WASHINGTON
FINE PROPERTIES

BUYER'S *GUIDE*

When we began this adventure to become **Washington Fine Properties** more than 20 years ago, our goal was to form a firm unlike any other real estate firm we knew of in America. Not another “also ran” real estate agency, but a professional services firm who’s vertical just happened to be real estate.

To sum it up, we believe in positive energy, and we believe in change. It’s all about serving you better. Market reach is critical, but bigger, whether in terms of sales volume or agents, is not always better, or more efficient. We have chosen the opposite path. Inspired nimbleness. Here’s to inspired nimbleness in this virtual age. We look forward to serving you!

Tom Anderson

Bill Moody

Dana Landry

Marc Schappell

IFC Vertical Pocket

It is an honor to be on this journey with *you*. The home buying process can be complicated and we *are* committed to walking alongside you to ensure you find the perfect *home* to suit your needs.

WASHINGTON
FINE PROPERTIES

What Makes Us *Stand Out*

WHO WE ARE

Welcome to **Washington Fine Properties**, the premier residential real estate firm in the Nation's Capital region. With over 20 years of proven success we are committed to meeting all of your real estate needs and look forward to working with you. Together with our seasoned real estate professionals, this guide is designed to help you navigate the home buying process. Our experience, expertise, and unparalleled service provide us – and you – the edge when buying or selling a property in the Washington, DC, Maryland, Northern Virginia, and renowned "Hunt Country" markets.

OUR PEOPLE

A firm comprised of the most accomplished agents, each highly respected in the communities he/she serves

OUR TRACK RECORD

Record performances in all price ranges as well as by neighborhood

TEAMWORK

Networking, information sharing, pricing-confirmation tours, and weekly company-wide agent meetings

LEADERSHIP

Four dedicated, non-selling principals devoted to providing unwavering support to our agents

MARKETING & TECHNOLOGY

Cutting-edge, highly effective, and tailored specifically to your property

OUR NETWORKS

Proven and tested, we have you covered locally, regionally, nationally, and internationally

EXEMPLARY PROFESSIONALISM

Displayed company-wide in all aspects of our business

$2.3B
TOTAL SALES VOLUME

168
AGENTS

$1.2M
AVERAGE SALES PRICE

1,897
TRANSACTIONS

Why You Need A *Realtor*®

As a licensed real estate professional, a Realtor® provides much more than just helping you find your ideal home. Realtors® are expert negotiators with other agents and superb navigators around the local neighborhoods. They are members of the National Association of Realtors® (NAR) and must abide by a Code of Ethics and Standards of Practice enforced by the NAR. A professional Realtor® is an invaluable resource when buying a home.

REPRESENTATION

Home sales involve two parties, a Seller of the property and the Buyer of the property. All Real Estate Boards require licensed professionals to clearly identify "whom they represent" in the transaction, meaning they have a fiduciary responsibility to protect the best interest of that particular party in the transaction. Your buyer agent pledges his/her loyalty and professional expertise to you and the care of your interests throughout the transaction. Without buyer representation, you are "on your own" to represent yourself and/or secure an outside party to advise and protect your interests.

MONEY

WFP agents can save you time, frustration, and money. Being licensed experts in the housing market, they assist in determining values and ensure the process is focused and efficient, so you can avoid the "wild goose chase."

LENDING

Your WFP agent will assist you in the lending process and help you understand pre-qualification, down payments, closing costs, mortgages, etc., and direct you to a list of the best lenders in the area.

KNOWLEDGE

WFP agents are excellent sources for "bringing you home". They know the market, the buying process, and all the constituent players, and bring a high level of expertise in all areas of real estate for your benefit.

LET US GUIDE YOU ALONG

The Home-Buying *Process*

Most transactions close within 30-60 days of the accepted offer; however, this may vary depending on the buyer's and seller's needs and lender products available.

