ANDREA HORTA

MARIN - SAN FRANCISCO - SONOMA

COMPREHENSIVE REAL ESTATE

BUYER'S GUIDE

andreahorta.com

andrea@andreahorta.com

1 (415) 533-0590

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ABOUT ANDREA HORTA

andreahorta.com

206 East Blithdale Ave Mill Valley, ca 94941

andrea@andreahorta.com (C) 1 (415) 533-0590

Best Relocation Agent!

Got plans of relocating to the San Francisco Bay Area , Sonoma, Marin or Napa county anytime soon?
This can be quite an exciting and challenging experience at the same time. No matter your reasons for relocation may be, Andrea Horta got you covered. Andrea has been working in the Real Estate business for more than 10 years, and so she understands the business climate of San Francisco, Marin, Napa and Sonoma County. Her major selling point is 100% customer satisfaction.

Getting you prepared

Andrea Horta provides you with a one-fit-for-all relocation solution and she ensures your unique needs are met. Before moving, she will provide you with photos of viable properties , She will also send you reports regarding the neighborhood of your selected property. When you place a request, Andrea Horta will prepare and send you analysis of the housing market within neighboring counties to help you make informed decisions.

Communication

Is an essential element of any business transaction, and Andrea understands this. Depending on your personal preference, Andrea will maintain and open communication with you, providing you with updates in the real estate market.

Marin & Sonoma

Marin and Sonoma counties are well known for having vibrant parks and lush vegetation, with excellent schools located in the counties. Little wonder most people settle down permanently here once they relocate. If you intend relocating with your kids, then you have nothing to be worried of because Andrea has info to provide of the best schools here. She knows about both private and public schools. She understands the value you place on the seamless transition of your children, and so she will help you achieve this.

Commuting to work has never been easier elsewhere than San Francisco. With plenty of regional bus services being in operation, ensuring you have a hitch free commute from home to work.

Now is the best time to make your move

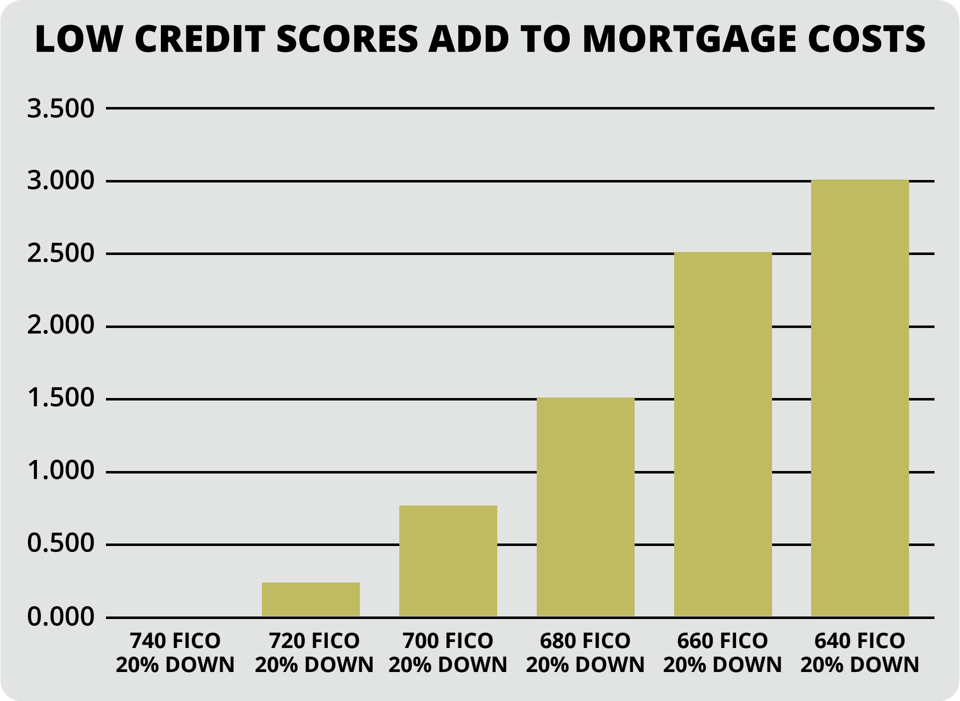
If you have been procrastinating on your relocation move to San Francisco probably due to the fear of the unknown, then the time has come for you to make that bold move because Andrea Horta has got your back. Why don't you shoot her a mail at: andreahorta@yahoo.com find out more.

BEFORE YOU BUY:
THE NECESSARY CRITERIA

The Top 10 things you need to know when buying a home.

1\. **What's your credit?**

Seriously, what's your credit? Most people have no idea! Unless you're going to pay all cash for your new home, you need to get a credit report and make sure that everything is in order. If it isn't, you need to fix any problems you encounter before you can even think about qualifying for a loan.



2\. **Can you really afford it?**

The general rule for home purchases is that you should aim for something that is about 2 or 3 times your annual salary. If you want something a little more accurate, while browsing listings on our site, just look in the main menu and you'll find a mortgage calculator there that you can use.

3. **Buy only if you can stay still**

When buying a new home, especially in this type of market, you need to make sure that you can commit to remaining there for some time, we recommend 3-5 years. If you end up selling sooner than this, even if the market is getting stronger, you may still end up losing money when you add up all of the transactional costs associated with the purchase.

4. **You don't need a 20% down payment**

Although it's hard to get a loan, there are both public and private lenders who, given the right credit and qualifications, may offer low interest mortgages that require less than 20%, although if you don't have the 20% saved, are you really ready? You need to ask yourself that question.

5. **Points and Rate on a mortgage**

When choosing a mortgage, you're usually given the option to pay additional 'points.' Essentially, you're buying a lower interest rate. The interest rate is a big factor in your monthly payment, and so a lower interest rate means a lower monthly payment. However be careful, because when you buy down an interest rate, that money that you use to buy it down is gone for good. If you're going to be living there for a while, it usually makes sense to buy the rate down.

6. **Location, location, location**

You don't like to swim and you don't have any kids, does that mean you shouldn't buy a beautiful beachfront home in a great school district if you can find a great deal on it? These may not be required criteria when you're looking to buy, but when the time comes to sell, you'll understand! Above all, if you want to ensure good resale value, make sure that the home you want to buy is in a good school district and is not located on a main road or intersection (or other noisy area). Good luck selling a home that has a major highway running behind it!

7. Get pre-approved, first

A lot of buyers decide to go searching for homes before obtaining preapproval. This is not the same thing as ‘pre-qua-lification,’ (which most people won’t take seriously since it’s based on what YOU SAY your finances are), a pre-approval is based on ACTUAL income, credit, and debt history, and will let you, and your buyer agent, know exactly what you can afford.

8. Work with a ‘professional’ buyer agent

When you work with someone like me, I genuinely have your best interests at heart. Not only can I guide you rough the process and help you negotiate for your home, but I can also assist you with the closing process. By the way, did I mention that my commission is paid by the seller?

9. Before house hunting, get pre-approved

Getting pre-approved will save yourself the grief of looking at houses you can’t afford and put you in a better position to make a serious offer when you do find the right house. Not to be confused with pre-qualification, which is based on a cursory review of your finances, pre-approval from a lender is based on your actual income, debt and credit hi story.

10. Get a home inspection

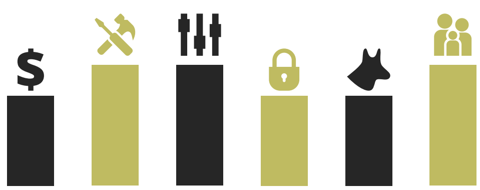
A home inspector will come in and identify potential problems that you may encounter down the road. Feel free to contact me directly for a list of home inspectors that I can recommend.

WHAT KIND OF HOME IS RIGHT FOR YOU?

No matter what stage you're at in life, deciding where to live is an important part of your future. Choosing a home requires much thought. Each option has its perks and drawbacks. Read on for a break down of what you can expect with each property stye.

SINGLE FAMILY RESIDENCE

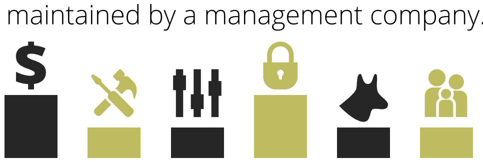
A detached single or multi-story house that sits on its own lot, usually with space for a driveway or a yard.



BEST SUITED FOR: Couples, Small Families, Large Families

CONDOMINIUM

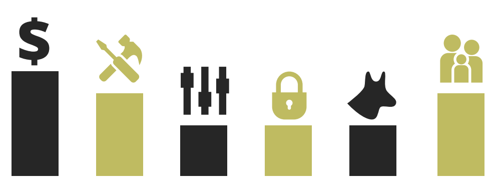
An owned unit that shares a wall with other units. The lot is owned and maintained by a management company.



BEST SUITED FOR: Singles, Couples, Retirees

TOWNHOUSE

A two to three-story unit that shares a common wall or walls with neighboring units while sitting on its own lot.



BEST SUITED FOR: Singles, Couples, Small Families

- COSTS
- CONTROL OF SURROUNDINGS
- MAINTENANCE
- PRIVACY
- PET FRIENDLINESS
- FAMILY SPACE

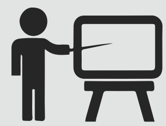
WHY YOU NEED
A BUYER'S AGENT

A BUYER'S AGENT CAN HELP YOU FIND YOUR DREAM HOME AND SAVE YOU MONEY AND TIME IN THE PROCESS!

TOP 10 REASONS TO HIRE A REAL ESTATE AGENT

EDUCATION & EXPERIENCE
You don't need to know everything about buying and selling real estate if you hire a real estate professional who does.

AGENTS ARE BUFFERS
Agents take the spam out of your property showings and visits. If you're a buyer of new homes, your agent will whip out her sword and keep the builder's agents at bay, preventing them from biting or nipping at your heels.



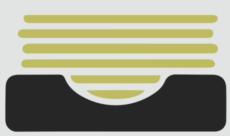
NEIGHBORHOOD KNOWLEDGE
Agents either possess intimate knowledge or they know where to find the industry buzz about your neighborhood.

MARKET CONDITIONS INFORMA-
Real estate agents can disclose market conditions, which will govern your selling or buying process. Many factors determine how you will proceed.

PRICE GUIDANCE
Contrary to what some people believe, agents do not select prices for sellers or buyers.

PROFESSIONAL NETWORKING
Real estate agents network with other professionals, many of whom provide services that you will need to buy or sell.

NEGOTIATION SKILLS & CONFIDEN-
Top producing agents negotiate well because, unlike most buyers and sellers, they can remove themselves from the emotional aspects of the transaction and because they are skilled. It's part of their job description.



HANDLING VOL-UMES OF PAPER-
One-page deposit receipts were prevalent in the early 1970s. Today's purchase agreements run 10 pages or more.

