

# HOME SELLER'S HANDBOOK



**Lawyers Title of Nevada**



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# Home Seller's Handbook

Dear Home Seller,

This booklet has been prepared to help you understand the general process of selling your home with the assistance of a real estate professional.

It will give you a brief overview of the services your team of professionals will provide, and will explain the various roles that we and the other industry professionals will have in helping to close your transaction.

We hope you find this information beneficial in making your transaction and experience a smooth and positive one.



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# Advantages of Listing Your Property with an Agent

A professional real estate agent has the education, knowledge and experience to assist in making your real estate transaction a smooth and successful experience.

Your agent can provide the following services:

- A **“Comparative Market Analysis”** (CMA) to analyze and determine the appropriate market value of your property.
- **Maximum exposure** for your property through:
  1. Multiple Listing Service (MLS)—network information available to all real estate licensee members
  2. Open Houses
  3. Caravans—tour of your property with licensed real estate professionals
  4. Advertising in specialty publications and other media
  5. Signage and flyers
- **Pre-qualification** of prospective buyers to ensure that your sale will close and you won't waste time with unqualified prospects.
- **Financing assistance** for the buyer such as:
  1. Lender referrals
  2. Types of financing (FHA, Conventional, VA, etc.)
  3. Seller assisted financing options
- **Communication** point person—your agent will handle all phone calls, inquiries, appointments, showings, and negotiations.
- Negotiation skills and **“objectivity”** in presenting offers and counter offers, off-setting the emotional aspect of decision making.
- Proper preparation of the **Real Estate Purchase Contract** and **Receipt for Deposit** containing escrow instructions and the terms and conditions of the sale.
- **Opening the escrow** and depositing the buyer's first money deposit into the escrow account.
- Assistance in **coordinating transaction services** such as inspections, appraisals, insurance, etc.
- Coordinating the **closing process** and estimating closing costs and final net proceeds.

# 15 Home Listing Tips

## 1. **Price Your Home Right**

Your agent can research comparable sales in your area and advise you of the appropriate price range for your property.

## 2. **Be Flexible on Financing Terms**

Have your agent explain what financing options are available. Flexibility on financing terms may secure a better selling price.

## 3. **Time It Right**

Ask a real estate professional to determine whether the market cycle is poised to net you the most money.

## 4. **Make Your Property Accessible to Buyers**

Lock boxes are a great way to make your home most accessible to agents for showing. Appointment-only showings are the most restrictive. If your lifestyle is not compatible with frequent showings, your agent will help you determine a solution to suit your needs. Remember, the easier a home is to show, the better the odds are of getting the deal you want.

## 5. **Use the Latest Marketing Technology**

Make sure your agent utilizes the latest technology, such as Internet sites that cater to homebuyers. In some areas, cable access advertising is popular. Others use 800-number interactive voice response systems. A good agent will know where you can get the best exposure.

## 6. **Stage Your Property Correctly**

Put some items in storage, create more light, play music or otherwise improve the ambience. Your agent can offer helpful advice to create the right first impression.

## 7. **Remember that Selling Property is not Seasonal**

Do not base selling decisions on the seasons. Property sells year-round.

## 8. **Re-evaluate the Marketing Plan**

Re-evaluate your agent's marketing plan every ten days. Make needed adjustments based on the current market and buyers.

## 9. **Analyze Why You are not Getting Offers**

Eighty percent of all buyer activity comes from signs and MLS listings. So, if you are not getting offers and are flexible with showing your home, it may be time to re-evaluate your price, not necessarily your agent.

# 15 Home Listing Tips

## 10. First Impressions are Golden

Sales have gone south thanks to unkempt lawns, cluttered closets, unpainted front doors, hard-to-work locks, blown light bulbs, bad colors, stains, unlit areas, and foul smells. Spend time on the little things. Double up on your gardening. Keep things cleaner than usual. Take serious control of your pets during this time period.

## 11. Make the Right Kind of Repairs

Before making improvements, prior to listing, consult a real estate professional. Some upgrades will not yield any real increase in value, while others may increase property value substantially. Ask for low-cost solutions to minor repairs that will yield the best profits.

## 12. Give the Sales Process Enough Time

Homes may take three to six months to sell in any market. Estimate how much time you have before you need to sell and then plan ahead to allow extra time. You don't want to be forced to accept a disappointing offer.

## 13. Screen Prospects Adequately

One of the best reasons for hiring an agent is his or her ability to pre-qualify a prospect financially so that you don't lose valuable negotiation time. Your agent may discover when a prospect has an ulterior motive for shopping homes.

