# Buyers Guide

Your roadmap to your dream home


# Rise Realty Co.

Deep Roots Property Group

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# Hello!

## STAPHAN SMITH

REAL ESTATE CONSULTANT

Hey there! I'm Staphan from Rise Realty Co, and I'm thrilled about the chance to support you with all your real estate needs! With my background in customer service and sales, I have the know-how to effectively advocate for you and secure the best deals possible. Making sure my clients are well looked after throughout their real estate journey is something I take great pride in.

Beyond work, I have a deep passion for horses. I love spending my downtime at the barn, cherishing every moment with my equine pal, Andy. This passion for horses also shapes my real estate approach – I believe in cultivating strong relationships and offering unwavering support to my clients, much like the bond between a rider and their horse.

If you're looking for an agent with skills, experience, and genuine passion, then I'm your gal! Let's talk about your real estate goals, and I'll be here to listen, guide, and help you achieve success in your real estate ventures.

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# Rise Realty Co.

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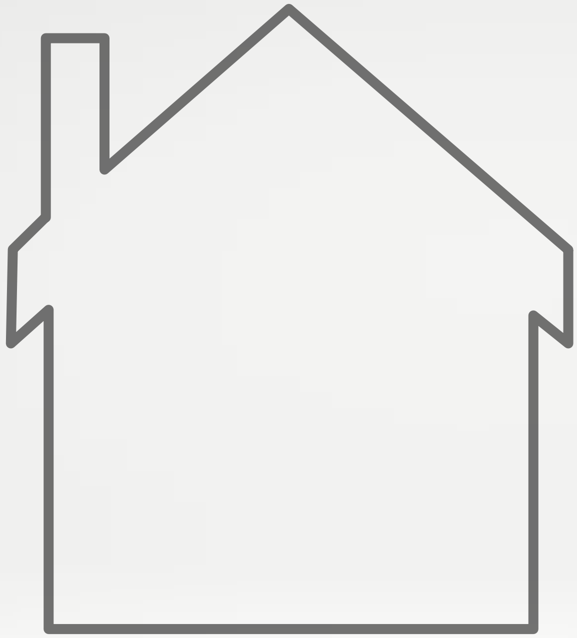

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# HOME BUYING PROCESS

Buying a home is one of the biggest, most important investments you'll make in your life. It could also be stressful, especially if you're a first time home buyer or if you don't quite understand the process. Before you start anxiously shopping for properties, make sure you're ready and that you have at least the basic understanding to make it as smooth as possible.

To start, review the following as these are the main steps of the home buying process. If you have any questions, be sure to address them with your real estate agent and/or lender.

## 1. Prepare your finances.

The first step is to fully understand your finances. It's not as fun as looking at homes, but it's important and necessary to help you determine your budget or how much home you can afford. By doing so, you can start your search with a firm understanding of your price range.

First, you will need to check your credit score and review your credit profile. (You can obtain a copy of your credit report at www.annualcreditreport.com or by calling 1-877-322-8228). Do not skip this step. You should know exactly where you stand as most lenders and loan programs have minimum thresholds that you must meet. You may also see errors on your credit report that need to be addressed and/or disputed which may take time to correct. Be sure that when you apply for your mortgage loan, you will not have any surprises pertaining to your credit.

While you are addressing your credit, you will also need to create a budget - a financial plan that helps track and control your spending and allows you to save money. Once you have your budget set, you can better estimate what your monthly mortgage payment should be. Use the worksheet on the next page to help you through this calculation and see how much you can comfortably afford.

### Finance Check

- ✓ Review your credit
- ✓ Create a budget
- ✓ Save money

### Your Credit Report

This is a record of money borrowed, your history of paying it back, and how much open credit is available to you. Lenders rely heavily on this information as it signifies your creditworthiness and the likelihood that you'll repay your mortgage. Your credit report details:

- A list of debts and a history of how you've paid them, including credit cards, car loans, and student loans.
- Any bills referred to a collection agency
- Public-record information such as tax liens and bankruptcies
- Inquiries made and if you were given credit based on your inquiry.

# How Much House Can I Afford?

## *Mortgage Qualification Worksheet*

Before you fall in love with a home, you should determine how much you can *comfortably* afford to pay each month. It's not about the maximum amount you can borrow based on your income; it's about deciding for yourself what is a manageable monthly payment. You don't want to fall into the trap of being "house poor" where so much of your income is spent on homeownership that there is very little left in the budget for other important expenses.

So how much you can afford? You can start by using the debt-to-income ratio (DTI) - a measurement of how much debt obligations you have against your total income. Most experts will use the 28/36 percent rule as a comfortable benchmark with which you should spend no more than 28 percent of your gross monthly income on housing and no more than 36 percent on total debts, including your housing costs.

