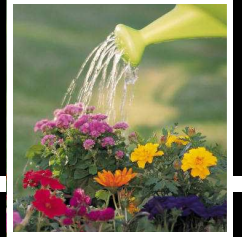
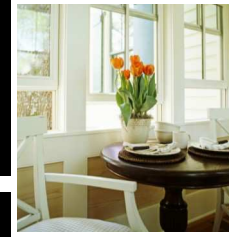




*A Complete Guide  
To Help You Navigate  
The Home Buying Process*



# Home Buyer's Handbook



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**Gauler Realty**  
REAL ESTATE & PROPERTY MANAGEMENT



# Home Buyer's Handbook



Dear Home Buyer,

Thank you for giving me the opportunity to help guide you through your home buying process. It can be very confusing, sometimes complicated, and is always important to you, your family, your future and me. Please be assured you will receive my very best service incorporating all my experience and training to make a committed effort to have this process be understandable, hassle free and hopefully, a pleasure for all involved. So let's get started!

The information in the handbook will educate and assist you with the following:

- *Help determine your wants and needs*
- *Steps of the buying process*
- *Loan information*
- *Explaining the escrow and title process*
- *Physical inspections process*
- *Helpful Moving Tips*

I look forward to working with you during the entire home buying process. I welcome any questions you may have after reading this information. Please feel free to contact me at anytime.

# Buyer Contacts

**Real Estate Agent**

**Title Representative**

**Lender**

**Escrow Officer**

**Pest Control Inspector**

**Insurance Agent**

**Other Important Contacts:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

# FCT Consumer Discounts



* FIRST TIME HOMEBUYER	50% off Escrow Fee
* ACTIVE MILITARY	25% off Escrow Fee
* ACTIVE TEACHERS	25% off Escrow Fee
* SENIOR CITIZEN	(Sellers 55+) 20% off Escrow Fee (Resale Only)
* NON-PROFIT ORGANIZATION	50% off Title Fee
* SHORT TERM OWNERS TITLE POLICY	20% off Title Fee up to 3 years
* RESIDENTIAL REFINANCE/REVAMP BUNDLED ESCROW FEE	50% off Title Fee (min of \$350.00) \$295.00 Escrow Fee <small>(excluding any additional doc prep fees, signing service fees, legal fees, or recording fees)</small>

**FCT now offers an amazing discount rate for consumers:**

## RESIDENTIAL REFINANCE/REVAMP DISCOUNT RATE

**50% off Title Fee (min \$350.00)**

**&**

**a BUNDLED ESCROW FEE**

**\$295.00**

**(Excluding any additional doc prep fees, signing service fees, legal fees, or recording fees)**

- ALTA Residential Policies issued unless otherwise requested (single family, one to four units)
- ALTA Homeowner's Extended Policy available for a minimal fee (single family, one to four units)

**\* Only one discount rate per sales transaction**

### First Centennial Title Reduced Rate Certificate

Owner \_\_\_\_\_  
 Escrow Number \_\_\_\_\_  
 Real Estate Agent \_\_\_\_\_  
 Recorded Sale Date \_\_\_\_\_

This certificate entitles you to reduced rates for an Owner's Policy should you sell your property within three (3) years.

This offer is applicable only if the policy is issued by First Centennial Title or its agents. To ensure your discount, present this certificate to your real estate agent when you list your home for sale.

# Home Buying - One Step At A Time



## **My Commitment To You**

I am a full time professional agent, I am educated in the legal aspects of real estate practice and licensed by the State of Nevada to provide real estate services. As a member of the Nevada and National Associations of REALTORS®, I abide by a strict Code of Ethics to provide you with the highest level of service. As an associate agent, I am part of one of the strongest networks of professional REALTORS®. I earn my living by serving the needs of home buyers and sellers with integrity.

## **Skilled Service**

A large part of my work is performed “behind the scenes; previewing homes, researching comparable sales, gaining market knowledge, evaluating changing legislation, and maintaining my professional credentials. For every hour I spend showing you homes, I will have spent up to ten hours preparing. I am constantly acquiring information that will help me to better serve you.

## **How I Am Compensated**

I am not paid a traditional salary; I work entirely on commission, which I receive only if I initiate and complete a transaction for you. I am compensated only when all of your needs have been satisfied and you take ownership of your new home. All of the services I provide are uncompensated unless you purchase a home through me. Real Estate commissions are traditionally paid at the close of escrow from the seller’s proceeds.

## **Your Commitment to Me**

I will invest substantial time and effort in locating your home, and I will represent you with unequalled integrity throughout the purchase of that home. In return, I request your loyalty—a commitment that you will work with me, exclusively, in selecting and purchasing your home.

## **Putting Me To Work For You**

If you see any home that interests you, ask me about it. Whether it is advertised by sign, in the newspaper, a “For Sale By Owner”, listed with another agent, or not even on the market—I am able to best represent you in the pursuit of the property.

If you have any questions about how I work, please ask. Our professional relationship is critical to the successful purchase of your home.