ANSWER QUESTIONS AFTER CLOSING
Many questions can pop up that were overlooked in the excitement of closing. Good agents stand by ready to assist.

DEVELOP RELATIONSHIPS FOR FUTURE BUSINESS
The basis for an agent's success and continued career in real estate is referrals.

WHY YOU NEED A BUYER'S AGENT

We're here to help find your dream home, and save you money and time in the process

Do I need a buyer's agent?

The buying process has changed a lot over the years! With real estate listings readily available online, more people are attempting to go through the buying process on their own.

To quote MSN.com, "Many experts say this is a bad move — worse, for example, than trying to sell a house without an agent. For one thing, in most cases, a buyer doesn't pay an agent, the buyer's agent splits the commission with the seller's agent, so the services are essentially free to the buyer. Also, a buyer's agent can usually access historical price data for home sales in the area, which means the agent can recommend a bidding strategy that targets comparable properties that sold for less, rather than the midrange." John Vogel, adjunct professor of real estate at the Tuck School of Business at Dartmouth College, calls going through this process alone "a mistake."

The details involved in buying a home (particularly the financial ones), can be absolutely mind boggling. A buyer's agent can help guide you through the entire process and make things far easier for you. Buyer's agents are well-acquainted with all of the important things that you'll want to know about a neighborhood or community that you may be considering – whether it be schools, safety, traffic, age demographics, etc. A buyer's agent can also help you determine what you can afford and scour through the MLS to find the types of homes that you're going to want to see. Buyer's agents also have immediate access to homes as soon as they're put on the market, so you don't have to waste hours setting up viewings or driving around.

If you're considering buying a short sale, foreclosure, or new construction, the processes for buying these types of homes is vastly different than a traditional sale, and a buyer's agent can be there to guide and educate you throughout the process, ensuring that you end up with the best deal.

When the actual time comes to make an offer on a home, a buyer's agent can point out ways to structure the deal to save you money, and when it comes to negotiating on the purchase of a property, there's no substitute for a professional.

A buyer's agent can help explain the benefits or drawbacks of different mortgage types, guide you through the paperwork, and be there to hold your hand and answer all of your questions (even the last minute ones), from start to close. And the best part… in most cases, **you don't pay the broker anything. The payment comes from the seller!**

The real hard work starts AFTER the ideal home is found, not before.

Who pays a buyer agent?

The buyer's agent is paid by the SELLER.

Who does the buyer agent have a legal responsibility towards?

When you hire me to represent you as a buyer agent, my fiduciary responsibility is directly to YOU. This means that I have a legal obligation to put your interests as a buyer before anyone else's (including my own), and that I must provide you with any important information I have that affects your home purchase.

Who does the selling agent have a legal responsibility towards?

The selling agent is the agent representing the seller of the home in the transaction. Many times, buyers will contact sellers or seller's agents directly assuming that they will net a better deal on the property. The seller's agent has an exclusive fiduciary duty to the seller. They are contractually obligated to make the sale happen in the seller's favor, often as close to the listing price as possible.

Still, can't I save on commission by going it alone?

Many people are under the impression that they can save money by dealing directly with a listing agent. They perceive that they'll be able to save themselves about half the commission (usually 2%-3%). In some cases, buyers may save themselves a few dollars, but it definitely won't be anywhere near 3%. When a listing agent represents a buyer, they are increasing their workload and their liability, so they're almost never willing to simply cut their commission in half. Lastly, the fiduciary responsibility of the listing agent is still to the seller! They're not going to negotiate on your behalf to get you a better price.

BUYING A HOME:
THE BASIC STEPS

Step 1: The Loan Pre-Approval

CONNECT with a good loan officer. Have your recent tax returns, bank statements, and paycheck records ready.

CALCULATE how much home you can afford, the amount needed for your down payment, and closing costs.

OBTAIN a copy of your pre-approval letter to prove your buying power throughout the home buying process.

Step 2: Find A House

RESEARCH area and neighborhood statistics extensively online.

FIND a good real estate agent who is knowledgeable to help you find a great house.

WRITE a strong contract. Have an inspector check out the property. Negotiate repairs if needed.

Step 3: Get The Keys!

SCHEDULE the final walk through and closing. Remember to bring your photo ID and certified funds to closing.

CLOSE the transaction at the title company. Once the deal funds, you get the keys!

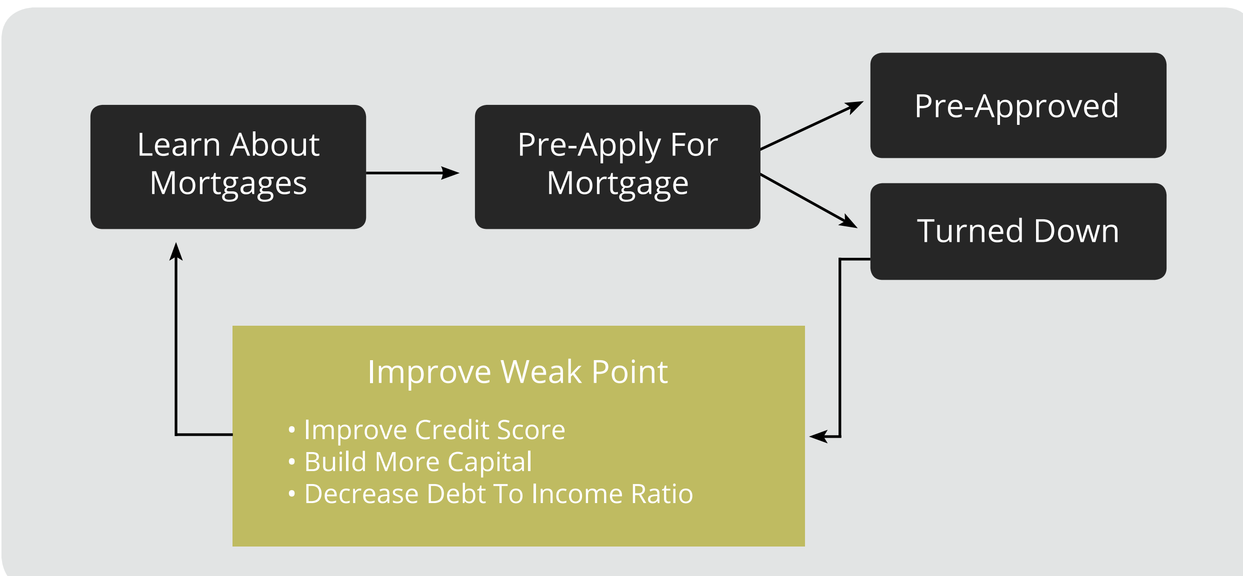
LIVE happily ever after! (or until it's time to sell the house in the future....)

THE HOME BUYINGPROCESS

From start to finish

Step 1: Get Preapproval

You want to know how much you can borrow, because that will tell you a lot about how much you can afford for a house! Do a little shopping and find a vendor that you're comfortable with at a rate you're comfortable with. I've worked with some fantastic lenders in the past, so please feel free to contact me for a few that may be able to help.



Step 2: Talk to an agent (and/or real estate investment advisor)

If you'll be holding your property in a trust or purchasing the property as an investment or through your business, you'll want to talk to an attorney and/or an investment advisor who understands investing in individual properties. This is most likely NOT going to be the financial advisor who handles your stocks, bonds and mutual funds. You want someone who is experienced in real estate investment in individual properties (not REITs) and won't mind explaining things out to you. I have some great referrals, so feel free to contact me directly for a few names and numbers.

Step 3: Search for Homes

Once you've determined your 'must haves' in a property, start searching around. You can use this site to get started and at any time, reach out for me to lend you my expertise.

Step 4: Make an Offer

When we've found the right home, it's time to make an offer. I'll review all of the available market information I have at my disposal to recommend a competitive, substantiated offer price. The negotiations will go back and forth a few times, and I'll work hard to make sure we negotiate the best price possible.

Step 5: Accepted Offer

Once the offer is accepted, you may be asked to put down a 'binder', which is essentially a deposit. This amount can vary, but it is usually 1%. In other cases, you may just go straight to contract. This is when you want to get a hold of your lawyer to make sure that everything is kosher. Read through the clauses on your own, and have your lawyer explain the clauses that don't make sense. Make absolutely sure to review and understand the contingencies as well. These will cover contingencies, such as not being able to get a mortgage, zoning law conformation, etc.

Step 6: Under Contract / Inspections and Repairs

After both parties are happy with the contract, you'll go 'under contract.' Be prepared to cut some checks. You don't go to closing before taking care of a few issues, namely home inspection, and possibly other tests. If we find problems with the home, we can usually have the seller correct them, or negotiate them into the purchase price.

Step 7: Closing

Make sure to bring a bunch of blank checks and a picture ID. If you're making a down payment, you'll probably need a certified check. At the end of the closing, you'll be transferred ownership of the home. Congratulations!

8 THINGS NOT TO DO WHEN BUYING A HOME

Don't apply for a new credit card!
Remember that when you apply for a new credit card it can be BAD and look poor on your credit rating. WAIT.

Don't furnish the home before you own it!
We all know that you have already picked out that new couch, entertainment center and flat screen TV. Avoid buying them until after you close on your home.

Don't buy a new car!
If you would like to live in a new car instead of a dream home, then go ahead and pick one up.

Avoid changing jobs!
Although job changes can provide better pay or a chance for advancement, it could delay your quest for home ownership.

Don't close any credit accounts!
It makes sense to clean up your finances by canceling unused credit cards and transferring balances to other cards to get a lower interest rate when you're offered them. Don't do it! This can be a bad move for your credit score.

Don't get behind on payments!
Make sure you stay on top of your credit card and rent payments.

Don't move money without a paper trail!
Your lender is going to need documentation for all your transactions to make sure you really have enough money.