We can calculate DTI a couple of ways but the easiest is to start with your total gross monthly income multiplied by the two qualifying ratios. For example, if your gross monthly income is $8,000, your housing expense should be no more than $2,240 ($8,000 x 28% = $2,240) and your total debts including your housing expense should be no more than $2,880 ($8,000 x 36% = $2,880).

| | |
|---|---|
| Gross Monthly Income<br>(Salary, rental income, etc.) | ___________ |
| x Qualifying Ratio | *X 36%* |
| = Total allowable for monthly debts | ___________ |
| - Total Monthly Debts<br>(Car loans, student loans, etc.) | ___________ |
| = *Total available for mortgage payment | ___________ |

**Ensure this amount meets the first qualifying ratio of 28% of gross monthly income.*

The first qualifying number is your monthly housing payment. This amount includes principal, interest, property taxes, insurances and HOA dues. The second qualifying number takes into account all of your existing monthly debt payments. Mortgage companies usually qualify you for monthly payments that are no higher than the lesser of the two results.

Once you calculate your housing budget using the qualifying ratios of 28/36 percent, you can then decide if you are comfortable allocating that amount towards your housing cost. You can always adjust your payment down to a comfortable level.

After you have created your budget and determined a manageable monthly payment, your next step is to save for a down payment and the closing costs. While you should already be putting money aside, you now have a solid idea of how much you can afford and roughly how much to put towards your initial purchase.

For a down payment, most loan programs allow a minimum of 3-5% down and some require none, such as government-backed programs offered by the VA and USDA. However, there are benefits to putting a larger down payment - a better interest rate, lower upfront and ongoing fees, more equity in your home, and a lower monthly mortgage payment. If you want to take advantage of these benefits, save as much as you can and consider putting down more towards your home.

For the closing costs, expect to pay between 3-5% of the purchase price. These costs are incurred to facilitate the purchase transaction and include lender fees, title fees, recording fees, etc.

**Did You Know?**

The National Association of Realtors reported that in 2019, the median down payment was 12% for all buyers and 6% for first-time buyers.

## 2. Get pre-approved by your lender.

Once you're comfortable with your finances, the next step is to get pre-approved for a mortgage. A pre-approval is not a commitment to lend; it simply states how much your lender is willing to lend to you - pending forthcoming details, such as the value of the home and the specifics of your loan. It allows you to look for a home with greater confidence and demonstrates to the seller that you are a serious buyer.

Pre-approval letters have an expiration date so be sure to ask your lender how long your letter will remain valid.

To get pre-approved, you'll complete your lender's loan application, providing them with important information about your credit, debts, work history, residential history, and down payment. This information helps your lender evaluate your 4 Cs to determine how much you may be qualified to borrow:

- Capacity - Your current and future ability to make your payments
- Capital - The money, savings and investments you have that can be sold quickly for cash
- Collateral - The home that you would like to purchase
- Credit - Your history of paying bills and other debts on time

If your lender determines you qualify for a loan, you'll receive a pre-approval in writing that outlines the maximum amount you can borrow. Remember, it's a maximum, and not necessarily the amount you should borrow. You'll want to stay within your budget and comfort level.

## 3. Find a Real Estate Agent.

The success of your homebuying journey largely depends on the company you keep. As you set out to find the right home for you, be sure to select an experienced, trusted professional who will help to make informed decisions and avoid any pitfalls.

Your real estate agent will be your "wingman," helping you navigate each step of the homebuying process while being readily available to answer your questions. Your agent's job is to help you find a home that meets your needs and budget requirement. He or she can also provide information on neighborhoods, schools, property tax rates and more and will handle negotiations with the seller when you're ready to put an offer on a home.

## 4. Start the home search.

Before you begin looking for a home, talk with your real estate agent about what you want in a home, why you want to buy and where you'd like to live. (Use the Home Buyer Questionnaire in this packet as a guide to the questions that should be addressed).

**Did You Know?**

The U.S. state most populated by Realtors is California. Every fifth real estate agent lives there.

*Where do you want to live?*

You and your agent should discuss the first rule of real estate - location, location, location. It's a key factor on what you can afford, how long your commute will be and your designated school district. When determining where you want to live, ask yourself:

**Urban or suburban:** Do you want the convenience and walkability of city life? Or do you want a larger home with a yard, away from the hustle and bustle of urban living?

**Proximity to your job:** Are you willing to make an hour-long drive to work or do you want a short commute? Consider your current job and future opportunities.

**Access to public transportation:** Do you need access to public transportation to get to and from from, school, or your primary health care provider?

*What type of home is best for you?*

Each type of home has its advantages and disadvantages and the right one for you will depend on your finances, lifestyle and stage of life:

**Single-family:** Typically, these are the largest of the property types - providing you with the most privacy and space. If you buy a single-family home, you're responsible for every aspect of the home which requires both time and money but allows you more control over your home and your privacy.

**Townhomes:** These are often a good option for first-time homebuyers as they are more affordable than single family homes. They require little outside maintenance and many townhomes include amenities such as parks and playgrounds.

**Manufactured Homes:** Today's new generation of high-quality factory-built homes are comparable to single-family homes and offers features such as garages, permanent foundations and built-in porches. More affordable than site-built homes, they offer a good option for first-time homebuyers.

**Condominiums:** This type of home can provide you with a maintenance-free lifestyle and are typically located in urban settings. They may provide access to amenities like pools and fitness facilities and are usually within walking distance of shops, restaurants, and public transportation.