Acknowledged by \_\_\_\_\_

Date \_\_\_\_\_

# Buyer's Needs Evaluation



Name (s): \_\_\_\_\_

Address: \_\_\_\_\_

Phone: (Home): \_\_\_\_\_

(Work): Buyer 1: \_\_\_\_\_ Buyer II: \_\_\_\_\_

OWN       RENT

Children?     YES       NO      If Yes, Ages: \_\_\_\_\_

Why have you decided to move? \_\_\_\_\_  
\_\_\_\_\_

When would you like to move? \_\_\_\_\_

How long have you been looking? \_\_\_\_\_

Describe your present home: \_\_\_\_\_  
\_\_\_\_\_

What do you like most about your present home? \_\_\_\_\_  
\_\_\_\_\_

What do you like least about your present home? \_\_\_\_\_  
\_\_\_\_\_

Hobbies & special interests: \_\_\_\_\_

Are there any particular areas, neighborhoods or homes you like? \_\_\_\_\_  
\_\_\_\_\_

Is your home currently on the market?     YES       NO

Needs & Wants:      Bedrooms: \_\_\_\_\_      Baths: \_\_\_\_\_      Stories: \_\_\_\_\_

Separate Dining Room     Eat-in kitchen     Family room     Fireplace

Acreage       Transportation needs

School district \_\_\_\_\_

# Property Critique

Below is a chart to help you compare and remember each property you preview.

Address: \_\_\_\_\_  
\_\_\_\_\_

Beds: \_\_\_\_\_ Baths: \_\_\_\_\_

Sq. Ft.: \_\_\_\_\_ F/P: \_\_\_\_\_

Living: \_\_\_\_\_ Dining: \_\_\_\_\_

PROS	CONS

Address: \_\_\_\_\_  
\_\_\_\_\_

Beds: \_\_\_\_\_ Baths: \_\_\_\_\_

Sq. Ft.: \_\_\_\_\_ F/P: \_\_\_\_\_

Living: \_\_\_\_\_ Dining: \_\_\_\_\_

PROS	CONS

Address: \_\_\_\_\_  
\_\_\_\_\_

Beds: \_\_\_\_\_ Baths: \_\_\_\_\_

Sq. Ft.: \_\_\_\_\_ F/P: \_\_\_\_\_

Living: \_\_\_\_\_ Dining: \_\_\_\_\_

PROS	CONS

Address: \_\_\_\_\_  
\_\_\_\_\_

Beds: \_\_\_\_\_ Baths: \_\_\_\_\_

Sq. Ft.: \_\_\_\_\_ F/P: \_\_\_\_\_

Living: \_\_\_\_\_ Dining: \_\_\_\_\_

PROS	CONS

# Buyer's Cost Estimated



Property Address:

\_\_\_\_\_

\_\_\_\_\_

Sales Price: \$ \_\_\_\_\_

Down Payment: \$ \_\_\_\_\_

Amount Financed: \$ \_\_\_\_\_

## BUYER'S COSTS

Loan Origination Fee \_\_\_\_\_  
 Appraisal Fee \_\_\_\_\_  
 Credit Report \_\_\_\_\_  
 Additional Loan Fees \_\_\_\_\_  
 \_\_\_\_\_

Recording Fees \_\_\_\_\_  
 Tax Stamps \_\_\_\_\_  
 Other Fees \_\_\_\_\_

## Prepaid Items

Interest \_\_\_\_\_  
 Hazard Insurance \_\_\_\_\_  
 Mortgage Insurance \_\_\_\_\_  
 Taxes \_\_\_\_\_  
 Assessments \_\_\_\_\_  
 Other Fees \_\_\_\_\_  
 \_\_\_\_\_

## Additional Settlement Charges

Pest Inspections \_\_\_\_\_  
 Home Warranty \_\_\_\_\_  
 Home Inspection Fee \_\_\_\_\_  
 Other Fees \_\_\_\_\_

Total Settlement Charges \_\_\_\_\_  
 Down Payment \_\_\_\_\_  
 Total Estimate of Buyer's Costs \_\_\_\_\_

## Title and Closing Costs

Escrow Fee \_\_\_\_\_  
 Title Fee \_\_\_\_\_  
 Notary Fee \_\_\_\_\_  
 Other Fees \_\_\_\_\_  
 \_\_\_\_\_

Loan Type \_\_\_\_\_  
 Amount Financed \$ \_\_\_\_\_  
 Interest Rate \_\_\_\_\_ %  
 Term \_\_\_\_\_

