but on its adjusted cost basis.

The IRS provides for a tax exemption on capital gains from the sale of a principal residence. Be sure to check with your Accountant or CPA for professional insight.

HOW TO CALCULATE CAPITAL GAIN

First, take the purchase price of the home. This is the sales price not the amount of money contributed at closing.

Second, determine the sales price or the final amount received in exchange for its recent sale.

Third, add adjustments:

- cost of purchase, including inspections, transfer fees, attorney fees with the exception of points paid on a mortgage
- cost of improvement, including decks, casitas, room additions with the exception of repair or replacement to something already in existence such as a roof or air conditioning unit
- cost of sale, including inspection fees, attorney's fees, commissions and money spent on the home to ready it for sale

Finally, total the adjusted sale price and subtract the adjusted cost basis from the amount the home is sold for to determine the capital gain.

IMPORTANT FACTS ABOUT CAPITAL GAINS & LOSSES

Almost everything you own and use for personal purposes, pleasure, or investment is a capital asset. Capital gains and losses are classified as long-term or short-term, depending on how long you hold the property before you sell it. If you hold it more than one year, your capital gain or loss is long-term. If you hold it one year or less, your capital gain or loss is short-term. You may deduct capital losses only on investment property, not on property held for personal use. If you have long-term gains in excess of your long-term losses, you have a net capital gain to the extent your net long-term capital gain is more than your net short-term capital loss, if any. If your total net capital loss is more than the yearly limit on capital loss deductions, you can carry over the unused part to the next year and treat it as if you incurred it in the next year.

9. PREPARATION: THE KEY TO SUCCESS AND THE POWER OF FIRST IMPRESSIONS

The first thing you do when having a party is to get your home spruced up and celebration ready. Why should selling your home be any different? Consider the following tips that'll get your home sold faster and for the best possible price. Many of these tips are obvious, however none should be overlooked as preparation should not be taken lightly.

- **Property Tours.** A well-kept, neatly landscaped property will help act as "bait" to lure the potential buyer in to see your home. Refuse containers should be out of view and the lawn freshly trimmed. Fertilizing a few weeks prior to listing will help your lawn look lush

and green. Woodwork should be free of chipped or cracking paint. If necessary, repaint. Try to figure out a color scheme for planting flowers in the early spring that will give your home a boost of color when it is being shown.

- **Make a Great First Impression.** The front door should be clean or freshly painted. Brass knobs should be polished with brass cleaner. You might consider placing a planter of fresh flowers on your front porch accented by a new door mat.
- **Minor Repairs Can Help Tremendously.** Repair all loose doorknobs and cupboard hinges, dripping faucets, stained sinks, loose or missing caulking, sticking doors and windows, and damaged or missing window screens.
- **Clutter is Unattractive.** Neatness makes a room look larger. Do you have too much furniture in each room? You may need to store artwork and furniture before you move. Are your shelves and closets overcrowded? Now might be a good time to start packing boxes. The result will be a far less cluttered home.
- **Clean Your Home Thoroughly.** Buyer's react worse to dirt than clutter. They figure if you've let the cleaning go, it's possible that you've let other, more serious, maintenance issues go as well. Consider hiring a service that will give your home a thorough going over just to get you started.
- **Bathrooms Should Sparkle.** Remove stains from sinks, toilets, and bathtubs, including hard-water spots on shower enclosure doors. If drains run slowly, unclog them. Hang fresh towels on towel racks.
- **Lighting Does Wonders.** Drapes, curtains and mini blinds should be open to allow plenty of light in your home. An open, airy feeling generates comfort and welcomes the potential buyer into your home. Turn on all the lights when showing your home. Use brighter bulbs if necessary.
- **Closet Space is a Plus.** Neat, well-organized closets appear larger. Larger closets help sell homes.
- **Countertops Should Be Cleared.** Less is more because rooms look bigger and more inviting. Completely clear off your countertops in the kitchen and baths, office desk, the tables next to your bed, your coffee table in the living room, and your dining room table. You can then put a few decorative pieces back.
- **Kitchens Should Be Clean.** The emptier it is, the larger it will appear. Avoid dirty dishes in the sink or on counters and run your dishwasher before every showing. Countertop appliances should be kept in cupboards. Clean the ventilating hood over the stove. Replace or repair worn-out flooring.
- **Take a Sniff.** Are there any unpleasant odors in your home? If so, track them down and eliminate them. Ensure all your lights work and are free of cobwebs. You want your home to look spacious, bright and fresh.
- **Avoid Having Too Many People Present.** Try to leave your home during showings and let the brokers show your home to potential buyers. The potential buyer may feel uncomfortable or pressured, and hurry through the house if too many people are present during their showing.
- **Keep Pets Securely Out of the Way.** Preferably out of the house.