## 14. Believe that You Can Make a Difference

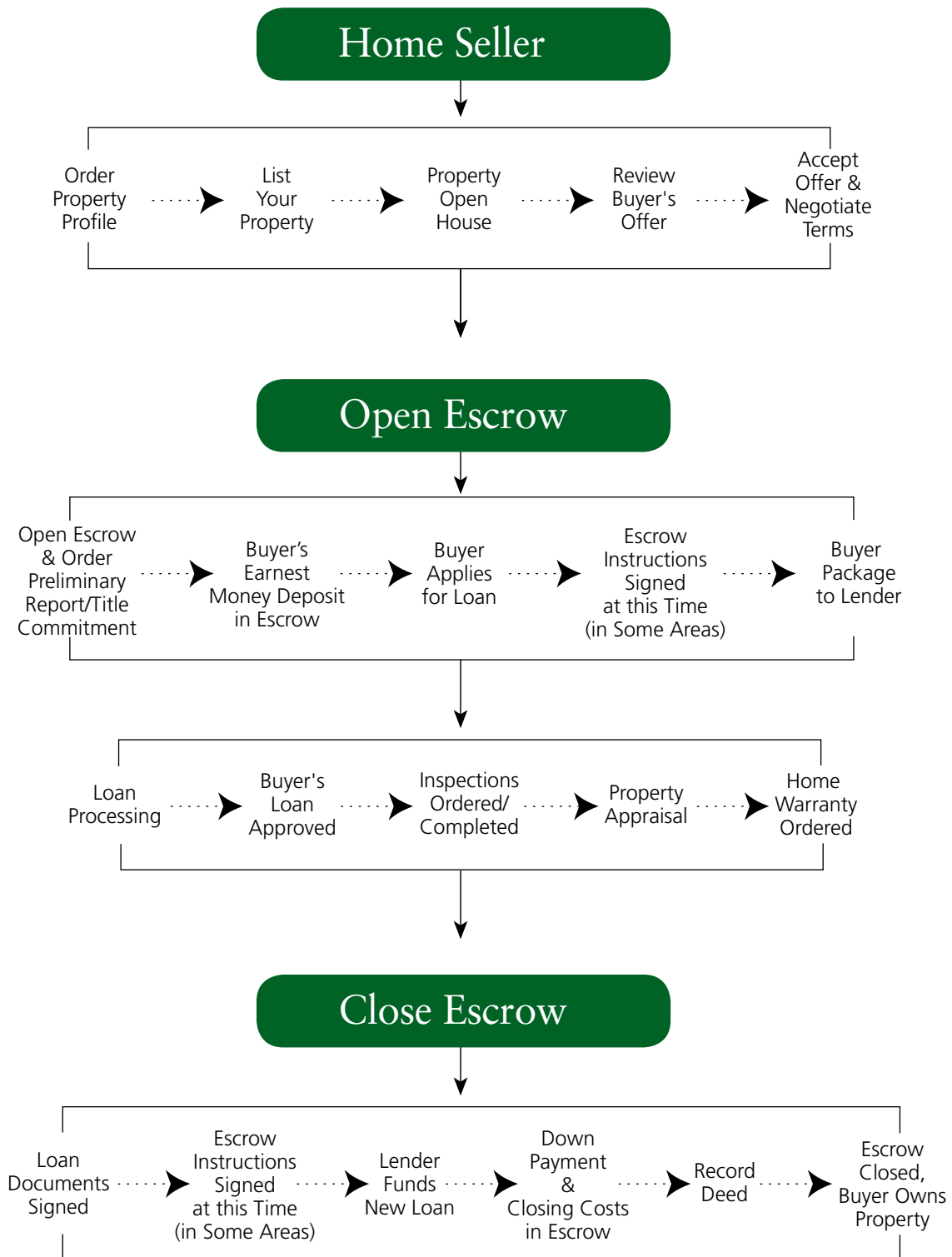
The top agents in the industry report that their sellers are responsible for at least one out of ten sales. You can network with your business and personal friends, hand out flyers, and keep your house in move-in condition. Your agent should be ready to hand you all sorts of assignments to make the team effort successful.

## 15. Test the Market

Never put your property on the market unless you really want a sale! Get ready for a professional sales push when you list. If your plan harbors some indecision, resolve it before you list because success is every great agent's objective!



# Home Selling Process



# Closing Disclosure and Settlement Statement

Closing Disclosure and Settlement Statements are used to provide a detailed accounting for real estate transactions. Per the mortgage rules of the Consumer Financial Protection Bureau (CFPB), only one of the forms will be used depending on the type of transaction.