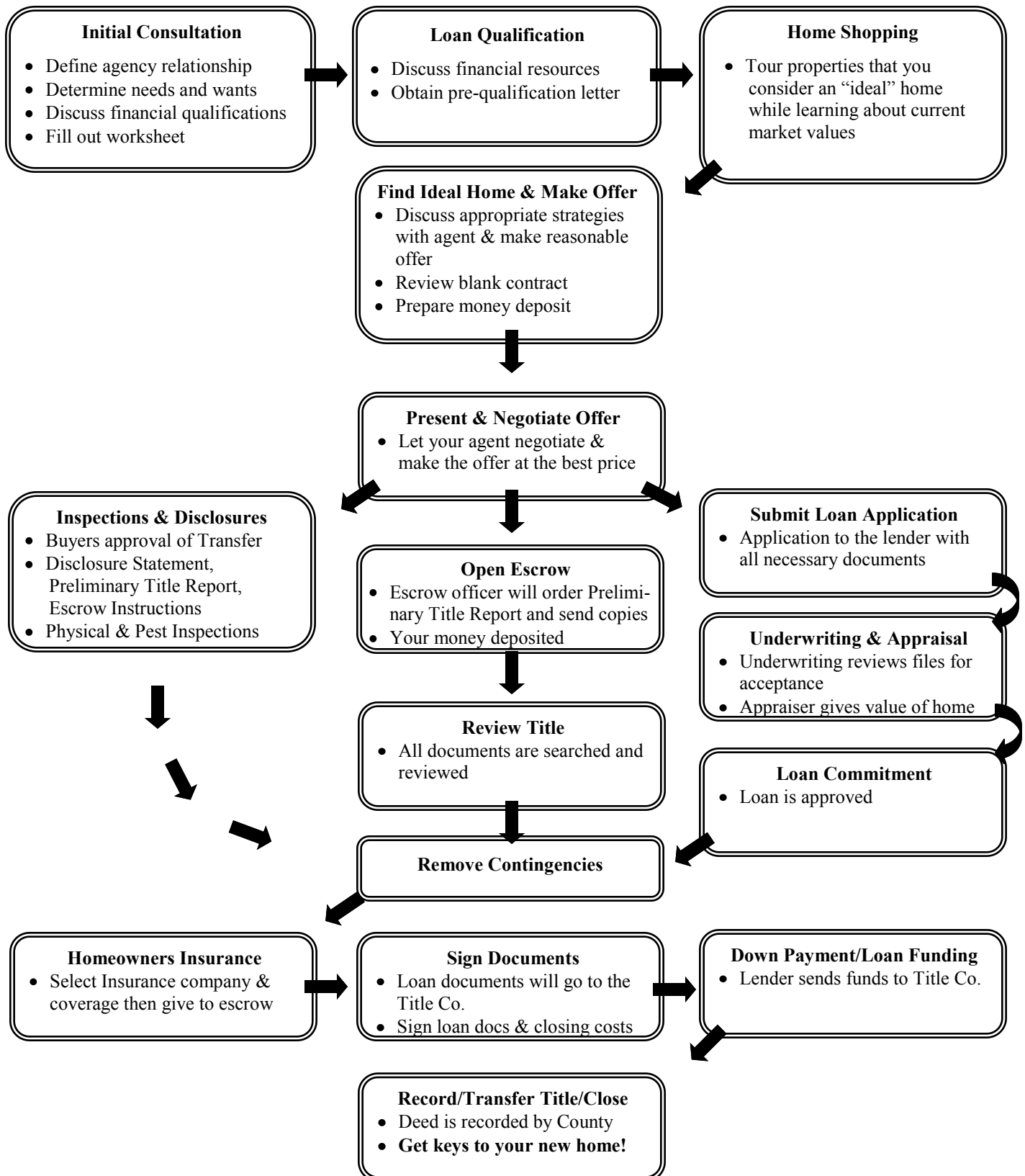
Estimated monthly payment \_\_\_\_\_  
 Principal & Interest \_\_\_\_\_  
 Taxes & Insurance \_\_\_\_\_  
 Homeowners Assoc Fees \_\_\_\_\_  
 Total Monthly Payment \$ \_\_\_\_\_

NOTE: This estimate has been prepared to assist the buyer in computing costs. Lenders and other related services will vary in their charges; therefore, these figures are not and cannot be guaranteed.

**For a more detailed buyer's cost report, please visit our website at [www.firstcentennial.com](http://www.firstcentennial.com).**



# The Buying Process



# The Loan Process

## PREQUALIFICATION/INTERVIEW

- Application interview
- Lender obtains all pertinent documentations

## ORDER DOCUMENTS

- Credit report, appraisal on property, verifications of employment, mortgage or rent, and funds to close, landlord ratings, preliminary title report

## LOAN SUBMISSION

- The loan package is assembled and submitted to the underwriter for approval

## DOCUMENTATION

- Supporting documents come in
- Lender checks on any problems
- Requests for any additional items are made

## LOAN APPROVAL

- Parties are notified of approval

## DOCUMENTS ARE DRAWN

- Loan documents are completed and sent to escrow
- Borrowers come in for final signatures

## FUNDING

- Lender reviews the loan package
- Funds are transferred by wire

## RECORDING OF DOCUMENTS

First Centennial Title records the deed of trust at the county recorder's Office...Escrow is now officially closed!

# Shopping For A Lender

A very important part of purchasing a home is finding the right lender. Listed below are questions to ask while shopping for a lender and characteristics you should look for when choosing a lender, as well as, what not to do when shopping for a lender.

## ◆ QUESTIONS TO ASK WHILE SHOPPING FOR YOUR LENDER:

What is his or her reputation within the community? How many loans do they close each year?

Is the company well known in the area? How long has the company been in the business?

Is the lender a mortgage broker? Does the lender have access to a wide variety of loan packages?

Can the interest rate be locked in and for how long?

## ◆ WHAT NOT TO DO WHEN SHOPPING FOR YOUR LENDER:

Do not call around asking for interest rate quotes:

Rates quoted over the phone are rarely locked prices. This is one way the lender gets you to come to his office. Rates can be subject to change unless they are predetermined for a specific period of time.