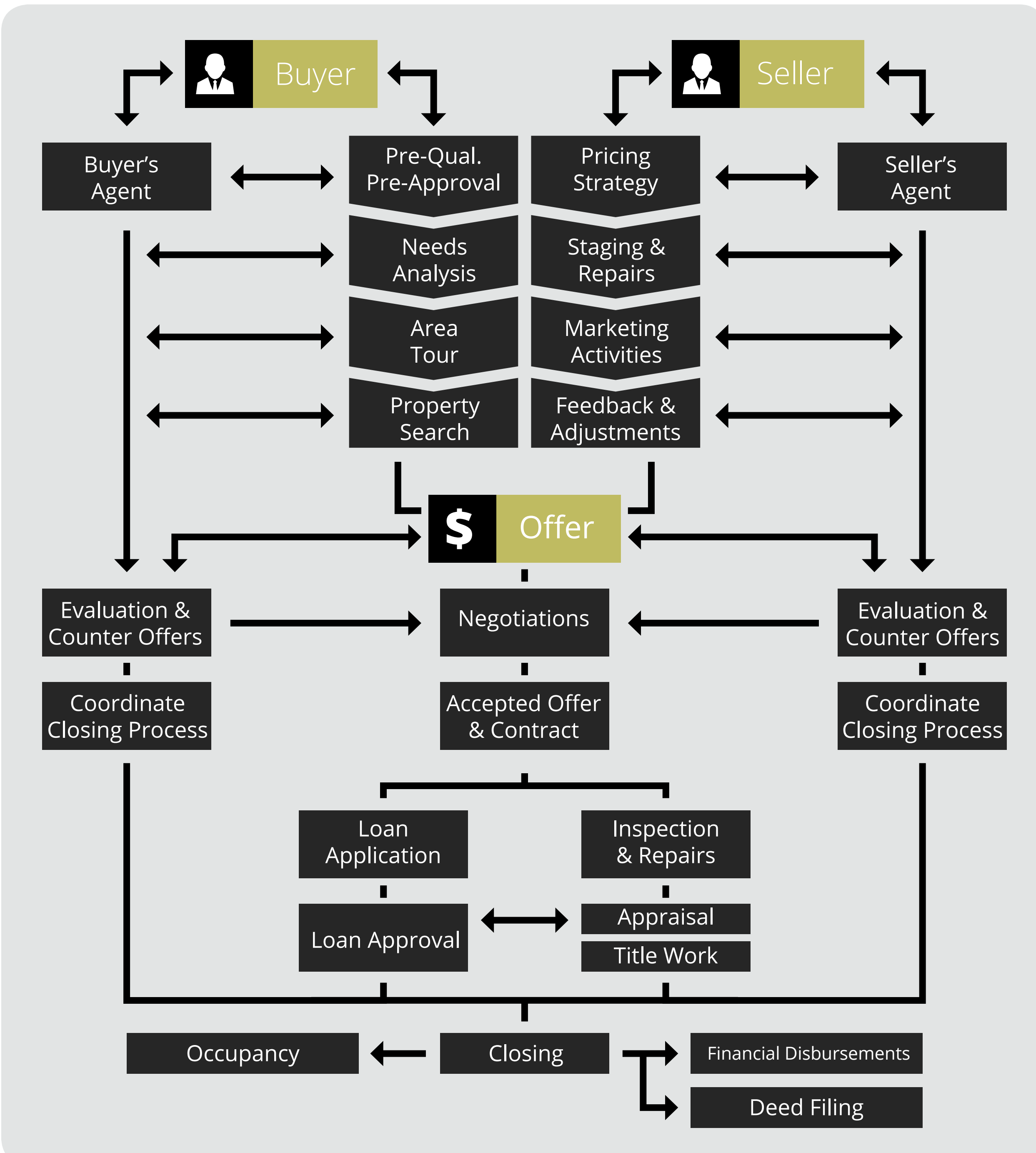
Don't spend your savings!
You're going to need cash for a down payment and if you end up paying closing costs.

A Final Thought:

Remember if you have any questions on the “do’s and don’ts” while buying a home, ask your REALTOR who is there to help you make your dream of homeownership a reality.

LIFE CYCLE OF A REAL ESTATE TRANSACTION

How do you know when you're ready to own a home?



WHEN TO INVEST IN A HOUSE

How do you know when you're ready to own a home?

Home ownership is one of the largest obligations you can place on yourself, and with it comes a slew of costs and responsibilities. Before you go out and start hunting for a home, you need to make sure that you're ready!

Be prepared to stay in your new home for a while

Unless the market is skyrocketing, it almost never makes sense to buy a home to have to then sell it two, three, or even four years later. Even if you sell the house for a profit, there's still a high transactional cost inherent to buying or selling properties, and that means you could potentially lose money. If you do make money, keep in mind that you're subject to capital gains tax if you haven't occupied the home for more than two years!

If home prices are on the decline, it's even more reason that you need to stay in the same home. So before you buy, ask yourself a few questions:

- Is there the possibility that your job may transfer you to another state or even country?
- Are you planning on going back to school?
- Do you have a significant other who is asking themselves these questions?

Does it make more sense to rent?

A lot of renters believe, often falsely, that they are "throwing money away." Depending on your circumstances, it may make more sense to build your equity by saving the difference between your rent and the costs of home ownership! A general rule of thumb is that if you pay 35% less in rent than you would for ownership costs (mortgage, tax, insurance, maintenance and repairs), then it makes more sense to continue renting and to save the difference to build equity.

HISTORICALLY	NOW

Percentage of income needed to afford median rent:

HISTORICALLY	NOW
24.9%	29.5%

Percentage of income needed to afford median home:

HISTORICALLY	NOW
22.1%	15.3%

If you are renting & think you can't afford a home...
THINK AGAIN!
BUYING COSTS <u>SIGNIFICANTLY LESS</u> THAN RENTING!
Either way you're paying a mortgage, why not have it be YOURS?

RENT OR BUY?

SO YOU'RE IN THE MARKET FOR A HOUSE, BUT NOT SURE IF YOU SHOULD RENT OR BUY?

- **HOW LONG DO YOU PLAN TO STAY IN YOUR HOME?**
- **WHAT IS THE COST OF LIVING IN THIS AREA?**
- **DO YOU HAVE TIME FOR HOME MAINTENANCE?**
- **HOW MUCH DEBT DO YOU HAVE?**
- **HOW MUCH MONEY ARE YOU ABLE TO SPEND ON HOUSING?**

RENT

LENGTH
I will be in my home 5 years or less.

AREA
The house is in a high-cost area.

TIME
I don't have time for home maintenance.

DEBT
I have a fair amount of debt.

MONEY
I don't have enough money for closing fees.

BUY

LENGTH
I will be in my home 5 years or more.

AREA
The house is in an inexpensive area.

TIME
I have time for home maintenance.

DEBT
I have little to no debt.

MONEY
I have money for closing fees.

FINANCES AND BUYING A HOUSE

If you're ready to buy a home, you need to get your finances in order first.

If you're like most people out there, the decision to buy a house is one of the biggest financial decisions you're ever going to make in your life. Not only do you have to gather enough money together to pay a 20% deposit on a home (usually), but you're also going to have to secure a loan for the remaining balance that you're probably going to be paying for a very long time! So make sure you have a few things in order before you start looking.

Check Your Credit

Understanding credit can be confusing. The bureaucracy of it has led to 3 different major credit agencies, and one bad score could mean very bad things for your loan aspirations! There are a few internet sites that offer to do these reports for free (just as long as you cancel your membership in time!), and its usually not a bad idea to start there.

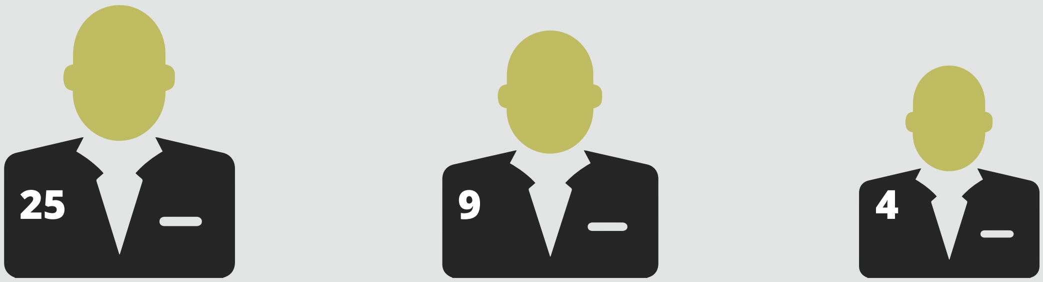
If you find a problem, you generally need to contact the agencies directly to figure out how to correct them. This can take anywhere from a few days to a few months, which is why you'll want to make sure you get this taken care of first. If the reports are accurate, but you just have a legitimately low credit score, be prepared to explain this to the person or bank you're trying to get a loan from, and be prepared to pay more interest than someone with perfect credit.

How Much Can I Afford?

For this one, you can get a preliminary idea on how much you can afford by using one of the mortgage calculators. If you're viewing properties on this website, just scroll to the bottom of any listing and you'll find a calculator that's already filled out for you based on the property that you're viewing.

If you want a far more accurate number, start calling up lenders and asking for pre-approval. The number they'll give you will be based on income, debt, credit score, and how much money you're going to be putting towards a down payment, and thus will be far more accurate than any calculator.

Number of buyers out of 100 that are willing to offer…



1-5% **OVER** asking price | 6-10% **OVER** asking price | 10+% **OVER** asking price

The Down Payment

This is a huge factor in determining what you can afford. Typically, down payments are 20% of the total cost of the home. If you're able to make a larger down payment, you should be able to qualify for a larger loan.

While 20% is the standard, it isn't mandatory. In fact, various private and public agencies, such as Freddie Mac, Fannie May, and the Department of Veteran Affairs to name a few – offer low down payment mortgages through banks and mortgage companies. To qualify for a low down payment mortgage, you generally need to meet the following criteria:

- Enough income to support monthly payments
- Enough cash to cover closing costs (this alone could end up being more than 10k)
- Good credit background
- Cash reserves (sometimes)

A lot of lenders will also require Private Mortgage Insurance (to protect the bank in case you default), and can add an additional .5% of the total loan amount.

If you don't have enough cash, you still have a few options. If you're a first time homebuyer, you can withdraw up to $10,000 dollars from your IRA without having to suffer any penalties (although you will have to pay taxes on that amount).

IS YOUR STATE A MORTGAGE STATE OR A DEED STATE?

THE FOLLOWING IS A LIST OF THE MORTGAGE STATES AND DEED OF TRUST STATES.

The only difference between a Mortgage state and a Deed of Trust state is the procedures necessary to foreclose on the property.

Generally, states that use mortgages conduct judicial foreclosures; states that use deeds of trust conduct non-judicial foreclosures. The principal difference between the two is that the judicial procedure requires court action.

STATE	JUDICIAL(Mortgage)	NON-JUDICIAL(Deed Of Trust)
Alabama	●	●
Alaska		●
Arizona	●	●
Arkansas	●	●
California		●
Colorado		●
Connecticut	●	
Delaware	●	
Dist. Of Columbia		●
Florida	●	
Georgia		●
Hawaii		●
Idaho		●
Illinois		●
Indiana	●	
Iowa	●	
Kansas	●	
Kentucky	●	●
Louisiana	●	
Maine		●
Maryland	●	●
Massachusetts		●
Michigan	●	●
Minnesota		●
Mississippi		●

STATE	JUDICIAL(Mortgage)	NON-JUDICIAL(Deed Of Trust)
Missouri		•
Montana		•
Nebraska		•
Nevada		•
New Hampshire		•
New Jersey	•	
New Mexico		•
New York	•	
North Carolina		•
North Dakota	•	
Ohio	•	
Oklahoma	•	
Oregon		•
Pennsylvania	•	
Rhode Island		•
South Carolina	•	
South Dakota	•	•
Tennessee		•
Texas		•
Utah		•
Vermont	•	
Virginia		•
Washington		•
West Virginia		•
Wisconsin	•	
Wyoming		•

Please note that any state listed above that is marked as both judicial and non-judicial means that you could have either a mortgage or a deed of trust for that state. This list has changed from last month. It appears that more and more states are converting to Deed of Trust for reasons of foreclosure convenience.