Closing Disclosures are used for all closed-end consumer credit transactions secured by real property, other than reverse mortgages, which include the following types of loans:

- Purchase money
- Refinance
- 25 acre
- Vacant land
- Construction only
- Timeshare

## Closing Disclosure Delivery

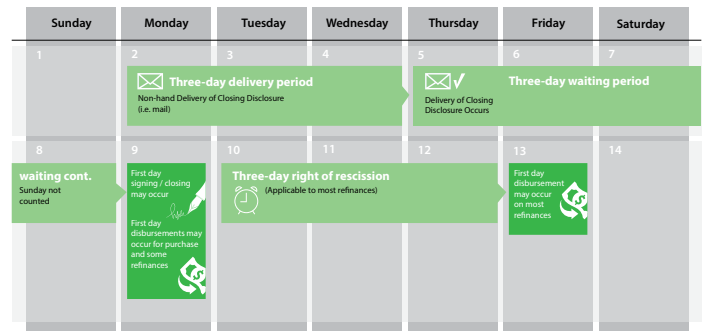
Generally, the creditor is responsible for delivery of the Closing Disclosure form no later than three business days before consummation. Creditors may also contract with settlement agents to have the settlement agent provide the Closing Disclosure to consumers on the creditor's behalf.

To ensure the consumer receives the Closing Disclosure on time, creditors must arrange for delivery as follows:

By providing it to the consumer in person

By mailing, or by other delivery methods, including email. Creditors may use electronic delivery methods subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act

Creditors must ensure that the consumer receives the Closing Disclosure at least three business days prior to consummation even if the settlement agent was to deliver the form



## Closing Disclosure Delivery Timing Period

As part of the final rule creating the new forms, the CFPB determined that consumers would be better served by having a short time to review the new Closing Disclosure prior to signing their loan documents. As a result, the CFPB mandated consumers have three business days after receipt of the Closing Disclosure to review the form and its contents.

However, the three business day review period starts upon "receipt" of the form by the consumer. Unless some positive confirmation of the receipt of the form (i.e., hand delivery), the form is "deemed received" three business days after the delivery process is started (i.e. mailing). As a result, the combination of the "delivery time period" and the "review time period" results in six business days from mailing to loan signing. Below is an example of the Closing Disclosure timing.

## Settlement Statements

For the transaction types listed below, a Closing Disclosure is not applicable, nor are the delivery and timetable requirements for it. Instead, a Settlement Statement will be used for these types of transaction types:

- Reverse Mortgages
- Home Equity Lines of Credit (HELOCs)
- Chattel-Dwelling/Mobile Home only loans
- Creditors who originate less than 5 loans in a calendar year

For more information on CFPB, simply visit our website at [www.Itic.com/cfpb/](http://www.Itic.com/cfpb/)

# Preparing Your House for Market

## **First Impressions First**

- Let the front of your house greet guests with a clean, maintained yard by fertilizing lawns, planting fresh seasonal flowers, trimming overgrown shrubbery.
- Painting can be expensive, but a little touch up goes a long way.
- Make sure your front door is solid, fresh, and welcoming.
- Inspect the roof for necessary repairs and any visible broken tiles or shingles.
- Repair cracks in the driveway and sidewalks. Clean up oil stains.
- Mend or paint neighboring fences.

## **A Little Decoration Goes a Long Way**

- Simple, inexpensive redecorating such as paint and accessories can result in a quicker sale at a higher price. Light neutral paint colors, such as off-whites, permit most everyone to “imagine” their furnishings in your home.
- Clean carpets if they are heavily soiled. Spot clean stains.

## **Eliminate the Distractions**

- Repair the minor flaws that can detract from your home’s value, such as leaky faucets, sticking windows and doors, broken handles and knobs.
- Remove cobwebs from ceilings and other areas.

## **Never Enough Space**

- Remove all unnecessary items in your attic or basement and organize all closets to show ample space.
- Remove excess furniture so rooms don’t look small and cluttered.
- Have a garage sale to dispose of unneeded items – looks better now and less to move later!

## **Squeaky Clean Bathrooms!**

- Check and repair caulking in showers and bathtubs.
- Install new shower curtain liners. Keep bathrooms looking and smelling fresh.

# Open House Preparation Checklist



- If possible, make arrangements to be out of the house to permit the agent to do “their job.” If you are home, don’t force conversation with potential buyers. Be polite, answer questions, and point out highlights. They want to inspect your house, not make new friends.
- Protect your pets. Keep them out of the way in a restricted area or even out of the house.
- Open all blinds and drapes to make the home light and cheerful.
- Turn on additional lights and lamps as needed.
- Remove excess clutter from floor, tables and counter tops.
- Keep your valuables safely locked up or out of sight.
- Clean the bathrooms so they sparkle!
- Don’t forget to make the bed and do the dishes.
- Dust and vacuum the house thoroughly.
- Remove excess toys and equipment from yards.
- Wash down your driveway and patios.
- Turn off all TVs. Very soft background music may be acceptable in some cases.
- Fresh flowers in the front yard, on the porch, and in the house can create a welcoming effect.
- Light refreshments such as tea and cookies are a nice touch – fresh baked cookies or simmering, cinnamon potpourri creates a pleasant aroma (or check with your agent to see if refreshments will be provided).