Interest rates can change daily. A quote you get today may not be available at the same price tomorrow.

The interest rate you are quoted over the phone by a lender who knows nothing about you may not be a program that will fit your needs or situation.

You will have no knowledge of the other programs the lender may have to offer you.

## ◆ GETTING PREQUALIFIED

Most Real Estate agents and Lenders recommend that home buyers get pre-qualified with a lender before selecting a home to purchase. This way you will have the best information about the right price range for your pocketbook.

## ◆ REASONS TO GET PREQUALIFIED

With prequalification, you can determine which loan program best fits your need and which programs you qualify for.

You will know exactly how much you are qualified for. It's no fun to find your ideal homes and then find out you can't afford it!

Your monthly payment will be set. This will allow you to budget your money before making this large investment.

It shows what the down payment and closing costs will be.

If you are a first-time buyer, you may be able to qualify for a special first-time buyer program which may allow you to afford more home for your money.

If you feel you would like and can afford a higher mortgage payment but are not able to meet qualifications, co-mortgager financing may be made available to you.

# Information Needed At Loan Application



- Picture ID with proof of Social Security Numbers
- Residence Addresses—past 2 years
- Names and Address of each employer—past 2 years
- Gross monthly salary. Base only: OVT & Bonus list separate
- Names, addresses, account numbers and balances of all checking & savings accounts-  
last 2 months of bank statements
- Names, addresses, account numbers, balances and monthly payments of all open loans
- Names, account numbers, balances and monthly payments of all credit cards
- Addresses of other real estate owned
- Loan information on other real estate owned
- Estimated value of furniture and personal property
- Certificate of eligibility and DD214 (VA only)
- Money for credit report and appraisal
- W2's (2 years) and current check stub
- Full divorce decree if applicable

# Buyer Financing Options

Property: \_\_\_\_\_

Price: \_\_\_\_\_

Owner's Name: \_\_\_\_\_

Phone: \_\_\_\_\_

Type Mortgage	Type Mortgage	Type Mortgage
Rate	Rate	Rate
Term	Term	Term
Down Payment	Down Payment	Down Payment
Mortgage Amount	Mortgage Amount	Mortgage Amount
Monthly Principal & Interest	Monthly Principal & Interest	Monthly Principal & Interest
Association Dues	Association Dues	Association Dues
P.M.I.	P.M.I.	P.M.I.
Monthly Homeowner's Insurance	Monthly Homeowner's Insurance	Monthly Homeowner's Insurance
Monthly Taxes	Monthly Taxes	Monthly Taxes
Total Monthly Payment	Total Monthly Payment	Total Monthly Payment
Buyers Estimated Monthly Income (total monthly payment - 28%)	Buyers Estimated Monthly Income (total monthly payment - 28%)	Buyers Estimated Monthly Income (total monthly payment - 28%)

Rates and terms are subject to changes without notice. This material is intended for example purposes only. Adjustable rate mortgage calculations are for initial rate only. No APR's are quoted.

# Types of Loans

Adjustable Rate Mortgage	Adjustable rate mortgages have an interest rate that is adjusted at certain intervals based on a specific index during the life of the loan.
Balloon Payment Loan	A fixed rate loan that is amortized over 30 years but becomes due and payable at the end of a certain time. May be extendible or may roll-over into another type of loan.
Buy-Down Loan	Buy-Down loans are fixed rate loans where the interest rate and the payment are reduced for a specific period of time by paying the interest up front to subsidize the lower payment.
Community Homebuyer's Program	A fixed rate loan for first time buyers with a low down payment, usually 3-5%, no cash reserve requirement and easier qualifying ratios. Subject to borrower meeting income limits and attendance of a four hour training course on home ownership.
Conventional Loan	Conventional loans are sometimes more lenient with the appraisal and condition of the property. When you are buying a "fixer upper" you may need to use a conventional loan. Homes purchased above the FHA loan limit are usually financed with conventional loans.
FHA Loan	FHA loans are insured by the Federal Housing Administration under H.U.D. They offer a low down payment and are easier to qualify for than conventional loans.
Fixed Rate Loan	A fixed rate loan has one interest rate that remains constant throughout the life of the loan.
Graduated Payment Mortgage	A fixed rate loan that has payments starting lower than a standard fixed rate loan, which then increases by a predetermined amount each year for a set number of years.
Non-Qualifying Loan (Assumable)	Non-Qualifying loans are pre-existing loans which can be assumed by a buyer from the seller of a property without going through the qualifying process. The buyer pays the seller for their equity and then starts making payments.
VA Loan	VA loans are guaranteed by the Veterans Administration. A veteran must have served 180 days active service.

# Points Explained

## ***What is a Point?***

One point is equal to 1% of the NEW Loan Amount.

## ***Why do Lenders charge Points?***

Whenever governmental regulation, state usury law and/or competitive practices prohibit the lender from charging a rate of interest which would make the real estate loan competitive with other fields of investments, the lender must seek some method of increasing the yield for the investors. By charging "points", the lender can bring the real estate loan up to those other investments.

## ***Are points called by different names?***

Yes. Loan Origination Fee, Commitment Fee, Discount Fee, Warehousing Fee, Funding Fee, etc.