Start *Here*

FIND A WFP AGENT YOU TRUST

Discuss your needs and requirements

Secure financial pre-approval with a lending institution

Select properties for consideration

VIEW PROPERTIES

MAKE AN OFFER TO PURCHASE

Earnest money deposit

Negotiate (if necessary)

Offer accepted

SIGN THE PURCHASE AGREEMENT

Inspections

CHOOSE SETTLEMENT COMPANY

Review condominium / co-op/HOA documents when applicable

Remove contingencies

SECURE MORTGAGE COMMITMENT LETTER

Final walk-through

CLOSING

CROSS THE FINISH LINE

Welcome *Home*

The keys are yours.

Before You *Begin*

1

Homes are often considered the most valuable asset a person can have.

2

Working with a WFP agent to purchase a home will work to your advantage, since he/she is looking out for your best interest.

3

WFP agents will always ensure that the process is as smooth as possible for you and will be there to direct the process and answer questions you may have along the way.

4

Searching for a home is a serious business but should be fun, and we will work with you to make the process as enjoyable as possible.

5

WFP agents are experts in the Capital Region real estate market, and keep abreast of current listings, sales activity, and changing housing trends.

Where Do You Want To Live?

One of the most important decisions is determining where you want to live and invest. This is the fundamental starting place for your agent when it comes to understanding and directing the search for your future home.

THINGS TO KEEP IN MIND

Lifestyle
Walk-ability
Commute
School district
Taxes

Buyer's *Checklist*

Use this helpful checklist to identify the features you need and want in your new home.

_____ Single Family

_____ Condominium

_____ Town House

_____ Investment

Bedrooms 1 2 3 4 5 +

Bathrooms 1 2 3 4 +

Levels 1 2 +

Architectural style: _____

Size/square footage: _____

Property/lot size: _____

Location/neighborhood: _____

_____

School district: _____

Resale/new/year built: _____

Price range: _____

Notes:

_____

_____

_____

_____

_____

_____

Place an "R" next to features you Require.
Place an "D" next to features you Desire.
Place an "X" next to features you find Undesirable.

_____ New

_____ Move-in ready

_____ Willing to update

_____ Open floor plan

_____ Formal living room

_____ Formal dining room

_____ New/upgraded kitchen

_____ Open kitchen /family room

_____ Media room

_____ Office/computer room

_____ First floor bedroom and bath

_____ Master bedroom with en-suite bathroom

_____ His & her bathrooms

_____ New/upgraded baths

_____ Fireplace: gas | wood

_____ Security system

_____ Garage: single | double | +

_____ Outdoor space: porch | patio | deck

_____ Landscaping

_____ Irrigation system

_____ Fenced yard

_____ Acreage:_____

_____ Pool

_____ Community association with restrictions, such as architectural review

The Home Buying *Process*

The buying process has many different steps. It is not simply a matter of finding a house, writing an offer, taking money to closing, and moving in.

There are many important steps in the process. Listed here are the most important ones. At WFP our job is to orchestrate the successful execution of each step, as appropriate.

1. **Determining cash required**
2. **Getting pre-qualified for a home loan**
3. **Determining your wants and needs**
4. **Searching and previewing properties**
5. **Determining your offering price**
6. **Writing the offer**
7. **Negotiating**
8. **Reviewing Home Owners Association/ Condo/Co-Op documents**
9. **Title commitment**
10. **Signing the sales contract**
11. **Performing an inspection**
12. **Completing an appraisal**
13. **Closing**
14. **Possession**

Financial *Qualifications*

HOW MUCH HOME CAN YOU AFFORD?

There are four factors to consider:

1. The down payment
2. Your ability to qualify for a mortgage
3. The closing costs associated with your transaction
4. Your monthly mortgage payments

PRE-QUALIFICATION WILL HELP YOU IN THE FOLLOWING WAYS:

1. Interest rates are locked in for a set period of time.
   You will know in advance exactly what your payments will be on offers you choose to make.
2. You won't waste time considering homes you cannot afford.
3. A seller may choose to make concessions if he/she knows that your financing is secured. If you're an all-cash buyer, this may make your offer more competitive.
4. You can select the best loan package without being under pressure.