# The Title Company's Role

The purchase of a home is often the largest single financial investment many people may make in their lifetime. The importance of fully protecting such an investment cannot be overly stressed. A basic home ownership protection essential to the security of the home is safe, sound, reliable title insurance.

## **What is Title Insurance?**

It is the application of the principles of insurance to risks present in all real estate transactions. These risks are divided into two main categories: hidden hazards that cannot be detected in the examination of title, and human errors which will always be with us. Examples of hidden hazards are forgery, incompetence of grantor or mortgagor, unknown heirs, fraud, impersonation, etc.

Title insurance differs from other types of insurance by protecting against future losses arising out of events that have happened in the past. There are no annual premiums. One premium, based on the amount of the sale or mortgage, is paid when the policy is issued and is good for the life of the policy. A lender's policy, insuring the lender, stays in effect until the loan is paid off. An owner's policy, insuring the buyer, is good as long as the owner or owner's heirs own the property.

## **Preliminary Report or "Commitment for Title Insurance"**

The title company will search and examine the public records to investigate information surrounding title to the property. The title search is used to create a Preliminary Report provided to the lender or purchaser before closing, and reveals the following:

- Who the legal owner of the property is
- That the "estate" or degree of ownership being sold is currently and accurately vested in the seller
- Property tax status and other public or private assessments
- The presence of any unsatisfied mortgages, judgments or liens that must be satisfied before "clear title" can be conveyed
- Existing easements, restrictions, rights of way or other rights granted to others

## **Teamwork**

The title company is involved in the real estate transaction almost from the time the purchase agreement is signed, through and beyond the closing. Working mostly behind the scenes, but always in close coordination with real estate agents, escrow officers, lenders, and legal counsel, the title company strives to carry out an important, complex procedure in an efficient and professional manner.



# Escrow for Sellers & Buyers

## **What is Escrow?**

Escrow is a service which provides the public with a means of protection in the handling of funds and/or documents.

## **Why is Escrow Needed?**

Whether you are the buyer or the seller, you want assurance that no funds or property will change hands until all instructions have been followed. With the increasing complexity of business, law and tax structures, it takes a trained professional to supervise the transaction.

## **Who Chooses the Escrow?**

The selection of the escrow holder is normally done by agreement between the principals. If a real estate agent is involved, they may recommend an escrow holder. However, it is the right of the principals (seller and buyer) to use an escrow holder who is competent and experienced in handling the type of escrow at hand. You can ask a real estate agent or lender to recommend two or three different escrow companies to choose from. You may also find escrow companies listed in the yellow pages of the phone book under either Real Estate Escrow, Escrow or Real Estate Title Insurance.



# Escrow for Sellers & Buyers



## Escrow Typically Includes the Following Valuable Transaction Services:

- Prepare escrow instructions
- Serve as the communication link to all transaction parties
- Request preliminary report/commitment for title insurance
- Request a beneficiary's statement or pay-off demand relating to existing financing
- Comply with lender's requirements as specified in escrow agreement
- Receive purchase funds from the buyer
- Prepare or secure the transfer deed or other documents related to escrow
- Prorate taxes, interest, insurance and rents according to instructions
- Secure releases of all escrow contingencies or other conditions as required
- Record deeds and any other documents as instructed
- Request issuance of the title insurance policy as instructed in Purchase Contract
- Disburse funds as authorized, including charges for title insurance, recording fees, commissions and loan payoffs
- Prepare final accounting statements for the parties
- Escrow is considered "closed" when all documents are recorded and instructions have been carried out

***Escrow does not offer legal advice, negotiate the transaction or offer investment advice.***

# Lender Assistance to the Seller

A professional lender will handle your transaction with care and confidentiality. The home seller has many advantages when working with a reliable lender including:

## **Pre-Qualification of Prospective Buyers**

Your lender can pre-qualify each potential buyer by a thorough examination of their current financial situation and credit checks. This is very important so you don't waste time negotiating with unqualified buyers.

## **Helping the Buyer to Find the Right Loan**

The lender can shop for the loan best suited for the prospective borrower's specific needs. This gives the borrower various options for rates and terms available.