## ***Who must pay the points?***

FHA: the buyer is usually charged with the Loan Origination Fee; the Discount Fee can be paid by the Buyer or Seller.

VA: the Buyer is usually charged with the Loan Origination Fee and the Funding Fee.

Conventional: points can be paid by the Buyer, the Seller, or split between the two.

State on Contract of Sale!

City/County/State government sponsored loans: as published by them.

## ***Do the number of points charged fluctuate?***

Yes. If the rates on mortgage loans are lower than other investments (such as stocks, bonds, etc.) then funds will be drawn away from the mortgage market. Also, when there is a heavy demand upon the money market because of business needs, role requirements or other government borrowing, the result is that money for home mortgages becomes scarce and more expensive. When this occurs, more points can be charged. Points balance the market. Points are not set by government regulation but by each lender individually.

## ***On VA loans, is there any way to lock in the number of points?***

Not without jeopardizing the sale. Even when a lender stipulates in writing the number of points to be charged, that guarantee states "if the interest rate is not changed by the government". Points charged on an FHA or conventional loan are usually not changed from commitment time to settlement.

## ***Is FHA or VA financing unfair to sellers?***

No. Homes can sell faster because more buyers can qualify with the lower down payment requirement, lower interest rate, long term loans with lower monthly payments. Sellers receive all cash for their equity to reinvest in a new home or other investment. The purpose of these loans is to provide purchasers the opportunity to buy homes with minimal cash investment thus providing a bigger market for sellers.

## ***Are points deductible for income tax purposes?***

Points on a home mortgage (for the purchase or improvement of, and secured by, the taxpayer's principal residence) are deductible currently if points are generally charged in the geographical area where the loan is made and to the extent of the number of points generally charged in that area for a home loan. If you are in doubt about points being deductible you should contact your tax return preparer.

# What Is An Escrow?



*An Escrow is an independent “stakeholder” account and is the vehicle by which the interests of all parties to the transaction are protected.*

The Escrow is created after you execute the contract of sale of your home and becomes the depository for all monies, instructions and documents pertaining to the sale of said property. Some aspects of the sale are not part of the escrow. For example, the buyer and seller must decide which fixtures or personal property are included in the sale agreement. Similarly, loan negotiations occur between the buyer and the lender. Your real estate agent can guide you in these non-escrow matters.

◆ ***How does the escrow process work?***

The escrow officer takes instructions based on the terms of your Purchase Agreement and the lenders' requirements. The escrow officer can hold inspection reports and bills for work performed as required by the Purchase Agreement. Other elements of the escrow include hazard and title insurance, and the grant deed from seller to you. Escrow cannot be completed until these items have been satisfied and all parties have signed escrow documents.

◆ ***How do I open escrow?***

Either your real estate agent or the seller's agent may open escrow. As soon as you execute the Purchase agreement, your agent will place your initial deposit into an escrow account at the escrow company.

◆ ***How do I know where my money goes?***

Written evidence of the deposit is generally included in your copy of the sales contract. The funds will then be deposited in a separate escrow or trust account. You will receive a receipt for the funds from the escrow company.

◆ ***What information do I need to provide?***

You will be asked to complete a statement of identity as part of the paperwork. Because many people have the same name, the Statement of Identity is used to identify the specific person in the transactions through such information as date of birth, social security number etc. This information is considered confidential.

◆ ***How long is the escrow?***

The amount of time necessary to complete an escrow is determined by the terms of the Purchase Agreement. It is normally 45 to 60 days, but can range from a few days to a few months.

◆ ***What happens next?***

Unless he/she is paying cash, the next step will be that the buyer will apply for a mortgage loan. Your real estate agent will be able to keep you informed about the progress of the loan application. During the escrow process, the Sellers are still required to make payments on existing loans so that you do not incur any late fees or damages to your credit rating.





## HOW YOU TAKE TITLE

### Advantages and Limitations

Title to real property in Nevada may be held by individuals, either in Sole Ownership or in Co-Ownership. Co-Ownership of real property occurs when title is held by two or more persons. There are several variations as to how title may be held in each type of ownership. The following brief summaries reference eight of the more common examples of Sole Ownership and Co-Ownership.

### SOLE OWNERSHIP

#### 1 A Single Man/Woman

A man or woman who is not legally married. Example: John Doe, a single man.

#### 2 An Unmarried Man/Woman

A man or woman, who having been married is legally divorced. Example: Joe Doe, an unmarried man.

#### 3 A Married Man/Woman, As His/Her Sole And Separate Property

When a married man or woman wishes to acquire title in his or her name alone, the spouse must consent, by quitclaim deed or otherwise, to transfer thereby relinquishing all right, title and interest in the property. Example: John Doe, a married man, as his sole and separate property.

### CO-OWNERSHIP

#### 4 Community Property

Nevada defines community property acquired by husband and wife, or by either. Real property conveyed to a married man or woman is presumed to be community property, unless otherwise stated. Under community property, both spouses have the right to dispose of one half of the community property. If a spouse does not exercise his/her right to dispose of one-half to someone other than his/her spouse, then the one-half will go to the surviving spouse without administration. If a spouse exercises his/her right to dispose of one-half, that half is subject to administration in the estate. Example: John Doe & Mary Doe, husband and wife. Example: John Doe, a married man.