IS YOUR STATE A MORTGAGE STATE OR A DEED STATE?

When a borrower takes out a loan to buy a house, lenders in most states secure the debt with a mortgage. In other states, including California, the law prefers that lenders use a deed of trust instead.While the borrowing process remains the same, the two documents affect foreclosure differently.

Mortgage States

"In mortgage states, the mortgage is, technically, not the loan a homebuyer takes out but a document that gives the lender a lien on the property", states Money Instructor. In some states the lender retains title until the mortgage is paid off, while in others, the borrower holds the title. In any mortgage state, the lender may begin foreclosure to take over the property if the borrower defaults on his loan.

Trust Deed States

In the deed of trust states, instead of a mortgage, lenders use a trust deed to assign a third party -the trustee- to hold title until the debt is paid off. Some states allow attorneys to serve as trustees; in others, such as California, mortgage loan brokers can be trustees.

Which States?

"Mortgage states" and "deed of trust states" can't be divided into two neat lists. Some states, such as Alabama, permit both, and sometimes mortgage states switch to allow or favor deeds of trust because of the effect on foreclosures.

Foreclosure

Foreclosure is simpler with a deed of trust. When a mortgage is involved, the lender needs to file a lawsuit to start foreclosure proceedings. With a deed of trust, the trustee can put the home up for sale as soon as the lender provides proof that the borrower has defaulted. The trust deed may spell out specific terms required before the sale begins.

Protection For Borrowers

One big advantage for borrowers in trust deed states is that the deeds come with an anti-deficiency rule, according to real estate attorney Ralph Thompson: If the sale of the foreclosed property doesn't allow the lender to recoup her money, she can't sue the borrower to make up the difference.

APPLYING FOR A MORTGAGE LOAN

If you're ready to buy a home, you need to get your finances in order first.

5 POPULAR SOURCES FOR A MORTGAGE

FHA MORTGAGE

A low down payment mortgage program backed by the Federal Housing Administration.

USDA MORTGAGE

A zero down payment mortgage program available in less-dense U.S. census tracts.

CONFORMING MORTGAGE

Mortgages which meet Fannie Mae/Freddie Mac guidelines. Down-payments as low as 3% allowed.

VETERAN AFFAIRS MORTGAGE

A low down payment mortgage program backed by the Federal Housing Administration.

USDA MORTGAGE

A zero down payment mortgage program available in less dense U.S. census tracts.

PRO TIP: All banks underwrite differently. If your mortgage application is turned down, don't give up. Try another bank for different results.

Information Lenders Want To Know

1. **Credit Score** – This comes from the credit reports from each of the 3 major credit bureaus.
2. **Credit Standing** – Make sure you have low credit card balances and have paid all your bills on time!
3. **Credit Accounts** – Avoid closing current accounts or applying for new ones.
4. **Down Payment** – The more money you're prepared to pay up front, the more likely you are to be approved.
5. **Income** – Lenders want to see that you have a steady job with steady income. If you are self-employed, be prepared to provide tax returns and income statements.
6. **Interest Rates** – These generally won't determine whether or not you're ap proved, although they will determine your monthly payments.
7. **Available Funds** – Lenders want to make sure you have money set aside to pay for closing costs and points (if necessary).

The Loan Process

1. Pick a lender.
2. Provide the required information (see above, will vary based on lender).
3. You will be given a Good Faith Estimate, which will summarize the amount of the loan you're applying for, how much you'll be paying a month, the interest rate, terms, estimated closing costs, and any additional fees the lender may be imposing.

AN OVERVIEW OF THE LOAN PROCESS

1. Organize Your Documents
2. Get Qualified
3. Shop Loan Programs & Rates
4. Apply For A Loan
5. Obtain Loan Approval
6. Close The Loan

Once you've decided on a lender (make sure to get estimates from a few different lenders), you're probably going to have to pay in advance for your credit report (usually around $70), and sometimes for the appraisal (around $400). Don't be too worried about the value of the appraisal, the bank just wants to make sure that your loan amount doesn't exceed the value of the home.

So, how much can you afford?

To determine how much you're allowed to borrow, the lender is going to use a number of different ratios. Those ratios are:

1. Front-End Ratio- This is the monthly percentage of your yearly gross income that's dedicated to mortgage payments. Your PITI (principal, interest, taxes, and insurance) should not exceed 28% of your gross income (although some lenders will lend to borrowers with PITI over that number). Also, some lend ers will quote you based only on PI (principal and interest). Make sure to inquire as to which method they're using.
2. Back-End Ratio- This is the percentage of your gross income that is required for debts, i.e. car payments, credit cards, other loans, etc. Most lenders will require that this ratio not exceed 36% of your gross income, (although it is possible for lenders to still approve a loan above this number, you're probably going to be stuck with a higher interest rate).
3. Down Payment Percentage- Your down payment should be at least 20%. At under 20%, you're probably going to pay a higher rate, and you'll also probably have to purchase mortgage insurance, which can cost up to .5% of the loan amount.

Mortgage Types

There are two major types of mortgages, ARM (adjustable rate mortgage), and FRM (fixed rate mortgage).

1. ARM- Adjustable Rate Mortgage- After the initial 'fixed' period, the interest rate you're paying will change and adjust on a specified schedule. While this is considered the riskier of the two options, as the payments can fluctuat substantially, the reward for this risk is an initial rate that is significantly be low market rates for comparable 30 year fixed rate mortgages. A one year adjustable rate mortgage is a 30 year loan in which your rate (and thus the amount of the monthly payment), will change on the loan date of each su cessive year.

2. FRM -Fixed Rate Mortgage- The interest rate will remain the same throughout the entire loan term, or for a stated length of time. Fixed rate loans are an especially good idea during times when rates are low, as you can lock yourself in for a 10, 15, or 30 year term at a low rate. Approximately 70-75% of all loans are fixed rate mortgage loans.

How much are closing costs?

There are two major types of mortgages, ARM (adjustable rate mortgage), and FRM (fixed rate mortgage). Closing costs for a buyer are considered to be everything outside of the purchase price that a buyer would pay to complete a real estate transaction.

These costs can include:

- fees paid to title, escrow, or lawyers;
- city/county transfer or property taxes
- credit reports
- appraisals
- recording or notary fees
- inspections
- loan fees (such as prepaid interest or points)

THE CLOSING PROCESS

Closing Process From Beginning To End

Closing Process

Let's start at the beginning… what do closing, escrow, and settlement mean?

Closing refers to the time when the property changes hands and the property title is actually transferred from the seller to the buyer. At the same time, a mortgage is signed by the buyer/borrower and given to the lender — the bank or agency who is putting up the money.

It is very exciting to buy a house or other property and when you know something about how everything works, you will be relaxed throughout the process. Following is a guide you can follow to learn all about how a closing proceeds.

Before you offer a sales agreement to buy a property, information on the associated closing costs should be provided to you. After you obtain a loan for a property purchase, the lender has three days from the application date to give you a Good Faith Estimate of the cost of the loan and the closing costs. This is so that there will be no surprises at the time of the closing. You should also receive information that outlines the closing process. If you do not get all this information, contact your lending agency. The countdown to closing starts when the seller accepts the sales agreement, which is a binding contract. Timing is important to ensure that all information for a successful closing is available upon your arrival. Your lender or your real estate agent can recommend a title company to have the documents prepared for closing or you can find one yourself with proper research. In some areas, the closing is handled by a settlement agent, an escrow company or an attorney.

Once you decide on a settlement agent (usually an attorney, but hereafter referred to as a settlement agent), he or she will take over the process from there. If you have made a deposit with the sales agreement, the closing agent will make sure it is deposited properly into an escrow account. The funds will be held in the escrow account until the date of the closing.

The settlement agent will order the initial title work and have a title professional research public records and do a title search to determine if the title is clear or if anyone can make a claim against the property.

Any title flaws that are found must be cleared before a property can be signed over to the buyer. The title agent will make sure all state and local taxes are paid and there is no lien on the property such as a judgement or an outstanding mortgage. The title agent will make sure the title is clear and any issues resolved well before closing. If there is an existing mortgage, the settlement agent will obtain payoff figures from the mortgage holder.

In the event that the buyer is assuming an existing mortgage, that will be handled by the agent as well. The agent can also schedule a termite report and property inspections as requested. A survey to determine property lines may be ordered if it is common in your area.

The HUD-1 Closing Statement is also prepared by the settlement agent. The statement contains all costs for both the seller and the buyer at closing. The HUD-1 form is available to read and download online.

The property will be legally transferred to the buyer from the seller at the closing. Your settlement agent will have you sign a number of documents and each one will be explained to you. For more information on how closings are conducted in your locale, consult with your settlement agent. When all papers are satisfactorily signed, the property is yours. Congratulations! You have achieved the American Dream.

Be aware that after the closing, some of the process will continue behind the scenes. The agent will distribute funds to the seller and pay all other bills connected to the closing.
A final title search will be conducted and then the documents will be recorded in the county court house. You do not have to do anything after the closing as your settlement agent will take care of these details.

CLOSING ON A NEW HOUSE

When it comes to sealing the deal, exercise your haggling muscles!

Make The Offer

So you've found your dream home... and now you want to lock it up at a dream price! Negotiating an offer is one of the most compelling reasons to hire an experienced agent like myself to represent you.

Not only will I be able to advise an ideal starting offer, I'll be able to substantiate it with a well and extremely detailed market analysis. There are also a number of additional negotiating items that I excel in, to name a few, are:

- Getting the seller to pay some or all of the closing costs
- Amount of earnest money you'll deposit (the amount of money that you deposit when making an offer to show that you are serious about buying the property, anywhere from 1%-10%)
- Negotiating to include personal property into the deal
- Length of option period
- Closing date and occupancy date
- Having the seller pay for repairs (or reduce purchase price to compensate)
- Having the seller contribute towards a home warranty

With the initial offer, you're going to have to cut an earnest money check, (anywhere from 1% to 10% of the purchase price), to show that you're serious about buying the property. The check will be made out to the title company and later applied to your purchase price.

Once we reach a mutually agreed upon price, the seller's agent will draw up the offer to purchase, with a closing date usually around 45 to 60 days from the date that the offer was accepted.

At this point, I'll review the document for you to make absolutely sure that the deal is contingent on:

- You getting a mortgage
- A problem free home inspection
- A guarantee that you'll be allowed to conduct a walkthrough 24 hours before closing

Agree On Terms With Lender

If you haven't already done so, now is the time to agree on loan terms. Anticipate forking over $75 for a credit check, $150-$300 for a home appraisal, and $300-$600 for a property survey (if there isn't already an existing survey that can be used).