## **Handling the Details**

The lender works closely with the borrower and the other support team members in order to make sure that the loan is approved and funded in a timely manner and your transaction closes successfully.





# Creative Financing—”The Seller Carry Back”

As a seller, offering your buyer creative financing by carrying back a second mortgage can be an appealing option. Essentially, this process entails becoming a lender, which makes it a good idea to learn about lender’s title insurance.

## How Does a Seller Carry Back Work?

Let’s say that you have owned a home for 20 years, you now have substantial equity, and are selling the home for \$150,000. The buyer makes a \$20,000 down payment, but only secures a new loan for \$100,000. You agree to carry back a note for the remaining \$30,000 (but be sure to check with the 1st mortgage lender to see if this will be allowed).

## Why is Title Insurance Needed?

It is important to have title insurance because you have retained an interest in the property in the form of a loan. You need to protect your investment, ensuring that your lien on the property cannot be defeated by a prior lien or interest in the property, which, if exercised, would wipe out your security.

## What Could Go Wrong?

Anything that involves the new buyer’s ownership rights to the property is of interest to you because you hold a 2nd mortgage to the property. Several matters such as marriage, divorce, death, forgery, judgment for money damages, or failure to pay state or federal taxes could jeopardize the security of your loan if the buyer is unable to make their monthly mortgage payments or if additional resulting liens are placed on the property.

Before you consider becoming a lender, and carrying back a second, make sure you understand all the possibilities and protect yourself and your financial investment. Contact your local Lawyers Title representative for more information about policy options.



# Disclosures in Real Property Transactions

There are numerous statutes which have a significant effect on real estate transactions in the areas of “disclosures.” The following is a brief overview of some disclosure requirements in certain states. Because the laws concerning disclosure obligations may change, you should research any area of interest before proceeding and consult an attorney or knowledgeable real estate professional.

- A) Disclosures Upon Transfer of Residential Property
  - 1. Real Estate Transfer Disclosure Statement
  - 2. Local Option Real Estate Transfer Disclosure Statement
  - 3. Natural Hazards Disclosure
  - 4. Mello-Roos Bonds and Supplemental Taxes
  - 5. Ordinance Location
  - 6. Window Security Bars
- B) Earthquake Guides
- C) Smoke Detector Statement of Compliance
- D) Disclosure Regarding Lead-Based Paint Hazards
- E) Structural Pest Control Inspection and Certification Reports
- F) Energy Conservation Retro Fit and Thermal Insulation
- G) Foreign Investment in Real Property Tax Act
- H) Notice and Disclosure to Buyer of Site Tax Withholding on Disposition of Property
- I) Furnishing Controlling Documents and Financial Statement
- J) Advisability of Title Insurance
- K) Certification regarding Water Heater’s Security against Earthquake
- L) Database—Locations of Registered Sex Offenders

You may also contact these related government agencies for more information:

Nevada Real Estate Division ..... [www.red.state.nv.us](http://www.red.state.nv.us)

Federal Trade Commission  
901 Market Street #570  
San Francisco, CA 94103  
(415) 848-5100

Internal Revenue Service  
1111 Constitution Avenue N.W.  
Washington, D.C. 20224  
(800) 829-1040

Information deemed reliable but not guaranteed and is subject to change.



# The Appraisal

Understanding the appraisal process can help maximize the appraised property value and avoid costly details and re-inspections. The following steps are typically followed by appraisers.

- Research the subject property as to year built, bedrooms, baths, lot size and square footage.
- Compare data of recent sales in the subject's neighborhood, typically within a one mile radius. The appraiser usually locates at least three (and preferably more) similar homes that have sold within the past six months. These homes are considered the "Comparable Properties" or "Comps" for short.
- Field inspection is conducted in two parts: (1) the inspection of the subject property, and (2) the exterior inspection of the comparable properties.

The subject property inspection includes taking photos of the front and rear of the home (that may include portions of the yard) and photos of the street scene. The appraiser also makes an interior inspection for features and conditions which may detract from or add to the value of the home. A floor plan of the home is drawn and included while doing the inspection.

The comparable properties inspection is limited to exterior inspections. For features that cannot be seen from the street, the appraiser has reports from various sources such as Multiple Listing Services (MLS), market data services, county public records and appraisal records to help determine the condition and amenities of the comparables. The appraiser then goes through a reconciliation process with the comparable properties to determine a final estimated value.

Photographing the street scene gives the lender an idea as to the type of neighborhood in which the home is located. The photo of the front of the home gives the lender an idea of its condition and its curb appeal. Lastly, a photo of the back of the home and part of the rear yard is taken. Many homeowners do not take care of the rear portion of their home and back yards, so for this reason the rear photo is required.