#### 5 Joint Tenancy

A joint tenancy estate is defined as follows: "A joint interest is one owned by two or more persons in equal shares, by a title created by a single will or transfer, when expressly declared in the will or transfer to be a joint tenancy." A chief characteristic of joint tenancy property is the right of survivorship. When a joint tenant dies, title to the property immediately vests in the surviving joint tenants (s). As a consequence, joint tenancy property is not subject to disposition by will. Example: John Doe and Mary Doe, husband and wife, as joint tenants.

#### 6 Tenancy In Common

Under tenancy in common, the co-owners own undivided interests; but unlike joint tenancy, these interests need not be equal in quantity or duration, and may arise at different times. There is no right of survivorship; each tenant owns an interest which, on his or her death, vests in his or her heirs or devisees. Example: John Doe, a single man, as to an undivided 3/4ths interest, and George Smith, a single man, as to an undivided 1/4th interest, as tenants in common.

#### 7 Trust

Title to real property may be held in a title holding trust. The trust holds legal and equitable title to the real estate. The trustee holds title for the trust/beneficiary who retains all of the management rights and responsibilities.

#### 8 Community Property With Right of Survivorship

Community Property of a husband and wife, when expressly declared in the transfer document to be community property with the right of survivorship, and which may be accepted in writing on the face of the document by a statement signed or initialed by the grantees, shall, upon the death of one of the spouses, pass to the survivor, without administration, subject to the same procedures as property held in joint tenancy.

The preceding summaries are a few of the more common ways to take title to real property in Nevada and are provided for informational purposes only. For a more comprehensive understanding of the legal and tax consequences, appropriate consultation is recommended. There are significant tax and legal consequences on how you hold title. We strongly suggest contacting an attorney and/or CPA for specific advise on how you should actually vest your title.



# Title Insurance



INSURANCE

*Many home buyers just assume that when they purchase a piece of property, possession of the deed to the property is all they need to prove ownership. This is not true. Hidden hazards may attach to real estate. A property owner's greatest protection is a policy of title insurance.*

## ◆ ***What Is Title Insurance?***

It is a contract of indemnity which guarantees that the title is as reported and, if not reported and the owner is damaged, the title policy covers the insured for their loss up to the amount of the policy.

Title insurance assures owners that they are acquiring marketable title. Title insurance is designed to eliminate risk or loss caused by defects in title from the past. Title insurance provides coverage only for title problems which were already in existence at the time the policy was issued.

## ◆ ***The Title Search***

Title companies work to eliminate risks by performing a search of the public records or through the title company's own plant. The search consists of public records, laws and court decisions pertaining to the property to determine the current recorded ownership, any recorded liens or encumbrances or any other matters of record which could affect the title to the property. When a title search is complete, the title company issues a preliminary report detailing the current status of title.

## ◆ ***The Preliminary Report***

A preliminary report contains vital information which can affect the close of escrow: Ownership of the subject property; where the current owners hold title; matters of record that specifically affect the subject property or the owners of the property; a legal description of the property and an informational plat map.

# The Role of the Title Company in Real Estate Transactions

The purchase of a home may prove to be the largest single investment many people may make in their lifetime; therefore, the importance of fully protecting such an investment cannot be overstressed.

A basic home ownership protection essential to the security of the home is safe, sound, reliable title insurance.

## But what is title insurance?

It is the application of the principals of insurance to risks which are present in all real estate transactions. These risks are divided into two main categories: **hidden hazards** which cannot be detected in the examination of title and human errors which will always be with us.

Examples of hidden hazards are FORGERY, INCOMPETENCE OR GRANTOR or MORTGATOR, UNKNOWN HEIRS, FRAUD, IMPERSONATION, etc.

Title insurance differs from other types of insurance by protecting against future losses rising out of events that have happened in the past. There are no annual premiums. One premium, based on the amount of the sale or mortgage, is paid when the policy is issued and is good for the life of the policy.

A mortgage policy, insuring the lender, stays in effect until the loan is paid off. An owner's policy, insuring the buyer, is good as long as the owner or owner's heirs own the property.

Initially, the title company will search and examine the public land records to investigate information surrounding title to the property. The facts revealed by the search will determine:

- ◆ That the seller is, in fact, the legal owner of the property.
- ◆ That the "estate" or degree of ownership being sold is currently and accurately vested in the seller.
- ◆ The presence of any unsatisfied mortgages; judgments or similar liens which must be satisfied before "clear title" can be conveyed.
- ◆ Existing restrictions, easements, right of way or other rights granted to others who are not owners which may limit the right of ownership.
- ◆ The status of property taxes and other public or private assessments.

These matters will be reflected in a preliminary report. The preliminary report is issued to the mortgage lender or purchaser before the closing.

As you can see, the title company is constantly involved in the sales transaction almost from the time the purchase agreement is signed, through and beyond the closing. Working mostly behind the scenes, but always in close coordination with Realtors, escrow, lenders, and legal counsel, the title company strives to carry out this complex procedure in an efficient and friendly manner.

Title insurance protection gives a homeowner peace of mind by protecting the security of the homes and the safety of the investment.