DOWN PAYMENT REQUIREMENTS:

Most loans today require a down payment between 3.5% and 5.0%, depending on the type and terms of the loan. If you can provide the standard 20-25% down payment, you may be eligible to take advantage of special fast-track programs and possibly eliminate mortgage insurance.

CLOSING COSTS:

You will be required to pay fees for loan processing and other closing costs. These fees must be paid in full at the final settlement unless you can include them in your financing. Typically, total closing costs will range between 2-5% of your mortgage loan.

QUALIFYING FOR THE MORTGAGE:

Most lenders require that your monthly payment range between 25-28% of your gross monthly income. Your mortgage payment to the lender includes the following items:

The Principle on the loan (P)
The Interest on the loan (I)
Property Taxes (T)
Homeowner's Insurance (I)

Your total monthly PITI and all debts (from installments to revolving charge accounts) should range between 33-38% of your gross monthly income. These key factors determine your ability to secure a home loan: Credit Report, Assets, Income, and Property Value.

WHY IS IT IMPORTANT?

Makes you stand out in a competitive market

Allows you to understand how much Better bargaining power

Reduces surprises

Helps you refine your search

Making An *Offer*

Once you have found the home you wish to purchase, you will need to determine what offer you are willing to make for the home. It is important to remember that the more competition there is for the home, the higher the offer should be – sometimes even exceeding the asking price. Remember: Be realistic. Make offers you want the seller to sign!

To communicate your interest in purchasing a home, we will present the listing agent with a written contract offer. When the seller accepts an offer, it becomes a legal contract. When you write an offer, you should be prepared to pay an earnest money deposit, typically 3-5% of the sales price. This is to demonstrate that your intention is to purchase the property. The purchase contracts used are standard documents approved by our local Board of Realtors.

After we present your purchase contract to the listing agent, it will either be accepted, rejected, or the seller will make a written counter offer. This is when we will negotiate terms of the contract, if necessary. Once an offer has been successfully negotiated and executed by both parties (ratified), it is a binding Sales Contract.

"We've mapped ourselves to be *accessible* to you. You have to know more than just real estate, you have to understand the neighborhoods and the people who live there."

"It's important to have an agent who can answer all your questions. We are here to take care of the details so you can focus on what is really important."

Our agents know these neighborhoods by more than just names.

What Happens *Next?*

Once you have a ratified contract, what happens between now and the time you legally own the home? A Title Company will handle the following items.

TAX CHECK

What taxes are owed on the property? The Title Company contacts the various taxing authorities.

TITLE SEARCH

Copies of documents are gathered from various public records: deeds of trust, various assessments, matters of probate, chain of title, divorce, and bankruptcy are addressed, as applicable.

EXAMINATION

Verification of the legal owner and debts owed

SETTLEMENT

A settlement company oversees the closing of the transaction: seller signs the deed, you sign a new mortgage, the old loan is paid off, and the new loan is established. Seller, Realtors, attorneys, surveyors, title company and other service providers for the buyer are paid. Title insurance policies will then be issued to you and your lender.

Your WFP Agent will be in constant communication with the title company to ensure that you are on schedule for the entire transaction.

TITLE INSURANCE

There are two types of title insurance:

1. Coverage that protects the lender for the amount of the mortgage
2. Coverage that protects the buyer's equity in the property

Title agents search public records to determine who has owned any piece of property, but these files may not reflect irregularities that are almost impossible to find. Here are some examples: an unauthorized seller forges the deed to the property; an unknown, but rightful, heir to the property shows up after the sale to claim ownership; conflicts arise over a will from a deceased owner, or a land survey showing boundaries of your property is incorrect.

For a one-time charge at closing, title insurance will safeguard you against problems including those events an exhaustive search may not reveal..

Finding the *Right Home*

Here are some important questions you should ask your WFP Agent and why you should ask them.