QUICK FACTS ABOUT **HOME INSPECTION**

Home inspections typically cost between $200 and $400 depending on the square footage of your house.

An inspection usually lasts between three and four hours.

Some inspectors offer mold and termite testing at additional costs.

The most common problems with homes are the following:

- Electrical
- Plumbing
- DIY Workmanship
- Foundation Issues

Home Inspection

You're really going to want to be present during your home inspection, because you will learn a lot about the condition of your house, including what it's made of, how it's wired, and whether or not there are any problems that need to be addressed.
If problems are found, I can generally negotiate for the seller to either remedy the problem, or reduce the purchase price accordingly. Home inspections generally cost anywhere from $300 to $1000 and usually take 3-4 hours to complete.
If you'd like a list of home inspectors that I've had good experiences with in the past, please let me know!

Obtain Homeowner's Insurance

If you're applying for a loan, you're going to need a homeowner's insurance policy. Again, I have a number of brokers I've worked with in the past and would be more than happy to give you a few names to contact. You're probably going to want to contact whoever is currently handling any of your insurance requirements, as they may offer discounts, and it'll also just be easier if all of your insurance policies are managed by one company!

Home Warranty

The last thing you want to fret about is having something go wrong in your new home. This can be pretty affordable, averaging around $350, and is an especially good idea for first time homebuyers. Additionally, I can generally negotiate for the seller to pay for part or all of this cost.

Title Insurance

For a more thorough explanation, scroll down about 2 sections to 'Why you need title insurance'. Expect title insurance to cost anywhere from .1 to 1% of the purchase price (one-time fee).

The Day Before

The day before, you're going to want to conduct a final walkthrough of the home. This is to make sure that there aren't any substantial damages that were incurred since the inspection (i.e. the mover's dropped something and shattered some of the tiles in the kitchen).

Also, you should receive a HUD-1 settlement statement which will list out the various items you'll need to pay for at closing. I'll make sure that everything checks out and you'll need to have a check ready to be made out to the title company in the amount of the request.

Closing Day

After everything else you've been through, the actual closing will be a breeze! Don't forget to bring some blank checks, and a valid state driver's license! Congratulations on your new home!

CLOSING COSTS

THERE ARE A BUNCH OF THEM, AND YOU SHOULD BE AWARE OF WHAT THEY ARE!

CLOSING COSTS

SELLER

1/2 of title & escrow fees
Fees such as transfer taxes, title insurance, notary fees, etc.

Commissions
Average real estate commission is 5.4% (Real Trends)

Loan payoff
Outstanding mortgages balances would be satisfied at closing.

BUYER

1/2 of title & escrow fees
Fees such as transfer taxes, title insurance, notary fees, etc.

Lender fees
For obtaining a mortgage including the appraisal.

Homeowners Insurance
Typically one year of your hazard or homeowner's insurance is paid up front at closing.

ADDITIONAL COSTS

SELLER

Home Warranty (optional)
Properly Taxrs (prorated)
RE Brokerage Admin Fees
Pest or Septic Inspection
HOA fees (prorated, if required)

BUYER

Owner's Title Insurance
Inspection Fees (in escrow)
Earnest Money (credit at close)
RE Admin Fee (if applicable)
Credit Report Fee

All fees and charges can be negotiated.

Be prepared: Budget for low-cost repairs.

Tax prorations vary by state, ask a professional.

CLOSING COSTS CAN RUN BETWEEN

2-5% OF PURCHASE PRICE

You can ask for closing cost assistance from seller as part of the offer.

A $1,000 increase in purchase price usually equates to < $10/month.

Don't make any big purchases when you're under contract.

GFE

BUYER & SELLER

HUD-1

10%

GOODFAITH ESTIMATE

Request a copy of this estimate from your agent or lender, you're legally enitled to receive one within a few days of applying for a loan. Note that this is an estimate.

COMPARE

These two documents are identical on everything except price. Any difference in charge should always be within 10% of the GFE value. Ask your professional to explain any changes.

SETTLEMENT STATEMENT

You should be able to receive a copy of this document within a few days of closing. Review the charges, compare with your GFE, and be sure to ask any questions that you have!

DID YOU KNOW?

Federal law requires that sellers and buyers receive a copy of a HUD-1, or settlement statement, form outlining all charges in a real estate transaction.

DO YOUR HOMEWORK

Don't be shocked at closing! Ask your lender, agent, or title rep to explain all of your costs well before going in to sign your final papers.

DO YOU NEED TITLE INSURANCE?

Protect yourself from potentially devastating title issues

Why You Need Title Insurance

When buying a new home, you have to make absolutely sure that the title is good and clear. Let's explain what a title search is and why you may still want insurance.

The Title Search

After your sale contract is accepted, an accredited title professional is tasked with searching through years of public records on your home to uncover any outstanding issues or problems with your home's title (about 1 out of 3 of these searches reveal some sort of problem that must be addressed before closing, i.e. an outstanding balance owed to a contractor for minor construction, unpaid taxes).

The Owner's Title Policy

Although the title search is an extensive search, sometimes there can be title issues that are either not in public records, or inadvertently missed. In order to protect yourself against these sorts of issues, you need an Owner's Policy, which is owner's title insurance. This policy is usually issued in the amount of the purchase price of the home, and can be purchased for a one-time fee at the closing and will protect you or your heirs for however long you have an interest in the property.

- Forgery
- Undisclosed heirs
- Mistakes during title search
- Errors / Omissions in deeds
- False affidavits
- Invalid divorces

Some home-owner's insurance policies will include owner's title insurance, so make sure to contact a few different insurance brokers to get options and rates.

The Loan Policy

You should also be aware of lender’s title insurance. Unlike owner’s title insurance, lender’s title insurance, also referred to as a loan policy, is usually required by lenders when issuing a loan. The loan policy is predicated on the amount of the loan, and is there to protect the lender’s financial interests in the property should there be a problem with the title. This is not a fixed amount, however it gets cheaper every year (as the loan amount goes down), and eventually disappears when the loan is paid off.

GLOSSARY OF TERMS

acceleration clause
A clause in your mortgage which allows the lender to demand payment of the outstanding loan balance for various reasons. The most common reasons for accelerating a loan are if the borrower defaults on the loan or transfers title to another individual without informing the lender.

adjustable-rate mortgage (ARM)
A mortgage in which the interest changes periodically, according to corresponding fluctuations in an index. All ARMs are tied to indexes.

adjustment date
The date the interest rate changes on an adjustable-rate mortgage.

amortization
The loan payment consists of a portion which will be applied to pay the accruing interest on a loan, with the remainder being applied to the principal. Over time, the interest portion decreases as the loan balance decreases, and the amount applied to principal increases so that the loan is paid off (amortized) in the specified time.

amortization schedule
A table which shows how much of each payment will be applied towards principal and how much towards interest over the life of the loan. It also shows the gradual decrease of the loan balance until it reaches zero.

annual percentage rate (APR)
This is not the note rate on your loan. It is a value created according to a government formula intended to reflect the true annual cost of borrowing, expressed as a percentage. It works sort of like this, but not exactly, so only use this as a guideline: deduct the closing costs from your loan amount, then using your actual loan payment, calculate what the interest rate would be on this amount instead of your actual loan amount. You will come up with a number close to the APR. Because you are using the same payment on a smaller amount, the APR is always higher than the actual note rate on your loan.

application
The form used to apply for a mortgage loan, containing information about a borrower's income savings, assets, debts, and more.

appraisal
A written justification of the price paid for a property, primarily based on an analysis of comparable sales of similar homes nearby.

appraised value
An opinion of a property's fair market value, based on an appraiser's knowledge, experience, and analysis of the property. Since an appraisal is based primarily on comparable sales, and the most recent sale is the one on the property in question, the appraisal usually comes out at the purchase price.

appraiser
An individual qualified by education, training, and experience to estimate the value of real property and personal property. Although some appraisers work directly for mortgage lenders, most are independent.

appreciation
The increase in the value of a property due to changes in market conditions, inflation, or other causes.

assessed value
The valuation placed on property by a public tax assessor for purposes of taxation.

assessment
The placing of a value on property for the purpose of taxation.

assessor
A public official who establishes the value of a property for taxation purposes.

asset
Items of value owned by an individual. Assets that can be quickly converted into cash are considered "liquid assets." These include bank accounts, stocks, bonds, mutual funds, and so on. Other assets include real estate, personal property, and debts owed to an individual by others.

assignment
When ownership of your mortgage is transferred from one company or individual to another, it is called an assignment.

assumable mortgage
A mortgage that can be assumed by the buyer when a home is sold. Usually, the borrower must "qualify" in order to assume the loan.

assumption
The term applied when a buyer assumes the seller's mortgage.

balloon mortgage
A mortgage loan that requires the remaining principal balance be paid at a specific point in time. For example, a loan may be amortized as if it would be paid over a thirty year period, but requires that at the end of the tenth year the entire remaining balance must be paid.

balloon payment
The final lump sum payment that is due at the termination of a balloon mortgage.

bankruptcy
By filing in federal bankruptcy court, an individual or individuals can restructure or relieve themselves of debts and liabilities. Bankruptcies are of various types, but the most common for an individual seem to be a "Chapter 7 No Asset" bankruptcy which relieves the borrower of most types of debts. A borrower cannot usually qualify for an "A" paper loan for a period of two years after the bankruptcy has been discharged and requires the re-establishment of an ability to repay debt.

bill of sale
A written document that transfers title to personal property. For example, when selling an automobile to acquire funds which will be used as a source of down payment or for closing costs, the lender will usually require the bill of sale (in addition to other items) to help document this source of funds.

biweekly mortgage
A mortgage in which you make payments every two weeks instead of once a month. The basic result is that instead of making twelve monthly payments during the year, you make thirteen. The extra payment reduces the principal, substantially reducing the time it takes to pay off a thirty year mortgage. Note: there are independent companies that encourage you to set up biweekly payment schedules with them on your thirty year mortgage. They charge a set-up fee and a transfer fee for every payment. Your funds are deposited into a trust account from which your monthly payment is then made, and the excess funds then remain in the trust account until enough has accrued to make the additional payment which will then be paid to reduce your principal. You could save money by doing the same thing yourself, plus you have to have faith that once you transfer money to them that they will actually transfer your funds to your lender.

bond market
Usually refers to the daily buying and selling of thirty year treasury bonds. Lenders follow this market intensely because as the yields of bonds go up and down, fixed rate mortgages do approximately the same thing. The same factors that affect the Treasury Bond market also affect mortgage rates at the same time. That is why rates change daily, and in a volatile market, can and do change during the day as well.

bridge loan
Not used much anymore, bridge loans are obtained by those who have not yet sold their previous property, but must close on a purchase property. The bridge loan becomes the source of their funds for the down payment. One reason for their fall from favor is that there are more and more second mortgage lenders now that will lend at a high loan to value. In addition, sellers often prefer to accept offers from buyers who have already sold their property.

broker
Broker has several meanings in different situations. Most Realtors are “agents” who work under a “broker.” Some agents are brokers as well, either working for themselves or under another broker. In the mortgage industry, broker usually refers to a company or individual that does not lend the money for the loans themselves, but broker loans to larger lenders or investors. (See the Home Loan Library that discusses the different types of lenders). As a normal definition, a broker is anyone who acts as an agent, bringing two parties together for any type of transaction and earning a fee for doing so.

buydown
Usually refers to a fixed rate mortgage where the interest rate is “bought down” for a temporary period, usually one to three years. After that time and for the remainder of the term, the borrower’s payment is calculated at the note rate. In order to buy down the initial rate for the temporary payment, a lump sum is paid and held in an account used to supplement the borrower’s monthly payment. These funds usually come from the seller (or some other source) as a financial incentive to induce someone to buy their property.