# Comparison of Owners Policy Coverages

	CLTA	ALTA Residential	ALTA "Extended"
1. Someone else owns an interest in your title	x	x*	x*
2. A document is not properly signed, acknowledged or delivered		x*	x
3. Forgery, fraud, duress, incompetency, incapacity or impersonation	x	x*	x*
4. Defective recording of any document		x*	x*
5. There are no Covenants, Conditions and Restrictions		x*	x*
6. There are recorded Covenants, Conditions and Restrictions limiting use of land		x	x*
7. There is a lien on your title due to a previous trust deed	x	x*	x*
8. There is a lien on your title due to a recorded judgment, tax or special assessment	x	x*	x*
9. There is a lien on your title due to a recorded Homeowners Assn Charge		x*	x*
10. Available to investors (1 to 4 units)		x	x
11. The title is unmarketable	x	x	x*
12. Mechanics Lien - unrecorded mechanic's lien protection for work contracted by the seller		x	x
13. Forced removal of existing building due to violation of existing zoning law		x	x
14. Forced removal of existing building due to violation of restriction in Schedule B		x	x
15. Forced removal of existing building due to encroachment (not boundary wall/fence)		x	x
16. Single family home violates restriction in Schedule B or zoning ordinance		x	x
17. Pays rent to substitute land or facilities		x	x
18. Unrecorded lien by Homeowners Association		x	x
19. Unrecorded easements (i.e. easement not shown on Schedule B of policy)		x	x
20. Rights under unrecorded leases, contracts of sale or options		x	x
21. Plain language		x	x
22. Legal access - you do not have a legal right of access to and from your land		x	x
23. Physical access - vehicular and pedestrian			x
24. Building permit violations			x
25. Subdivision compliance			x
26. Life of the policy coverage against forgery			x
27. Life of the policy coverage against encroachment			x
28. Life of the policy coverage against structural damage from mineral extraction			X+
29. Life of the policy Living Trust Coverage			X+
30. Map not consistent with legal description			X+
31. Post policy automatic increase in coverage up to 125%			x
32. Other defects, liens or encumbrances			x

Note: Because of the nature of certain properties, an inspection of the property may be necessary to determine if additional exceptions from coverage need to be shown in schedule B of the residential property. All exceptions from coverage will be noted in the Commitment for Title Insurance. The foregoing table is intended to highlight only some of the aspects of coverage and is not to be construed as expanding or limiting coverage set forth in the mentioned title policies. Copies of these policies are available upon request. Any decision on coverage should be made only after review of the policies themselves.

Plain language not available on split lot or sectional  
 \*Available also on ALTA Std Owners Policy  
 +Offered previously as an additional charge

# Inspection Process



When you make an offer on a home, your purchase contract will likely contain provisions allowing you various inspections of the property. The purpose of these inspections is to educate you as to the physical condition of the property you are purchasing. While these inspections do not provide guarantees of the condition of the property, they do provide valuable information to you as a Buyer. It is important to remember that your Purchase Contract may provide for withdrawal from the contract if these reports are unsatisfactory to you, but inspections should not be considered an open door to renegotiate the purchase price.

## Structural Pest Control Inspection

Often referred to as a “Termite Report”, the Structural Pest Control Inspection is conducted by a licensed inspector. In addition to actual termite damage, the Pest Report will indicate any type of wood destroying organisms that may be present, including fungi (sometimes called “dry rot”), which generally results from excessive moisture.

### Section 1 Conditions

Most pest reports classify conditions as Section 1 or Section 2 items. Section 1 conditions are those which are “active”, or currently causing damage to the property. Generally, Section 1 items need to be corrected before a lender will make a loan on a home.

### Section II Conditions

Those which are not currently causing damage, but are likely to, if left unattended. A typical Section 2 item is a plumbing leak where the moisture has not yet caused fungus decay.

### Who Pays?

Your Purchase Contract will specify who is responsible for the cost of the inspection and making these corrections. This is a negotiable item and should be considered carefully. I will advise you as to what is customary and prudent.

## Physical Inspection

The Physical Inspection clause in your Purchase Contract, when initialed by both parties, allows you the right to have the property thoroughly inspected. This is usually done through a general home inspection. While the home inspectors are not currently required to have a license, most are, or have been, general contractors. The inspection and the resulting report provides an overall assessment of the present condition of the property.

### What is Inspected?

The home inspection covers items such as exterior siding, paint, flooring, appliances, water heater, furnace, electrical service, plumbing, and other visible features of the property. This is a general inspection and will often call for additional inspections by specific trades, such as roof and furnace inspections.

### Further Inspections

If conditions warrant, the Home Inspector may recommend a Structural Engineer’s report. Such a report would identify structural failures and detail corrections.

### Who Pays?

Typically, this inspection is paid for by the Buyer.

## Geological Inspection

You may also expect to have a Geological Inspection to educate yourselves as to the soil conditions at the home you are purchasing. This inspection is performed by a Geotechnical Engineer and involves not only physically inspecting the property, but also researching past geological activity in the area. The primary purpose of a Geological Inspection is determine the stability of the ground under and around the home.

### Who Pays?

Typically the Buyer pays, but as with other inspections, this is negotiable according to the contract.