How long has the property been on the market, and what is the average days- on-market (dom) in this area?

WHY: Market times indicate supply and demand for properties in the area and can give you an idea of whether it's a buyer- or seller-driven market.

Have there been any price reductions during the listing period?

WHY: A price reduction may indicate and support a seller's desire to attract an offer.

What is the price range of recent comparable sales in the neighborhood?

WHY: This information may indicate the home seller's expectation.

Are there any active offers being considered by the seller?

WHY: Knowing if you are competing for a property with another buyer may affect the terms you are willing to make in your offer.

What is the motivation of the seller?

WHY: Motivation is a key element in any negotiation. As an example, if the seller has already purchased a new property, your ability to close quickly may be an attractive element of the negotiation.

What improvements have been made to the property?

WHY: Recent enhancements can affect the buyer's and seller's perceived value of the property.

When would the seller like to move?

WHY: Knowing when the seller would like to move can be helpful in negotiations.

What personal items are included in the sale?

WHY: Anything the seller is willing to leave behind that you won't need to buy when you move in has real value. Consider those items in your offer.

Can i have copies of all home seller disclosures?

WHY: Most states require all home sellers to provide property disclosure statement(s) for your review.

> "My advice when walking our clients through the home buying process is to make sure they find a 3rd party inspector with a reputable reputation in the DC area."
>
> **- Shelly Long, Washington Heights Neighborhood**

Buying a home could be the largest single investment you will ever make. To minimize unpleasant surprises and unexpected difficulties, you'll want to learn as much as you can about the newly constructed or existing house before you buy it.

A home inspection may identify the need for major repairs or builder oversights as well as educate you on areas of maintenance to keep it in good shape. One or more professional inspectors should look for defects or malfunctions in the building's structure, such as the roof, plumbing, electrical, air conditioning and heat, ventilation, appliances, general structure, foundation, and pest infestation or dry rot and similar damage. After the inspection, you will know more about the house, which will allow you to make decisions with confidence.

Your home inspection is not designed to criticize every minor problem or defect in the home. It is intended to report on significant damage or serious problems that require repair. If the inspector finds any potentially serious problems, he may recommend that you have a professional from that specified field inspect the situation.

A home cannot "pass or fail" an inspection, and it is not the inspector's role to indicate whether he/she thinks the home is worth the money you are offering. The inspector's job is to make you aware of repairs that are recommended or are required.

The seller may be willing to negotiate completion of repairs or, if the contract allows, negotiate a credit for completion of repairs, or you may decide that the home will take too much time and money. With a professional inspection, you will have the information that you need to make that decision.

In choosing a home inspector, look for one who has been certified and qualified as an experienced member of a trade association.

You, as the buyer, should be present at your home inspection. It will allow you to understand the inspection report clearly and know which areas need attention. Plus, you can get answers to any questions, tips for maintenance, and general information that will help you once you acquire your new home. Most important, this is an opportunity for you to see the home through the eyes of an objective third party.

27k*

***HOME INSPECTIONS/ YEAR IN DC**

Not Sure Where to Start?
For more information Visit **WFP.com/Buyer** on findind a reputable home inspector you can trust.

The Financing *Process*

HOW TO APPLY FOR A MORTGAGE

1.

Complete the loan application. An application fee may be required by the lender.

2.

The lender begins processing the application.

3.

The lending institution requests an appraisal of the property, a credit report, and verification of employment and assets such as bank accounts.

4

The lender will provide a booklet containing specific loan information and a good-faith estimate of closing and related costs.

5.

An estimate of your loan costs in the form of an initial Truth-In-Lending Disclosure Statement (Reg Z) is issued.

6.

The lender evaluates the application along with supporting documentation and approves the loan.

7.

Once you sign the closing documents, the loan is funded.

8.

The lender disperses the funds to the settlement or closing agent. The seller is paid, and the title to the home is yours.

9.

The appropriate documents are recorded at the county or district recorder's office.