- **Depersonalize.** Your objective is to help potential buyers feel as if they could live in your home. That mental leap becomes more difficult for them if your house resembles a shrine to your family. Remember, depersonalize like a model home!

When getting your home ready to sell, you need to look at your house in a new way. Think of your house as a product about to go on the market where it is probably competing with brand new housing. It needs to show well - which means clutter-free and well kept. Today's homebuyers lead busy lives and may not be interested in taking on major repairs or improvements upon moving in. This practical, easy-to-follow checklist will help you identify common house problems and simple solutions.

CHECK YOUR HOUSE'S CURB APPEAL

- ☐ Remove any clutter in your yard
- ☐ Repair cracked or uneven driveway or walkway surfaces
- ☐ Mow your lawn regularly and re-seed, if needed. Weed and mulch flower beds and consider buying some flower-filled planters to enhance the eye appeal of your property
- ☐ Clean your windows and walls
- ☐ Does your front door need paint? Remember, it's the first thing people see and welcomes them into your home
- ☐ Ensure your eaves and downspouts are clear of debris and in good repair
- ☐ Power wash your backyard deck and walkways and do any necessary painting, staining, or sealing
- ☐ If you have a swimming pool, are the deck and pool clean (when in season)?
- ☐ Do all outside lights work? Replace any burned out bulbs and clean fixtures of dirt and cobwebs
- ☐ Is there a shed? Make sure it looks presentable
- ☐ Do windows and exterior doors need caulking?
- ☐ Do you have decorative wooden poles on the porch? If the wood at the bottom is not in good condition, add a new coat of paint

GENERAL INTERIOR

- ☐ Check stairs for loose boards, ripped carpeting, and missing or loose handrails and guards
- ☐ Most problems with interior walls are cosmetic. You can buy "erasers" in the cleaning section of most supermarkets to get rid of wall scuffs and floorboard marks.
- ☐ Ensure doors open and shut properly. Minor sticking is normal but excessive binding indicates possible structural problems.
- ☐ Open and close all windows to ensure they work properly. Fogging between the panes of a sealed window indicates the seal is broken and the unit needs to be replaced.
- ☐ Keep furniture to a minimum so rooms appear larger, not smaller. Ensure that traffic can flow in or through rooms unimpeded. If they contain bookshelves or cabinets overflowing with books, magazines and knick-knacks, remove some of these items.
- ☐ Ensure closets look spacious, organized and uncluttered. Create space by getting rid of old clothes and junk.

- ☐ Remove or lock away valuables such as jewelry, coins, currency, electronics.

EXAMINE YOUR WALLS

- ☐ Is your exterior paint looking good? If you see faded colors and cracked or peeling surfaces, you might want to repaint.
- ☐ You can clean vinyl or metal siding but defects or damage usually means replacement
- ☐ Stucco can be repaired but some skill is required to blend patches with existing stucco.

GARAGE

- ☐ Get rid of broken tools, old car parts, discarded bicycles, empty paint cans and the hundreds of other useless items that accumulate in garages. Again, you want a clutter-free zone.
- ☐ Use cleaning solutions to remove oil stains from the floor
- ☐ You can use your garage for storage of extra furniture or items but be sure it's boxed neatly to give the garage a nice appearance. Consider getting a small storage unit.

KITCHENS AND BATHROOMS

- ☐ People splash water around so check around sinks, tubs, and toilets for rotting countertops and floors. Problems could be due to poor caulking or plumbing leaks. Fogged windows, molds and sweating toilet tanks indicate high humidity levels, which you can remedy with exhaust fans.
- ☐ Clean all appliances, including your oven and your greasy stove hood filter. Clean your cabinets inside and out, as well as your countertops and backsplashes. Repair dripping faucets.
- ☐ Remove anything stored on countertops or on top of your fridge and remove artwork and magnets.

AIR SYSTEMS

- ☐ Change the air filters in the attic, etc. They are inexpensive and will come up on an inspection. They are the number one item purchasers want done after a home inspection.

WHEN IT'S SHOWTIME!