An appraiser should call in advance to set up the appointment for inspection. At that time, any pertinent information about the home should be supplied, as the more that is known about the property prior to inspection, the better the appraiser can focus on researching the comparables.

# Inspection & Home Warranty

## **What is a Home Inspection?**

A home inspection is a non-invasive physical examination to identify material defects in the systems, structure and components of a building. A material defect is a condition that significantly affects the value, desirability, habitability or safety of the building.

## **What Systems, Structures and Components Will be Inspected?**

Foundations, basements and under-floor areas, exteriors, roof coverings, attic areas and roof framing, plumbing, electrical systems, heating systems, central cooling systems, fireplaces and chimneys, and building interiors.

## **What to Look for in an Inspection Company?**

Experience, longevity, stability; reports that are professional, clear and understandable.

## **Is Your Home Inspector Insured?**

Professional Liability Insurance Coverage (how much), General Liability (how much) and Workers Compensation.

## **How the Seller Should Prepare for a Home Inspection**

The seller should have the property fully accessible, including elimination of stored objects that may prevent the inspector from accessing key components of the home. Areas of special concern are attics, crawlspaces, electric panels, closets, garages, gates/yards, furnaces and water heaters. All utilities should be on and functioning pilots lit.

## **Inspector's Responsibility to the Homeowner**

Respect the property. Do not damage. Leave the property as they found it. Answer questions about the report after the inspection is completed. Provide a copy of the report on-site.



# Capital Gains

“Capital gains” are the profit made from the sale of a financial asset such as stock or real estate. The United States Internal Revenue Code provides for a tax exemption on capital gains from the sale of the principal residence. For those who are married and filing jointly, and who meet all the necessary criteria, the sale tax exemption may be up to \$500,000; for single persons, up to \$250,000. To claim the exclusion, one must have:

- Owned the home for at least two years (the ownership test), and
- Lived in the home as the main residence for at least two years (the use test).
- Not excluded the gain from the sale of another home during the two-year period ending on the date of the sale.

The IRS may permit certain exceptions to these criteria called “unforeseen circumstances,” such as job loss, divorce, or family medical emergency. Contact the IRS or your tax advisor for more information. For seniors who have lost their spouse and did not remarry before the date of sale, they are considered to have owned and lived in the property as their main home during any period when their spouse owned and lived in it as a main home.

The amount of the sale tax exemption may depend upon whether or not the residence is in a community property state such as Arizona, California and Nevada, and several other states. Below is an example of how the capital gains exemption may be calculated.

## How to Calculate Gain

Capital gains are based not on what was paid for the home, but on its adjusted cost basis:

1. Take the purchase price of the home: This is the sale price, not the amount of money actually contributed at closing.
2. Add adjustments:
  - Cost of purchase—including attorney fees, inspections, transfer fees, but not points paid on the mortgage.
  - Cost of sale—including inspections, attorney’s fee, real estate commission, and money spent to fix up the home prior to sale.
  - Cost of improvement—including room additions, deck, etc. Improvements do not include repairing or replacing something already existing, such as a new furnace or roof.
3. The total is the adjusted cost basis.
4. Subtract this adjusted cost basis from the amount the home is sold for. This is the capital gain.

Many factors can affect capital gain. Visit [www.irs.gov](http://www.irs.gov) and contact your local County Tax Assessor or personal tax advisor for more information. Information deemed reliable but not guaranteed and is subject to change.

# Closing Costs

This list will give you an idea of what items are typically included in closing costs (not the specific amounts, as fees can vary). Remember to negotiate who pays what before you sign a purchase contract. Nothing is standard and most everything is negotiable. Once you have signed, you have agreed. The instructions cannot be changed unless mutually agreed by all parties, again in writing! Upon closing, make sure each service was actually performed and completed to your satisfaction. This includes everything from pest inspections, attorney fees, etc. Should you have any disagreement on closing costs, don't sign estimated closing statements until you are satisfied that all fees are valid and correctly calculated.

## **1. Commission**

If a home is listed or sold by an agent, there will be a commission to pay. Always make sure it is calculated correctly (usually 3-7%) on the closing statement.

## **2. Taxes**

The seller is required to pay the property taxes through the last day of ownership. Taxes will be prorated in escrow.

## **3. Homeowner's Insurance**

Normally the buyer gets a new homeowner's policy (fire/hazard insurance). Sometimes the lender requires the first year's insurance premium be paid at close of escrow.

## **4. Assessments and Liens**

Assessments or liens against individuals and/or the property need to be paid off before the close of escrow. This could be a back tax lien or judgment. Always make sure to double-check the figures so that these are not overpaid.