DOCUMENTS NEEDED TO APPLY FOR A MORTGAGE

When you apply for a mortgage, you will need to provide information regarding your income, expenses and obligations. It will save time for you to have the following information available:

Two most recent pay stubs

W2s from the last two years

Federal tax returns from the last two years

Bank statements from the last two months

Long-term debt information (credit cards, student loans, child support, auto loans, installment debt, etc.)

REPAIRING PAST CREDIT PROBLEMS

Do you have blemishes on your credit report? Some lenders will work with you to find a credit solution. They have special programs and financing options that allow you to get a mortgage even with minor credit blemishes. However, it is in your best interest to keep your credit report in good standing.

Here are some helpful hints for your credit report:

Never go over 90 days past due on any account.

Keep your credit card debt below 50% of your monthly obligations.

If paying bills after the due date, always pay within the grace period.

Financing *FAQs*

Answers to these financial questions will help you get a basic understanding of the financing process. Of course, your WFP agent will assist you in finding all the information you need to know to make a sound decision on the purchase of a new home.

Q: what is the difference between "pre-qualified" and "pre-approved?"
A: A pre-qualification consists of a discussion between the buyer and a loan officer. The loan officer collects basic information regarding the customer's income, monthly debts, credit history, and assets, then uses the information to calculate an estimated mortgage amount for the home buyer. The pre-qualification is not a full mortgage approval, but estimates what a home buyer can afford.

A pre-approval is a comprehensive approach using basic information as well as electronic credit reporting. Pre-approvals in most cases are true mortgage commitments. The lender commits to financing your home and indicates the total mortgage amount available to you.

Q: what types of mortgage products are offered?
A: Currently, there are numerous different mortgage products available, including but not limited to:

- 15-, 20- and 30-year fixed-rate loans
- Adjustable-rate loans
- New-construction financing
- VA and FHA loans
- 5- and 7-year balloon loans

All mortgage products have their own benefits and disadvantages. Talk with your financial institution to discuss which product is best for you.

Q: how long does it take to process a mortgage application?

A: Usually 14-30 days, although it can be as few as 7 and as long as 45 for some transactions. The actual time depends on how quickly the lender can get an appraisal of the property, as well as complete application documentation.

Q: what documentation will I have to provide?

A: Be prepared to provide verification of income (pay confirmation and recent tax returns), bank statements, and details on all debts. If you're self-employed, you may also be required to provide financial statements for your business.

Q: could anything delay the approval of my loan?

A: If you provide the lender with complete, accurate information, then everything should go smoothly. You may face a delay if the lender discovers credit problems, such as history of late payments or non-

> "Influence and credibitily should be top of mind for a consumer. As a DC heritage brand, we have established ourselves as an expert voice in the DMV."
>
> **- Justin Pearce, WFP Senior Agent**

payment of debts, or a tax lien. You may then be required to submit additional explanations or clarifications.

You should also be sure to notify your lender if your personal or financial status changes between the time you submit an application and the time it is funded. If you change jobs, have a change in salary, incur additional debt, or change your marital status, let the lender know promptly.

You may also be delayed if the home you selected appraises lower than the agreed purchase price.

Q: what's included in my house payment?

A: Interest and/or principle on your loan. Depending on the terms of your loan, the payment may also include homeowner's insurance, mortgage insurance, and property taxes.

Q: can I pay those other items separately?

A: Not if it's a VA or FHA loan. With most other loans, you can pay your own taxes and insurance if you borrowed no more than 80% of the purchase price or appraised value of your home. Check with your lender to be sure.

Q: what do closing costs include?

A: Closing costs cover processing and administration of your loan. In addition to a loan fee, you'll usually be asked to prepay interest charges, to cover the partial month in which you close, as well as impounds for property taxes, hazard insurance, and mortgage insurance.

Q: when do my mortgage payments start?

A: Usually about 30 days after closing. The actual date of your first payment will be included in your closing documents.