## Home Warranty

Home protection plans are available for purchase by a Buyer or Seller. Such plans may provide additional protection of certain systems and appliances in your new home. I will provide you with brochures detailing different companies and options.

# Moving Expenses



***When you meet the IRS's definition of a qualifying move, the following items are tax deductible:***

- The cost of trips to the area of a new job to look for a home. Your home shopping expedition does not have to be successful for the cost to be deducted.
- The cost of having your furniture and other household items shipped, including the cost of packing, insurance and storage for up to 30 days.
- The cost of getting your family to the new home town, including food, lodging and expenses on the trip.
- The cost of lodging and 80% of food expenses for up to 30 days in the new home town, if these temporary living expenses are necessary because you have not found your ideal home or it is not ready when you arrive.
- Certain costs associated with the sale of your old home and purchase of the new one. These expenses, including real estate commission, legal fees, state transfer taxes and appraisal and title fees, could be used to either reduce the gain on the sale of the previous home or to boost the basis of a new one. But it's usually beneficial to count them as moving expenses up to the allowable dollar limits, because that gives you an immediate tax benefit.

*\*Provided for informational purposes only. Consult your tax or legal advisor for advise on your particular situation.*

# Checklist for Moving



## Before You Leave:

### Address Change:

- Post office: give forwarding address
- Charge accounts, credit cards
- Subscriptions
- Friends and Relatives

### Bank:

- Transfer funds, arrange check cashing in new city
- Arrange credit references

### Insurance:

- Notify company of new location for coverage
- Life, Health, Fire and Auto

### Utility Companies:

- Gas, light, water, telephone, fuel, garbage
- Get refunds on any deposits made

### Delivery service:

- Laundry, newspaper, changeover of services

### Medical, Dental, Prescription Histories:

- Ask Doctor and Dentist for referrals; transfer needed prescriptions, eyeglasses, X-rays
- Obtain birth records, medical

### Pets:

- Ask about regulations for licenses, vaccinations, tags, etc.

### Don't forget to:

- Empty freezer; plan use of food
- Defrost freezer and clean refrigerator. Place charcoal inside to dispel odors
- Have appliances serviced for moving
- Remember arrangements for TV and antenna
- Clean rugs or clothing before moving
- Check with your moving counselor; insurance coverage, packing and unpacking labor, arrival days, various shipping papers, method and time of expected payment
- Plan for special care needs of infants or pets

## On Moving Day:

- Carry enough cash or travelers checks to cover cost of moving services and expenses until you make banking connections in your new city.
- Carry jewelry and documents yourself; or use registered mail
- Plan for transporting pets
- Let a close friend or relative know route and schedule you will travel including overnight stops; use him or her as message headquarters
- Double check closets, drawers, shelves to be sure they are empty
- Leave all old keys needed by new tenant or owner with Realtor or neighbor

## At your New Address:

- Obtain certified check or cashiers check necessary for closing real estate transaction
- Check on service of telephone, gas, electricity, water and garbage
- Have appliances checked
- Check pilot on stove, hot water heater and furnace
- Ask mail carrier for mail he or she may be holding for your arrival
- Have new address recorded on drivers license
- Visit city offices and register for voting
- Register car within five days after arrival in state or a penalty may have to be paid when getting new license plates
- Obtain inspection sticker and transfer motor club membership
- Register family in your new place of worship
- Register children in school
- Arrange for medical services; doctor, dentist, veterinarian, etc.

# Important Terms To Know

**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 ARM. For example, a loan with an adjustment period of one year is called a one-year ARM, which means that the interest rate can change once a year.

**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.

**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.

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

**Binder:** Sometimes known as an offer to purchase or an earnest money request. A binder is the acknowledgment of a deposit along with a brief written agreement to enter into a contract for the sale of real estate.

**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.

**CC&R's:** 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.

**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.

**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 surfaces (wall, 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.

**CRB:** Certified Residential Broker. To be certified, a broker must be a member of the National Association of Realtors, have five years experience as a licensed broker and have completed five required Residential Division courses.

**Conversion 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.

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

**Due-On-Sale Clause:** An acceleration clause that requires full payment of a mortgage or deed or 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 a written offer as evidence of good faith.

**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 Loan:** A loan insured by the Insuring Office of the Department of Housing and Urban Development; the Federal Housing Administration.

**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:** As 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 of a borrower must pay, directly or indirectly, to obtain credit according to Regulation 2.



# Important Terms To Know

**Graduated Payment Mortgage:** A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

**GRI: Graduate, Realtors Institute:** A professional designation granted to a member of the National Association of Realtors who has successfully completed twelve courses covering Law, Finance and Principles of Real Estate.

**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.

**Index:** A measure of interest rate changes 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 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 Life Insurance:** A type of term life insurance often bought by mortgagors. 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.

**PITI:** Principal, interest, taxes and insurance.

**Planned Unity Development (PUD):** A zoning designation for property developed at the same or slightly greater overall density than conventional development, sometimes with improvements clustered between open and 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 its 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 the seller agrees to sell under stated terms and conditions. Also called a sales contract, earnest money contract, or agreement for sale.

**Realtor:** A real estate broker or associate active in the local real estate board affiliated with the National Association of Realtors.

**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 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.