- ☐ If you have a pet with a litter box, ensure the litter box is clean and dog droppings are not outside.
- ☐ Be sure all lights are turned on to make the house bright. Open all drapes, blinds, etc.
- ☐ Air out the house to get rid of cooking or pet odors.
- ☐ Have fresh flowers in view or a nice bowl of fruit on the countertop for a bit of color.
- ☐ Turn on some classical music to showcase any surround sound or the atmosphere.
- ☐ Pick up clutter, and empty garbage.
- ☐ Make sure any laundry is in laundry baskets or put inside the washer/dryer so closets and laundry room space are maximized and presentable.
- ☐ Set your thermostat at a comfortable level.
- ☐ Remove pets from the house or put them outside.
- ☐ Leave when the house is being shown.
- ☐ In poor weather, provide a place for boots, overshoes, and umbrellas.

10. Glossary of Terms

ACKNOWLEDGEMENT: A formal declaration made before an authorized official (usually a notary public) by the person who has executed (signed) a document that his/her own act and deed. In most instances, documents must be acknowledged (notarized) before they can be accepted for recording.

ADJUSTABLE RATE MORTGAGE (ARM): A mortgage with an interest rate that changes over time in line with movements in the index. ARMs are also referred to as AMLs (adjustable mortgage loans) or VRMs (variable rate mortgages).

ADJUSTMENT PERIOD: The length of time between interest rate changes on an AMR. For example, a loan with adjustment period of one year is called a one-year AMR, which means that the interest rate can change once a year.

AFFIDAVIT: A sworn statement in writing, made before an authorized official.

A.L.T.A.: Abbreviation for the American Land Title Association.

AMORTIZATION: Repayment of a loan in equal installments of principal and interest, rather than interest-only payments.

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

ASSESSMENTS: Specific and special taxes (in addition to normal taxes) imposed on real property to pay for public improvements within a specific geographic area.

ASSUMPTION OF MORTGAGE: A Buyer's agreement to assume the liability under an existing note that is secured by a mortgage or deed of trust. The lender must approve the buyer in order to release the original borrower (usually the seller) from liability.

ATTORNEY-IN-FACT: An agent authorized to act for another under a Power of Attorney.

BALLOON PAYMENT: A lump sum principal payment due at the end of some mortgages or other long-term loans.

BENEFICIARY: As used in a trust deed, the Lender is designated as the Beneficiary, i.e. obtains the benefit of the security.

CAP: The limit of how much the interest rate can be adjusted over the life of the mortgage.

CC&Rs: Covenants, Conditions, and Restrictions. A document that controls the use, requirements, and restrictions of a property.

CERTIFICATE OF REASONABLE VALUE (CRV): A document that establishes the maximum value and loan amount for a VA guaranteed mortgage.

CONVENTIONAL LOAN: A mortgage loan which is not insured or guaranteed by a governmental agency.

CLOSING STATEMENT: The financial disclosure statement that accounts for all of the funds received and disbursed at the closing, including deposits for taxes, hazard insurance, and mortgage insurance.

CONDOMINIUM: A form of real estate ownership. The owner receives title to a particular unit and has a proportionate interest in certain common areas. The unit itself is generally a separately owned space whose interior surfaces (walls, floors, and ceilings) serve as its boundaries.

CONTINGENCY: A condition that must be satisfied before a contract can be completed. For instance, a sales agreement may be contingent upon the buyer obtaining financing.

CONVERSION TO CLAUSE: A provision in some ARMs that enables you to change an ARM to a fixed-rate loan, usually after the first adjustment period. The new fixed rate is generally set at the prevailing interest rate for fixed-rate mortgages. This conversion feature may cost extra.

DEED: Written instrument by which the ownership of land is transferred from one person to another.

DEED OF TRUST: Written instrument by which title to land is transferred to a trustee as security for a debt or other obligation. Also called Trust Deed. Used in place of mortgages in many states.

DEPOSIT RECEIPT: Used when accepting "Earnest Money" to bind an offer for property by a prospective purchaser; also includes terms of a contract.

DUE-ON-SALE CLAUSE: An acceleration clause that requires full payment of a mortgage or deed of trust when the secured property changes ownership.

EARNEST MONEY: The portion of the down payment delivered to the seller or escrow agent by the purchaser with written offer as evidence of good faith. It is deposited into escrow upon opening of escrow.

EASEMENT: A right to use the property of another for a specified purpose.

ESCROW: A procedure in which a third party acts as a stakeholder for both the buyer and the seller, carrying out both parties' instructions and assuming responsibility for handling all of the paperwork and distribution of funds.