What is a *Home Appraisal?*

A home appraisal is an unbiased report on the value of a house in the fair market, performed by a trained and licensed individual. Appraisals are needed to ensure the homebuyer, the home seller, and the mortgage lender receive the accurate and true value of the real estate in question.

In residential property transactions, you choose your lender, but you cannot choose your appraiser. Instead the appraiser must be chosen by your lender to provide a level of independence from the buyer and seller.

In order to ensure that appraisals are impartial, the Appraisal Independence Requirements, or AIR, prohibits a lender's loan production staff from having direct contact with—or influence upon—any appraisers.

To reduce the risk of violating AIR, many lenders now hire appraisers via appraisal management companies. These companies work with many residential appraisers in order to cover a more diverse housing market and to reduce the risk of improper influence.

What factors determine a *home's value?*

There are several steps taken by an appraiser to determine a property's value, which include visiting the property in person and reviewing recently completed sales of comparable homes. The data gathered by the appraiser during this process is combined and presented to you in a final report of value.

VIEWING THE PROPERTY

The in-person part of an appraisal often takes over an hour, depending on the home's size. The appraiser will measure the property's square footage, check the number of bedrooms and bathrooms, and compare the findings with housing data provided by local county records to ensure accuracy.

The appraiser also will check the status of the major systems and structure of the house. During a viewing, appraisals usually answer questions such as:

- Is there water, termite or mold damage?
- Is the furnace in good shape?
- Does the plumbing leak?
- Will any major systems or structures need
- replacement, such as the roof?

Appraisers will account for many home improvements and upgrades as well. This is perhaps the most confusing area for new buyers and sellers, due to the fact that remodeling and other home upgrades may not have universal value.

For example, a new roof will be desirable to nearly any buyer, but the costs and upkeep of a swimming pool may not be. It's advisable to put in some research before you begin a home remodeling project to ensure your investment is worthwhile.

COMPARABLES: EVALUATION OF SIMILAR HOME SALES

The next step is for the appraiser to look at comparables, often referred to as "comps." Comparables are similar homes that have recently sold in the general area or even that specific neighborhood. Appraisers look for houses that share similar characteristics with the subject property, such as size, age, and architectural style. Comps typically only include homes listed and sold within the past three to six months.

THE FINAL REPORT OF VALUE

The last step in the home appraisal process is preparing a final report of value. This report will provide you and your lender with a complete property analysis. It will also outline how the appraiser calculated your home's worth. Typically, the final report of value will cover the following items:

- Size and condition of the house
- Comments about serious structural problems, like cracked foundations, wet basements, windows that need replacement, and roofing that needs repair
- Permanent fixtures, such as lights, ceiling fans, and plumbing, including faucets
- Details about any home renovations such as updated kitchens, bathrooms, or new flooring
- Comments about the surrounding area, including positive and negative local features
- Maps, photographs, and sketches of the property, both inside and out
- A detailed current market analysis, including recent sales of comparable homes

Home Appraisal vs Home Inspection:

Although the home appraisal may seem similar to the home inspection, the goals of these two processes are very different.

We've Got You Covered
Not sure where to begin? Visit WFP.com/Buyer for more information

HOME APPRAISALS
The appraiser determines the value of the house.

HOME INSPECTION
The inspector determines condition, any repairs needed, and their potential cost.

Closing

WHAT IS A REAL ESTATE "CLOSING"?

A "closing," or settlement, is where buyers and their agent meet with some or all of the following individuals: the Seller, the Seller's agent, a representative from the lending institution, and a representative from the title company, in order to transfer the property title to you. The Sales Contract you signed describes the property, states the purchase price and terms, sets forth the method of payment, and usually names the date and place where the closing or actual transfer of the property title and keys will occur.