## **5. Escrow and Title Insurance**

The seller or the buyer can pay the title insurance fee that is referred to as the "Owner's Policy" covering the new owner's interest and "title" to his new property. The buyer typically pays for his "Lender's Policy" that will cover his new lender's interest in the "title" to the property. The base escrow fee is negotiable, but typically split between the buyer and the seller (except VA Loans).

## **6. Inspection and Other Fees**

There are several types of inspection and miscellaneous fees. Carefully check all charges on your closing statement. Make sure the service was provided before you agree to pay for it and that the charges are fair and not excessive. Here are some examples of fees you may expect:

- Pest Inspection
- Pest Correction Costs
- Deed Recording Charges
- Loan Fees
- Home Warranty
- Attorney's Fees
- Document Preparation Fees
- Tax Service Fees (if giving 2nd mortgage)

# Moving Checklist

## **At Your Present Address**

- Post Office: give forwarding address
- Change accounts: credit cards/subscriptions
- Notify friends and relatives

## **Banking & Insurance**

- Transfer funds if changing banks, arrange check cashing in new location
- Obtain cashier's check if necessary for closing real estate transaction
- Arrange credit references
- Notify company of new location regarding coverage: life, health, fire and auto

## **Utility Companies**

- Gas, electricity, water, telephone, fuel, cable
- Get refunds on any deposits made

## **Delivery Services**

- Laundry, newspaper, milk

## **Medical, Dental, Prescription Histories**

- Ask doctor/dentist for referrals: transfer prescriptions, eyeglasses, x-rays
- Obtain birth records, medical records, etc.

## **Schools, Church, Club, Civic Organizations**

- Transfer memberships: get letters of introduction
- Pre-register children in new schools

## **Pets**

- Ask about pet regulations for licenses, vaccinations, tags, etc.
- Plan for transporting pets

## **Don't Forget**

- Empty refrigerator; defrost freezer; place charcoal to dispel odors
- Have appliances serviced for moving
- Clean rugs before moving and wrap them
- Check with your moving counselor regarding insurance coverage

## **On Moving Day**

- Carry cash/travelers checks to cover expenses while you move
- Carry jewelry and important documents yourself or use registered mail
- Let a relative or friend know the route/schedule of travel
- Leave old keys with the real estate agent, buyer or neighbor

## **At Your Future Address**

- Check on service of phone, gas, electricity and water
- Check pilot light on stove, hot water heater, incinerator and furnace
- Have appliances checked
- Ask your mailman for mail he may be holding for your arrival
- Have your new address recorded on your driver's license; apply for a new license
- Visit city offices and register for voting
- Register your car promptly after arrival in a new state or a penalty may apply



# Glossary of Terms

**Adjustable Rate Mortgage (ARM):**

A mortgage in which the interest rate is adjusted periodically in accordance with a market indicator, to more closely coincide with the current rates. Also sometimes known as renegotiable rate mortgage, the variable rate mortgage, or the graduated rate mortgage.

**Amortization:**

Reduction of the principal of a debt in regular, periodic installments.

**Annual Percentage Rate (APR):**

An interest rate reflecting the cost of a mortgage as a yearly rate. This rate is likely to be higher than the stated note rate or advertised rate on the mortgage, because it takes into account point and other credit costs. The APR allows home buyers to compare different types of mortgages based on the annual cost for each loan.

**Assumption of Mortgage:**

An obligation undertaken by a new purchaser of land to be liable for payment of an existing note secured by a mortgage.

**Business Days:**

For the purpose of providing the Closing Disclosure in a real estate transaction, business days include all calendar days except Sundays and the legal public holidays such as: New Year's Day, Martin Luther King Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day.

**Caps:**

Consumer safeguards that limit the amount the interest rate on an adjustable rate mortgage can change at each adjustment or over the life of the loan.

**Conditions, Covenants & Restrictions (CC&R's):**

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

**Certificate of Reasonable Value (CRV):**

An appraisal issued by the Veterans Administration showing the property's current market value.

**Closing (also called "settlement"):**

The completion of a real estate transfer, where the title passes from seller to buyer, or a mortgage lien is given to secure debt.

**Condominium:**

A statutory form of real estate development of separately-owned units and jointly-owned common elements in a multi-unit project.

**Consumer:** Throughout the rules the borrower is referred to as the consumer. There are also sellers involved in many real estate transactions, which the CFPB also defines as consumers. The focus of the new rules is for the borrower and nearly all of their references to the consumer translate to the borrower.