FHA (FEDERAL HOUSING ADMINISTRATION): A federal agency, created by the National Housing Act of 1934, for the purpose of expanding and strengthening home ownership by making private mortgage financing possible on a long-term, low-down payment basis. FHA include a mortgage insurance program, with premiums paid by the homeowner, to protect Lender's against loss on these higher-risk loans. Since 1965, FHA has been part of the newly-created Department of Housing and Urban Development.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): Popularly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by the VA, as well as conventional home mortgages.

FEE SIMPLE: An estate in which the owner has unrestricted power to dispose of the property as he wishes, including leaving by will or inheritance. It is the greatest interest a person can have in real estate.

FINANCE CHARGE: The total cost a borrower must pay, directly or indirectly, to obtain credit according to Regulation Z.

GRADUATED PAYMENT MORTGAGE: A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

GRANT: A transfer of real property.

GRANTEE: The person to whom a grant is made.

GRANTOR: The person who makes a grant.

HOME INSPECTION REPORT: A qualified inspector's report on a property's overall condition. The report usually includes an evaluation of both the structure and mechanical systems.

HOME WARRANTY PLAN: Protection against failure of mechanical systems within the property. Usually includes plumbing, electrical, heating systems, and installed appliances.

IMPOUND ACCOUNT: Funds retained by a lender to cover such items as taxes and hazard insurance premiums.

INDEX: A source of interest rates used to determine changes in an ARM's interest rate over the term of the loan.

JOINT TENANCY: An equal undivided ownership of property by two or more persons. Upon the death of any owner, the survivors take the decedent's interest in the property.

LIEN: A legal hold or claim on property as a security for a debt or charge.

LOAN COMMITMENT: A written promise to make a loan for a specified amount on specified terms.

LOAN-TO-VALUE RATIO: The relationship between the amount of the mortgage and the appraised value of the property, expressed as a percentage of the appraised value.

MARGIN: The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

MORTGAGE BANKER: A company or individual engaged in the business of originating mortgage loans with its own funds. Frequently those loans are sold to long-term investors, with the mortgage banker servicing the loan for the investor until they are paid in full.

MORTGAGE LIFE INSURANCE: A type of term life insurance often bought by borrowers. The coverage decreases as the mortgage balance declines. If the borrower dies while the policy is in force, the debt is automatically covered by insurance proceeds.

NEGATIVE AMORTIZATION: Negative amortization occurs when monthly payments fail to cover the interest cost. The interest that isn't covered is added to the unpaid balance, which means that even after several payments you could owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that aren't high enough to cover the interest.

ORIGINATION FEE: A fee or charge for work involved in evaluating, preparing, and submitting a proposed mortgage loan. The fee is limited to 1 percent for FHA and VA loans.

PERSONAL PROPERTY: Movable property; all property which is not real property: e.g., furniture, car, clothing.

PITI: Principal, interest, taxes, and insurance.

PLANNED UNIT DEVELOPMENT (PUD): A zoning designation for property developed at the same or slightly overall density than conventional developments, sometimes with improvements clustered between open common areas. Uses may be residential, commercial, or industrial.

POINT: An amount equal to 1 percent of the principal amount of the investment or note. The lender assesses loan discount points at closing to increase the yield on the mortgage to a position competitive with other types of investments.

PREPAYMENT PENALTY: A fee charged to a mortgagor who pays a loan before it is due. Not allowed for FHA or VA loans.

PRIVATE MORTGAGE INSURANCE (PMI): Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.

PURCHASE SALE AGREEMENT: A written document in which the purchaser agrees to buy certain real estate and seller agrees to sell under stated terms and conditions. Also called a sales contract, earnest money contract, or agreement for sale.

REAL PROPERTY: Land and buildings as opposed to personal property or chattels.

REGULATION Z: The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.

TENANCY IN COMMON: A type of joint ownership of property by two or more persons with no right of survivorship.

TITLE: Evidence of a person's right or the extent of his interest in property.

TITLE INSURANCE POLICY: A policy that protects the purchaser, mortgagee, or other party against losses.

VA LOAN: A loan that is partially guaranteed by the Veterans Administration and made by a private lender.

VETERANS ADMINISTRATION (VA): An independent agency of the federal government created by the Service Men's Readjustment Act of 1944 to administer a variety of benefit programs designated to facilitate the adjustment of returning veterans to civilian life. Among the benefit programs is the Home Loan Guaranty Program designated to encourage Lenders to offer long-term low down payment financing to eligible veterans by guaranteeing the lender against loss on these higher-risk loans.