If financing the property, your lender will require you to sign a document, usually a promissory note, as evidence that you are personally responsible for repaying the loan. If applicable, you will also sign a mortgage or deed of trust on the property as security to the lender for the loan. The mortgage or deed of trust gives the lender the right to sell the property if you fail to make the payments. At closing, you will be required to pay all fees and closing costs in the form of "guaranteed funds" such as a cashier's check. Your agent or escrow officer will notify you of the exact amount at closing

WHAT IS AN ESCROW ACCOUNT?

An escrow account is a neutral depository held by your lender for funds that will be used to pay expenses incurred by the property, such as taxes, assessments, property insurance, or mortgage insurance premiums that fall due in the future. You will pay one-twelfth of the annual amount of these bills each month with your regular mortgage payment. When the bills fall due, the lender pays them from the special account. At closing, it is usually necessary to pay enough into the account to cover these amounts for several months, so that funds will be available to pay the bills as they fall due.

Understanding the *Language*

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).

Amortization

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

Annual Percentage Rate (APR)

The total finance charge (interest, loan fees, points) expressed as a percentage of the loan amount.

Appraisal

An estimate of the property's value provided by a professional appraiser.

Cap

The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.

Cash Reserves

The amount of the buyer's liquid cash remaining after making the down payment and paying all closing costs.

CC&Rs

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

Certificate of Commitment

The lender's approval of a VA loan, which is usually good for up to six months.

Closing Statement

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

Commitment Period

The period during which a loan approval is valid.

Condominium

A form of real estate ownership where 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 surface (walls, floor, ceilings) serve as its boundaries.

Contingency

A condition that must be satisfied before a contract is binding. For instance, a sales agreement may be contingent upon the buyer obtaining financing.

Cooperative

A form of multiple ownership in which a corporation or business trust entity holds title to a property and grants occupancy rights to shareholders by means of proprietary leases or similar arrangements.

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.

Equity

The difference between what is owed and what the property could be sold for.

FHA Loan

A loan insured by the Federal Housing Administration (of the Department of Housing and Urban Development).

Fee Simple

An estate in which the owner has unrestricted power to dispose of the property as he/she 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.

Fixed-Rate Mortgage

A conventional loan with a single interest rate for the life of the loan.

Gift Letter

A letter from a relative stating that an amount will be gifted to the buyer and that said amount is not to be repaid.

HOAs

Homeowners' associations are formal, legal entities created in many single-family subdivisions and condominium/townhome/villa developments to maintain common areas and enforce the covenants, conditions, and restrictions of the community.

Continued >

Earnest *Money*

The portion of the down payment delivered to the seller or escrow agent by the purchaser with a written offer as evidence of good faith.

Understanding the *Language*

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.

Joint tenancy

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

Jumbo Loans

Mortgage loans that exceed the loan amounts acceptable for sale in the secondary market; these jumbos must be packaged and sold differently to investors and therefore have separate underwriting guidelines.

Lien

A legal hold or claim on property as 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.

Lock-In

The fixing of an interest rate or points at a certain level, usually during the loan-application process. It is usually done for a certain period of time, such as 60 days, and may require a fee or premium in the form of a higher interest rate.

Origination Fee

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

Payment Cap

The maximum amount the payment can adjust in any given time frame.

PITI

Principal, Interest, Taxes and Insurance.

Planned Unit Development (PUD)

A zoning designation for property developed at the same or slightly greater overall density than conventional development, sometimes with improvement clustered between open, common areas. Use may be residential, commercial or industrial.

Point

An amount equal to one percent of the principal amount of the investment or note. Lender assesses loan discount points at closing to increase the yield on the mortgage to a position competitive with other types of investment.

Prepayment Penalty

A fee charged to a borrower who pays a loan before it's 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 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.

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 by the Entirety

A form of property ownership, in which the property belongs to the marriage, which means that both husband and wife own the property as one person, and thus, both of them own 100% interest in the property.

Tenancy In Common

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

Title Insurance Policy

A policy that protects the purchaser, mortgagee, or other party against losses.

VA Loans

A loan, made by a private lender, that is partially guaranteed by the Veterans Administration.

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