A “lender funded buydown” is when the lender pays the initial lump sum. They can accomplish this because the note rate on the loan (after the buydown adjustments) will be higher than the current market rate. One reason for doing this is because the borrower may get to “qualify” at the start rate and can qualify for a higher loan amount. Another reason is that a borrower may expect his earnings to go up substantially in the near future, but wants a lower payment right now.

call option
Similar to the acceleration clause.

cap
Adjustable Rate Mortgages have fluctuating interest rates, but those fluctuations are usually limited to a certain amount. Those limitations may apply to how much the loan may adjust over a six month period, an annual period, and over the life of the loan, and are referred to as "caps." Some ARMs, although they may have a life cap, allow the interest rate to fluctuate freely, but require a certain minimum payment which can change once a year. There is a limit on how much that payment can change each year, and that limit is also referred to as a cap.

cash-out refinance
When a borrower refinances his mortgage at a higher amount than the current loan balance with the intention of pulling out money for personal use, it is referred to as a "cash out refinance."

certificate of deposit
A time deposit held in a bank which pays a certain amount of interest to the depositor.

certificate of deposit index
One of the indexes used for determining interest rate changes on some adjustable rate mortgages. It is an average of what banks are paying on certificates of deposit.

Certificate of Eligibility
A document issued by the Veterans Administration that certifies a veteran's eligibility for a VA loan.

Certificate of Reasonable Value (CRV)
Once the appraisal has been performed on a property being bought with a VA loan, the Veterans Administration issues a CRV.

chain of title
An analysis of the transfers of title to a piece of property over the years.

clear title
A title that is free of liens or legal questions as to ownership of the property.

closing
This has different meanings in different states. In some states a real estate transaction is not consider "closed" until the documents are recorded at the local recorders office. In others, the "closing" is a meeting where all of the documents are signed and money changes hands.

closing costs
Closing costs are separated into what are called "non-recurring closing costs" and "pre-paid items." Non-recurring closing costs are any items which are paid just once as a result of buying the property or obtaining a loan. "Pre-paids" are items which recur over time, such as property taxes and homeowner's insurance. A lender makes an attempt to estimate the amount of non-recurring closing costs and prepaid items on the Good Faith Estimate which they must issue to the borrower within three days of receiving a home loan application.

closing statement
See Settlement Statement.

cloud on title
Any conditions revealed by a title search that adversely affect the title to real estate. Usually clouds on title cannot be removed except by deed, release, or court action.

co-borrower
Additional individual who is both obligated on the loan and is on title to the proerty.

collateral
In a home loan, the property is the collateral. The borrower risks losing the property if the loan is not repaid according to the terms of the mortgage or deed of trust.

collection
When a borrower falls behind, the lender contacts them in an effort to bring the loan current. The loan goes to "collection." As part of the collection effort, the lender must mail and record certain documents in case they are eventually required to foreclose on the property.

commission
Most salespeople earn commissions for the work that they do and there are many sales professionals involved in each transaction, including realtors, loan officers, title representatives, attorneys, escrow representatives, and representatives for pest companies, home warranty companies, home inspection companies, insurance agents, and more.

The commissions are paid out of the charges paid by the seller or buyer in the purchase transaction. Realtors generally earn the largest commissions, followed by lenders, then the others.

common area assessments
In some areas they are called Homeowners Association Fees. They are charges paid to the Homeowners Association by the owners of the individual units in a condominium or planned unit development (PUD) and are generally used to maintain the property and common areas.

common areas
Those portions of a building, land, and amenities owned (or managed) by a planned unit development (PUD) or condominium project's homeowners' association (or a cooperative project's cooperative corporation) that are used by all of the unit owners, who share in the common expenses of their operation and maintenance. Common areas include swimming pools, tennis courts, and other recreational facilities, as well as common corridors of buildings, parking areas, means of ingress and egress, etc.

common law
An unwritten body of law based on general custom in England and used to an extent in some states.

community property
In some states, especially the southwest, property acquired by a married couple during their marriage is considered to be owned jointly, except under special circumstances. This is an outgrowth of the Spanish and Mexican heritage of the area.

comparable sales
Recent sales of similar properties in nearby areas and used to help determine the market value of a property. Also referred to as "comps."

condominium
A type of ownership in real property where all of the owners own the property, common areas and buildings together, with the exception of the interior of the unit to which they have title. Often mistakenly referred to as a type of construction or development, it actually refers to the type of ownership.

condominium conversion
Changing the ownership of an existing building (usually a rental project) to the condominium form of ownership.

condominium hotel
A condominium project that has rental or registration desks, short-term occupancy, food and telephone services, and daily cleaning services and that is operated as a commercial hotel even though the units are individually owned. These are often found in resort areas like Hawaii.

construction loan
A short-term, interim loan for financing the cost of construction. The lender makes payments to the builder at periodic intervals as the work progresses.

contingency
A condition that must be met before a contract is legally binding. For example, home purchasers often include a contingency that specifies that the contract is not binding until the purchaser obtains a satisfactory home inspection report from a qualified home inspector.

contract
An oral or written agreement to do or not to do a certain thing.

conventional mortgage
Refers to home loans other than government loans (VA and FHA).

convertible ARM
An adjustable-rate mortgage that allows the borrower to change the ARM to a fixed-rate mortgage within a specific time.

cooperative (co-op)
A type of multiple ownership in which the residents of a multiunit housing complex own shares in the cooperative corporation that owns the property, giving each resident the right to occupy a specific apartment or unit.

cost of funds index (COFI)
One of the indexes that is used to determine interest rate changes for certain adjustable-rate mortgages. It represents the weighted-average cost of savings, borrowings, and advances of the financial institutions such as banks and savings & loans, in the 11th District of the Federal Home Loan Bank.

credit
An agreement in which a borrower receives something of value in exchange for a promise to repay the lender at a later date.

credit history
A record of an individual's repayment of debt. Credit histories are reviewed by mortgage lenders as one of the underwriting criteria in determining credit risk.

creditor
A person to whom money is owed.

credit report
A report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's credit worthiness.

credit repository
An organization that gathers, records, updates, and stores financial and public records information about the payment records of individuals who are being considered for credit.

debt
An amount owed to another.

deed
The legal document conveying title to a property.

deed-in-lieu
Short for "deed in lieu of foreclosure," this conveys title to the lender when the borrower is in default and wants to avoid foreclosure. The lender may or may not cease foreclosure activities if a borrower asks to provide a deed-in-lieu. Regardless of whether the lender accepts the deed-in-lieu, the avoidance and non-repayment of debt will most likely show on a credit history. What a deed-in-lieu may prevent is having the documents preparatory to a foreclosure being recorded and becoming a matter of public record.

deed of trust
Some states, like California, do not record mortgages. Instead, they record a deed of trust which is essentially the same thing.

default
Failure to make the mortgage payment within a specified period of time. For first mortgages or first trust deeds, if a payment has still not been made within 30 days of the due date, the loan is considered to be in default.

delinquency
Failure to make mortgage payments when mortgage payments are due. For most mortgages, payments are due on the first day of the month. Even though they may not charge a “late fee” for a number of days, the payment is still considered to be late and the loan delinquent. When a loan payment is more than 30 days late, most lenders report the late payment to one or more credit bureaus.

deposit
A sum of money given in advance of a larger amount being expected in the future. Often called in real estate as an “earnest money deposit.”

depreciation
A decline in the value of property; the opposite of appreciation. Depreciation is also an accounting term which shows the declining monetary value of an asset and is used as an expense to reduce taxable income. Since this is not a true expense where money is actually paid, lenders will add back depreciation expense for self-employed borrowers and count it as income.

discount points
This term is usually used only in reference to government loans, meaning FHA and VA loans. Discount points refer to any “points” paid in addition to the one percent loan origination fee. A “point” is one percent of the loan amount.

down payment
The part of the purchase price of a property that the buyer pays in cash and does not finance with a mortgage.

due-on-sale provision
A provision in a mortgage that allows the lender to demand repayment in full if the borrower sells the property that serves as security for the mortgage.

earnest money deposit
Made by the potential home buyer to show that he or she is serious about buying.

easement
A right of way giving persons other than the owner access to, or over, a property.

effective age
An appraiser’s estimate of the physical condition of a building. The actual age of a building may be shorter or longer than its effective age.

eminent domain
The right of a government to take private property for public use upon payment of its fair market value. Eminent domain is the basis for condemnation proceedings.

encroachment
An improvement that intrudes illegally on another's property.

encumbrance
Anything that affects or limits the fee simple title to a property, such as mortgages, leases, easements, or restrictions.

Equal Credit Opportunity Act (ECOA)
A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

equity
A homeowner's financial interest in a property. Equity is the difference between the fair market value of the property and the amount still owed on its mortgage and other liens.

escrow
An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the earnest money deposit is put into escrow until delivered to the seller when the transaction is closed.

escrow account
Once you close your purchase transaction, you may have an escrow account or impound account with your lender. This means the amount you pay each month includes an amount above what would be required if you were only paying your principal and interest. The extra money is held in your impound account (escrow account) for the payment of items like property taxes and homeowner's insurance when they come due. The lender pays them with your money instead of you paying them yourself.

escrow analysis
Once each year your lender will perform an "escrow analysis" to make sure they are collecting the correct amount of money for the anticipated expenditures.

escrow disbursements
The use of escrow funds to pay real estate taxes, hazard insurance, mortgage insurance, and other property expenses as they become due.

estate
The ownership interest of an individual in real property. The sum total of all the real property and personal property owned by an individual at time of death.

eviction
The lawful expulsion of an occupant from real property.

examination of title
Report on the title of a property from the public records or an abstract of the title.

exclusive listing
A written contract that gives a licensed real estate agent the exclusive right to sell a property for a specified time.

executor
A person named in a will to administer an estate. The court will appoint an administrator if no executor is named. “Executrix” is the feminine form.