**Consummation:** Consummation is the day the consumer becomes legally obligated under the loan, which would be the date of signing, even if the loan has a rescission period. The concept of a rescission is the consumer accepts the obligation and then later has an opportunity to rescind it. *It is important to note the definition of consummation can be different than the closing date as defined in the purchase agreement where the buyer becomes contractually obligated to a seller on a real estate transaction.*

**Conventional Mortgage:**

A mortgage securing a loan made by investors without governmental underwriting, i.e., a loan which is not FHA insured or VA guaranteed.

**Creditor:** The CFPB broadly defines the lender as a creditor. However, for the purpose of the new rules and to remain consistent with the current rules under the Truth-in-Lending Act, a person or entity that makes five or fewer mortgages in a calendar year is not considered a creditor.

**Deed:**

Written instrument which, when properly executed and delivered, conveys title.

**Discount Point:**

An additional charge made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent.

**Earnest Money:**

A deposit of funds made by a buyer of real estate as evidence of good faith.

**Easement:**

A non-possessory right to use all or part of the land owned by another for a specific purpose.

**Equity:**

The difference between the fair market value and current indebtedness, also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

**Escrow:**

An account held into which the home buyer pays money for tax or insurance payments. Escrow can also be a neutral third party to hold funds through the closing of a transaction.

**Federal Housing Administration Loan (FHA Loan):**

A loan insured by the Federal Housing Administration, open to all qualified home purchasers.

**Farmers Home Administration Loan (FMHA Loan):**

A loan insured by the federal government similar to FHA loan, but usually used for residential properties in rural areas.

# Glossary of Terms

**Federal National Mortgage Association (FNMA):**

Also known as "Fannie Mae." A U.S. government sponsored corporation dealing in the purchase of first mortgages for the secondary market.

**Fee Simple Deed:**

The absolute ownership of a parcel of land. The highest degree or ownership that a person can have in real estate, which gives the owner unqualified ownership and full power of disposition.

**Joint Tenancy:**

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

**Lien:**

A claim upon a piece of property for the payment or satisfaction of a debt or obligation.

**Loan Estimate:** The creditor is responsible to deliver (or places in the mail) the Loan Estimate no later than the third business day after receiving the consumer's completed loan application for a mortgage loan. It provides a summary of the key loan terms and estimated loan and closing costs. Consumers can use this form to compare the costs and features of different loans.

**Loan-To-Value Ratio:**

The relationship between the amount of the mortgage loan and the appraised value of the property expressed as a percentage.

**Mortgage:**

A conditioned pledge of property to a creditor as security for the payment of a debt.

**Negative Amortization:**

Occurs when your monthly payments are not large enough to pay all the interest due on the loan. This unpaid interest is added to the unpaid balance of the loan. The danger of negative amortization is that the home buyer ends up owing more than the original amount of the loan.

**Personal Property:**

Any property which is not real property, e.g., money, savings accounts, appliances, cars, boats.

**Points****(also called "commission or discount" points):**

Each point is equal to 1% of the loan amount (e.g., two points on a \$100,000 mortgage would cost \$2000).

**Principal, Interest, Taxes and Insurance (PITI):**

Also called monthly housing expense.

**Private Mortgage Insurance (PMI):**

In the event that a buyer does not have a 20% down payment, lenders will allow a smaller down payment—as low as 5% in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance will usually require an initial premium payment and may require an additional monthly fee, depending on the loan's structure.

**Real Estate (also called "real property"):**

Land and anything permanently affixed to the land, such as building, fences and those things attached to the buildings, such as plumbing and heating fixtures, or other such items that would be personal property if not attached.

**Realtor®:**

A real estate broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors®.

**Subdivision:**

A tract of land surveyed and divided into lots for purposes of sale.

**Tenancy in Common:**

An undivided ownership in real estate by two or more persons, without right of survivorship—interests need not be equal.

**Title Insurance Policy:**

A contract of title insurance under which the insurer, in keeping with the terms of the policy, agrees to indemnify the insured against loss arising from claims against the insured interest.

**Trust Account:**

An account separate and apart and physically segregated from the broker's own, in which the broker is required by law to deposit all funds collected for clients.

**Veterans Administration Loan (VA Loan):**

Housing loan to veterans by banks, savings and loans, or other lenders that are guaranteed by the Veterans Administration, enabling veterans to buy a residence with little or no down payment.

**Warranty:**

In a broad sense, an agreement or undertaking by a seller to be responsible for present or future losses of the purchaser occasioned by deficiency or defect in the quality, condition or quantity of the item sold. In a stricter sense, the provision or provisions in a deed, lease or other instrument conveying or transferring an estate or interest in real estate under which the seller becomes liable to the purchaser for defect in or encumbrances on the title.



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