Fair Credit Reporting Act
A consumer protection law that regulates the disclosure of consumer credit reports by consumer/credit reporting agencies and establishes procedures for correcting mistakes on one’s credit record.

fair market value
The highest price that a buyer, willing but not compelled to buy, would pay, and the lowest a seller, willing but not compelled to sell, would accept.

Fannie Mae (FNMA)
The Federal National Mortgage Association, which is a congressionally chartered, shareholder-owned company that is the nation’s largest supplier of home mortgage funds. For a discussion of the roles of Fannie Mae, Freddie Mac (FHLMC), and Ginnie Mae (GNMA), see the Library.

Fannie Mae’s Community Home Buyer’s Program
An income-based community lending model, under which mortgage insurers and Fannie Mae offer flexible underwriting guidelines to increase a low- or moderate-income family’s buying power and to decrease the total amount of cash needed to purchase a home. Borrowers who participate in this model are required to attend pre-purchase home-buyer education sessions.

Federal Housing Administration (FHA)
An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

fee simple
The greatest possible interest a person can have in real estate.

fee simple estate
An unconditional, unlimited estate of inheritance that represents the greatest estate and most extensive interest in land that can be enjoyed. It is of perpetual duration. When the real estate is in a condominium project, the unit owner is the exclusive owner only of the air space within his or her portion of the building (the unit) and is an owner in common with respect to the land and other common portions of the property.

FHA mortgage
A mortgage that is insured by the Federal Housing Administration (FHA). Along with VA loans, an FHA loan will often be referred to as a government loan.

firm commitment
A lender’s agreement to make a loan to a specific borrower on a specific property.

first mortgage
The mortgage that is in first place among any loans recorded against a property. Usually refers to the date in which loans are recorded, but there are exceptions.

fixed-rate mortgage
A mortgage in which the interest rate does not change during the entire term of the loan.

fixture
Personal property that becomes real property when attached in a permanent manner to real estate.

flood insurance
Insurance that compensates for physical property damage resulting from flooding. It is required for properties located in federally designated flood areas.

foreclosure
The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

401(k)/403(b)
An employer-sponsored investment plan that allows individuals to set aside tax-deferred income for retirement or emergency purposes. 401(k) plans are provided by employers that are private corporations. 403(b) plans are provided by employers that are not for profit organizations.

401(k)/403(b) loan
Some administrators of 401(k)/403(b) plans allow for loans against the monies you have accumulated in these plans. Loans against 401K plans are an acceptable source of down payment for most types of loans.

government loan (mortgage)
A mortgage that is insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) or the Rural Housing Service (RHS). Mortgages that are not government loans are classified as conventional loans.

Government National Mortgage Association (Ginnie Mae)
A government-owned corporation within the U.S. Department of Housing and Urban Development (HUD). Created by Congress on September 1, 1968, GNMA performs the same role as Fannie Mae and Freddie Mac in providing funds to lenders for making home loans.
The difference is that Ginnie Mae provides funds for government loans (FHA and VA)

grantee
The person to whom an interest in real property is conveyed.

grantor
The person conveying an interest in real property.

hazard insurance
Insurance coverage that in the event of physical damage to a property from fire, wind, vandalism, or other hazards.

Home Equity Conversion Mortgage (HECM)
Usually referred to as a reverse annuity mortgage, what makes this type of mortgage unique is that instead of making payments to a lender, the lender makes payments to you. It enables older home owners to convert the equity they have in their homes into cash, usually in the form of monthly payments. Unlike traditional home equity loans, a borrower does not qualify on the basis of income but on the value of his or her home. In addition, the loan does not have to be repaid until the borrower no longer occupies the property.

home equity line of credit
A mortgage loan, usually in second position, that allows the borrower to obtain cash drawn against the equity of his home, up to a predetermined amount.

home inspection
A thorough inspection by a professional that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the purchaser.

homeowners' association
A nonprofit association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements.

homeowner's insurance
An insurance policy that combines personal liability insurance and hazard insurance coverage for a dwelling and its contents.

homeowner’s warranty

A type of insurance often purchased by homebuyers that will cover repairs to certain items, such as heating or air conditioning, should they break down within the coverage period. The buyer often requests the seller to pay for this coverage as a condition of the sale, but either party can pay.

HUD median income

Median family income for a particular county or metropolitan statistical area (MSA), as estimated by the Department of Housing and Urban Development (HUD).

HUD-1 settlement statement

A document that provides an itemized listing of the funds that were paid at closing. Items that appear on the statement include real estate commissions, loan fees, points, and initial escrow (impound) amounts. Each type of expense goes on a specific numbered line on the sheet. The totals at the bottom of the HUD-1 statement define the seller’s net proceeds and the buyer’s net payment at closing. It is called a HUD1 because the form is printed by the Department of Housing and Urban Development (HUD). The HUD1 statement is also known as the “closing statement” or “settlement sheet.”

joint tenancy

A form of ownership or taking title to property which means each party owns the whole property and that ownership is not separate. In the event of the death of one party, the survivor owns the property in its entirety.

judgment

A decision made by a court of law. In judgments that require the repayment of a debt, the court may place a lien against the debtor’s real property as collateral for the judgment’s creditor.

judicial foreclosure

A type of foreclosure proceeding used in some states that is handled as a civil lawsuit and conducted entirely under the auspices of a court. Other states use non-judicial foreclosure.

jumbo loan

A loan that exceeds Fannie Mae’s and Freddie Mac’s loan limits, currently at $227,150. Also called a nonconforming loan. Freddie Mac and Fannie Mae loans are referred to as conforming loans.

late charge
The penalty a borrower must pay when a payment is made a stated number of days. On a first trust deed or mortgage, this is usually fifteen days.

lease
A written agreement between the property owner and a tenant that stipulates the payment and conditions under which the tenant may possess the real estate for a specified period of time.

leasehold estate
A way of holding title to a property wherein the mortgagor does not actually own the property but rather has a recorded long-term lease on it.

lease option
An alternative financing option that allows home buyers to lease a home with an option to buy. Each month's rent payment may consist of not only the rent, but an additional amount which can be applied toward the down payment on an already specified price.

legal description
A property description, recognized by law, that is sufficient to locate and identify the property without oral testimony.

lender
A term which can refer to the institution making the loan or to the individual representing the firm. For example, loan officers are often referred to as "lenders."

liabilities
A person's financial obligations. Liabilities include long-term and short-term debt, as well as any other amounts that are owed to others.

liability insurance
Insurance coverage that offers protection against claims alleging that a property owner's negligence or inappropriate action resulted in bodily injury or property damage to another party. It is usually part of a homeowner's insurance policy.

lien
A legal claim against a property that must be paid off when the property is sold. A mortgage or first trust deed is considered a lien.

life cap
For an adjustable-rate mortgage (ARM), a limit on the amount that the enterest rate can increase or decrease over the life of the mortgage.

line of credit
An agreement by a commercial bank or other financial institution to extend credit up to a certain amount for a certain time to a specified borrower.

liquid asset
A cash asset or an asset that is easily converted into cash.

loan
A sum of borrowed money (principal) that is generally repaid with interest.

loan officer
Also referred to by a variety of other terms, such as lender, loan representative, loan “rep,” account executive, and others. The loan officer serves several functions and has various responsibilities: they solicit loans, they are the representative of the lending institution, and they represent the borrower to the lending institution.

loan origination
How a lender refers to the process of obtaining new loans.

loan servicing
After you obtain a loan, the company you make the payments to is “servicing” your loan. They process payments, send statements, manage the escrow/impound account, provide collection efforts on delinquent loans, ensure that insurance and property taxes are made on the property, handle pay-offs and assumptions, and provide a variety of other services.

loan-to-value (LTV)
The percentage relationship between the amount of the loan and the appraised value or sales price (whichever is lower).

lock-in
An agreement in which the lender guarantees a specified interest rate for a certain amount of time at a certain cost.

lock-in period
The time period during which the lender has guaranteed an interest rate to a borrower.

margin
The difference between the interest rate and the index on an adjustable rate mortgage. The margin remains stable over the life of the loan. It is the index which moves up and down.

maturity
The date on which the principal balance of a loan, bond, or other financial instrument becomes due and payable.

merged credit report
A credit report which reports the raw data pulled from two or more of the major credit repositories. Contrast with a Residential Mortgage Credit Report (RMCR) or a standard factual credit report.

modification
Occasionally, a lender will agree to modify the terms of your mortgage without requiring you to refinance. If any changes are made, it is called a modification.

mortgage
A legal document that pledges a property to the lender as security for payment of a debt. Instead of mortgages, some states use First Trust Deeds.

mortgage banker
For a more complete discussion of mortgage banker, see “Types of Lenders.” A mortgage banker is generally assumed to originate and fund their own loans, which are then sold on the secondary market, usually to Fannie Mae, Freddie Mac, or Ginnie Mae. However, firms rather loosely apply this term to themselves, whether they are true mortgage bankers or simply mortgage brokers or correspondents.

mortgage broker
A mortgage company that originates loans, then places those loans with a variety of other lending institutions with whom they usually have pre-established relationships.

mortgagee
The lender in a mortgage agreement.

mortgage insurance (MI)
Insurance that covers the lender against some of the losses incurred as a result of a default on a home loan. Often mistakenly referred to as PMI, which is actually the name of one of the larger mortgage insurers. Mortgage insurance is usually required in one form or another on all loans that have a loan-to-value higher than eighty percent. Mortgages above 80% LTV that call themselves "No MI" are usually a made at a higher interest rate. Instead of the borrower paying the mortgage insurance premiums directly, they pay a higher interest rate to the lender, which then pays the mortgage insurance themselves. Also, FHA loans and certain first-time homebuyer programs require mortgage insurance regardless of the loan-to-value.

mortgage insurance premium (MIP)
The amount paid by a mortgagor for mortgage insurance, either to a government agency such as the Federal Housing Administration (FHA) or to a private mortgage insurance (MI) company.

mortgage life and disability insurance
A type of term life insurance often bought by borrowers. The amount of coverage decreases as the principal balance declines. Some policies also cover the borrower in the event of disability. In the event that the borrower dies while the policy is in force, the debt is automatically satisfied by insurance proceeds. In the case of disability insurance, the insurance will make the mortgage payment for a specified amount of time during the disability. Be careful to read the terms of coverage, however, because often the coverage does not start immediately upon the disability, but after a specified period, sometime forty-five days.

mortgagor
The borrower in a mortgage agreement.

Multi-dwelling units
Properties that provide separate housing units for more than one family, although they secure only a single mortgage.

negative amortization

Some adjustable rate mortgages allow the interest rate to fluctuate independently of a required minimum payment. If a borrower makes the minimum payment it may not cover all of the interest that would normally be due at the current interest rate. In essence, the borrower is deferring the interest payment, which is why this is called “deferred interest.” The deferred interest is added to the balance of the loan and the loan balance grows larger instead of smaller, which is called negative amortization.

no cash-out refinance

A refinance transaction which is not intended to put cash in the hand of the borrower. Instead, the new balance is calculated to cover the balance due on the current loan and any costs associated with obtaining the new mortgage. Often referred to as a “rate and term refinance.”

no-cost loan

Many lenders offer loans that you can obtain at “no cost.” You should inquire whether this means there are no “lender” costs associated with the loan, or if it also covers the other costs you would normally have in a purchase or refinance transactions, such as title insurance, escrow fees, settlement fees, appraisal, recording fees, notary fees, and others. These are fees and costs which may be associated with buying a home or obtaining a loan, but not charged directly by the lender. Keep in mind that, like a “no-point” loan, the interest rate will be higher than if you obtain a loan that has costs associated with it.

note

A legal document that obligates a borrower to repay a mortgage loan at a stated interest rate during a specified period of time.

note rate

The interest rate stated on a mortgage note.

notice of default

A formal written notice to a borrower that a default has occurred and that legal action may be taken.

original principal balance

The total amount of principal owed on a mortgage before any payments are made.

origination fee
On a government loan the loan origination fee is one percent of the loan amount, but additional points may be charged which are called “discount points.” One point equals one percent of the loan amount. On a conventional loan, the loan origination fee refers to the total number of points a borrower pays.

owner financing
A property purchase transaction in which the property seller provides all or part of the financing.

partial payment
A payment that is not sufficient to cover the scheduled monthly payment on a mortgage loan. Normally, a lender will not accept a partial payment, but in times of hardship you can make this request to the loan servicing collection department.

payment change date
The date when a new monthly payment amount takes effect on an adjustable-rate mortgage (ARM) or a graduated-payment mortgage (GPM). Generally, the payment change date occurs in the month immediately after the interest rate adjustment date.

periodic payment cap
For an adjustable-rate mortgage where the interest rate and the minimum payment amount fluctuate independently of one another, this is a limit on the amount that payments can increase or decrease during any one adjustment period.

periodic rate cap
For an adjustable-rate mortgage, a limit on the amount that the interest rate can increase or decrease during any one adjustment period, regardless of how high or low the index might be.

personal property
Any property that is not real property.

PITI
This stands for principal, interest, taxes and insurance. If you have an “impounded” loan, then your monthly payment to the lender includes all of these and probably includes morgage insurance as well. If you do not have an impounded account, then the lender still calculates this amount and uses it as part of determining your debt-to-income ratio.

PITI reserves
A cash amount that a borrower must have on hand after making a down payment and paying all closing costs for the purchase of a home. The principal, interest, taxes, and insurance (PITI) reserves must equal the amount that the borrower would have to pay for PITI for a predefined number of months.

planned unit development (PUD)
A type of ownership where individuals actually own the building or unit they live in, but common areas are owned jointly with the other members of the development orassociation. In contrast with a condominium, where an individual actually owns the airspace of his unit, but the buildings and common areas are owned jointly with the others in the development or association.

point
A point is 1 percent of the amount of the mortgage.

power of attorney
A legal document that authorizes another person to act on one's behalf. A power of attorney can grant complete authority or can be limited to certain acts and/or certain periods of time.

pre-approval
A loosely used term which is generally taken to mean that a borrower has completed a loan application and provided debt, income, and savings documentation which an underwriter has reviewed and approved. A pre-approval is usually done at a certain loan amount and making assumptions about what the interest rate will actually be at the time the loan is actually made, as well as estimates for the amount that will be paid for property taxes, insurance and others. A pre-approval applies only to the borrower. Once a property is chosen, it must also meet the underwriting guidelines of the lender. In contrast with pre-qualification.

prepayment
Any amount paid to reduce the principal balance of a loan before the due date. Payment in full on a mortgage that may result from a sale of the property, the owner's decision to pay off the loan in full, or a foreclosure. In each case, prepayment means payment occurs before the loan has been fully amortized.

prepayment penalty
A fee that may be charged to a borrower who pays off a loan before it is due.

pre-qualification
This usually refers to the loan officer's written opinion of the ability of a borrower to qualify for a home loan, after the loan officer has made inquiries about debt, income, and savings. The information provided to the loan officer may have been presented verbally or in the form of documentation, and the loan officer may or may not have reviewed a credit report on the borrower.

prime rate
The interest rate that banks charge to their preferred customers. Changes in the prime rate are widely publicized in the news media and are used as the indexes in some adjustable rate mortgages, especially home equity lines of credit. Changes in the prime rate do not directly affect other types of mortgages, but the same factors that influence the prime rate also affect the interest rates of mortgage loans.

principal
The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

principal balance
The outstanding balance of principal on a mortgage. The principal balance does not include interest or any other charges. See remaining balance.

principal, interest, taxes, and insurance (PITI)
The four components of a monthly mortgage payment on impounded loans. Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage. Interest is the fee charged for borrowing money. Taxes and insurance refer to the amounts that are paid into an escrow account each month for property taxes and mortgage and hazard insurance.

private mortgage insurance (MI)
Mortgage insurance that is provided by a private mortgage insurance company to protect lenders against loss if a borrower defaults. Most lenders generally require MI for a loan with a loan-to-value (LTV) percentage in excess of 80 percent.

promissory note
A written promise to repay a specified amount over a specified period of time.

public auction
A meeting in an announced public location to sell property to repay a mortgage that is in default.

Planned Unit Development (PUD)
A project or subdivision that includes common property that is owned and maintained by a homeowners' association for the benefit and use of the individual PUD unit owners.

purchase agreement
A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

purchase money transaction
The acquisition of property through the payment of money or its equivalent.

qualifying ratios
Calculations that are used in determining whether a borrower can qualify for a mortgage. There are two ratios. The "top" or "front" ratio is a calculation of the borrower's monthly housing costs (principle, taxes, insurance, mortgage insurance, homeow-ner's association fees) as a percentage of monthly income. The "back" or "bottom" ratio includes housing costs as well as all other monthly debt.

quitclaim deed
A deed that transfers without warranty whatever interest or title a grantor may have at the time the conveyance is made.

rate lock
A commitment issued by a lender to a borrower or other mortgage originator guaranteeing a specified interest rate for a specified period of time at a specific cost.

real estate agent
A person licensed to negotiate and transact the sale of real estate.

Real Estate Settlement Procedures Act (RESPA)
A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

real property
Land and appurtenances, including anything of a permanent nature such as structures, trees, minerals, and the interest, benefits, and inherent rights thereof.

Realtor®
A real estate agent, broker or an associate who holds active membership in a local real estate board that is affiliated with the National Association of Realtors.

recorder
The public official who keeps records of transactions that affect real property in the area. Sometimes known as a “Registrar of Deeds” or “County Clerk.”

recording
The noting in the registrar’s office of the details of a properly executed legal document, such as a deed, a mortgage note, a satisfaction of mortgage, or an extension of mortgage, thereby making it a part of the public record.

refinance transaction
The process of paying off one loan with the proceeds from a new loan using the same property as security.

remaining balance
The amount of principal that has not yet been repaid. See principal balance.

remaining term
Original amortization term minus the number of payments that have been applied.

rent loss insurance
Insurance that protects a landlord against loss of rent or rental value due to fire or other casualty that renders the leased premises unavailable for use and as a result of which the tenant is excused from paying rent.

repayment plan
An arrangement made to repay delinquent installments or advances.

replacement reserve fund
A fund set aside for replacement of common property in a condominium, PUD, or cooperative project -- particularly that which has a short life expectancy, such as carpeting, furniture, etc.

revolving debt
A credit arrangement, such as a credit card, that allows a customer to borrow against a preapproved line of credit when purchasing goods and services. The borrower is billed for the amount that is actually borrowed plus any interest due.

right of first refusal
A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

right of ingress or egress
The right to enter or leave designated premises.

right of survivorship
In joint tenancy, the right of survivors to acquire the interest of a deceased joint tenant.

sale-leaseback
A technique in which a seller deeds property to a buyer for a consideration, and the buyer simultaneously leases the property back to the seller.

second mortgage
A mortgage that has a lien position subordinate to the first mortgage.

secondary market
Buying and selling of existing mortgages, usually as part of a “pool” of mortgages.

secured loan
A loan that is backed by collateral.

security
The property that will be pledged as collateral for a loan.

seller carry-back
An agreement in which the owner of a property provides financing, often in combination with an assumable mortgage.

servicer
An organization that collects principal and interest payments from borrowers and manages borrowers’ escrow accounts. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.

servicing
The collection of mortgage payments from borrowers and related responsibilities of a loan servicer.

settlement statement
See HUD1 Settlement Statement

subdivision
A housing development that is created by dividing a tract of land into individual lots for sale or lease.

subordinate financing
Any mortgage or other lien that has a priority that is lower than that of the first mortgage.

survey
A drawing or map showing the precise legal boundaries of a property, the location of improvements, easements, rights of way, encroachments, and other physical features.

sweat equity
Contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash.

tenancy in common
As opposed to joint tenancy, when there are two or more individuals on title to a piece of property, this type of ownership does not pass ownership to the others in the event of death.

third-party origination
A process by which a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the mortgages it plans to deliver to the secondary mortgage market.

title
A legal document evidencing a person's right to or ownership of a property.

title company
A company that specializes in examining and insuring titles to real estate.

title insurance
Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

title search
A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

transfer of ownership
Any means by which the ownership of a property changes hands. Lenders consider all of the following situations to be a transfer of ownership: the purchase of a property "subject to" the mortgage, the assumption of the mortgage debt by the pro-perty purchaser, and any exchange of possession of the property under a land sales contract or any other land trust device.

transfer tax
State or local tax payable when title passes from one owner to another.

treasury index
An index that is used to determine interest rate changes for certain adjustable-rate mortgage (ARM) plans. It is based on the results of auctions that the U.S. Treasury holds for its Treasury bills and securities or is derived from the U.S. Treasury's daily yield curve, which is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market.

Truth-in-Lending
A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate (APR) and other charges.

two-step mortgage
An adjustable-rate mortgage (ARM) that has one interest rate for the first five or sev-en years of its mortgage term and a different interest rate for the remainder of the amortization term.

two- to four-family property
A property that consists of a structure that provides living space (dwelling units) for two to four families, although ownership of the structure is evidenced by a single deed.

trustee
A fiduciary who holds or controls property for the benefit of another.

VA mortgage
A mortgage that is guaranteed by the Department of Veterans Affairs (VA).

vested
Having the right to use a portion of a fund such as an individual retirement fund. For example, individuals who are 100 percent vested can withdraw all of the funds that are set aside for them in a retirement fund. However, taxes may be due on any funds that are actually withdrawn.

Veterans Administration (VA)
An agency of the federal government that guarantees residential mortgages made to eligible veterans of the military services. The guarantee protects the lender against loss and thus encourages lenders to make mortgages to veterans.