## Your Home *Wishlist*

Once you decide what type of home you want, you should determine your "must-haves" and your deal breakers. Think about your household now and how your needs may change in the future. It is easy to get overwhelmed with so many possibilities so consider creating a homebuying wish list to help you narrow down your choices.

# 5. Make an offer on your desired home.

Through this phase, you'll work closely with your real estate agent. They'll help determine a fair offer price while making sure you stay within range of what you can afford. They'll also handle all contract negotiations with the seller's agent.

### ***Determining the Price***

You've found the perfect home, have your pre-approval letter in hand and are ready to make an offer. Now what? Your real estate agent will be by your side, helping you determine a fair offer price based on their experience and following key considerations:

- Recent sales prices of similar homes in the same neighborhood
- The condition of the house
- What you are willing to pay and can comfortably afford

### ***Submitting the Offer***

Once you've determined your price, your agent will draw up the purchase agreement to submit to the seller's agent. The offer will include the purchase price and terms and conditions of the purchase, including:

- Target closing date
- Provisions for certain fees
- A deadline for the sellers to accept or counter your offer
- Any contingencies (e.g. appraisal contingency)

### ***Negotiating the Offer***

Oftentimes, the seller will counter the offer, typically asking for a higher purchase price or to adjust the closing date. In these cases, the seller's agent will submit a counteroffer to your agent, detailing the desired changes. Following the counter offer, you have the option to accept, reject, or counter again. Your agent will play a large role during this part of the process, communicating all changes with the seller's agent.

### ***Finalizing the Contract***

The contract is considered final when both parties sign the written offer.

## 6. Schedule the home inspection.

Once your offer is accepted, the next step is to get the home inspected. The inspection is not a requirement but is highly advised as it protects you from underlying issues with the home that you can't detect.

Home inspections give you the opportunity to have the home thoroughly examined by a professional before you spend your hard-earned money buying it. It can be well worth it for both peace of mind and the potential cost of trouble avoided. You can choose your own inspector and your real estate agent should be able to recommend several well-qualified home inspectors if you need assistance.

***What can you expect during the home inspection?***

Your home inspector will climb atop the roof and crawl deep into the attic. Their job is to protect your investment and find any issues with the home, including:

- The roof
- Plumbing
- Electrical components
- Appliances
- Heating and air conditioning systems
- Ventilation
- Windows
- The fireplace and chimney
- The foundation

After inspection, the home inspector will provide you with a detailed report on the overall condition of the house, including outlining any issues and necessary, or recommended, repairs.

Having a home inspection contingency in your purchase contract is important because if any major issues are noted in the inspection report, you can renegotiate the sales price, require the seller to make repairs, or back out of the offer altogether.

Use the Inspection Checklist on the following page as a guide to what you should address during the inspection.

### Buyer Tip

*In your written offer, it is highly recommended that you make the home purchase contingent on the appraisal and inspection.*

# Home Inspection Checklist

*What to expect and inspect*

When it comes to buying a home, what you see isn't exactly what you get. A home inspection will protect you against undetected issues and will give you the opportunity to know the house before you close. Use this list to get the most value out of your inspection.

## Grounds

- Trees in good condition without overhanging or touching the roof
- Landscaping, driveway and walkways in good condition with no significant cracks
- Drainage away from the house with no standing water
- No evidence of leaks from septic tank
- Deck and stair railings are secure
- Detached garage, shed, fence and deck show no rotted wood or evidence of termites

## Exterior

- Exterior walls appear straight with no sagging, bowing or staining
- Windows and door frames appear square
- Siding has no cracks, decay or curling
- Bricks show no damage or cracks in joints
- Stucco shows no large cracks
- Paint is not flaking or blistered
- Roof shingles are not missing or damaged and show no curling or cupping
- Gutters show no decay and drain properly
- Chimneys appear straight and undamaged
- Automatic garage door operates properly and stops for obstructions

## Interior

- Floors, walls and ceilings appear straight and level without visible stains, cracking or damage
- Doors open easily and latch properly when closed
- Lights and switches operate properly
- Adequate number of electrical outlets in each room
- Heating and air conditioning vents in all rooms
- Fireplace has no cracking and shows no staining
- Fireplace flue has been cleaned and is lined
- Smoke detectors and carbon monoxide detectors are working properly and located properly
- Stairway treads and risers are solid

## Bathrooms

- Visible plumbing under sink is in good condition and shows no signs of water damage
- Ground fault circuit interrupter (GFCI) receptacles for all electrical outlets located within 6 feet of sinks
- Adequate water pressure for hot and cold water at all fixtures
- Tub, shower and sinks drain smoothly
- Toilet flushes and fills properly
- Toilet is stable, with no rocking or stains at base
- No evidence of leaking around base of tub or shower

## Kitchen

- Visible plumbing under sink is in good condition and shows no signs of water damage
- Ground fault circuit interrupter (GFCI) receptacles for all electrical outlets located within 6 feet of sinks
- Working exhaust fan vents to outside
- Garbage disposal is operational
- Water flow to sink is adequate and drains properly
- Dishwasher drains properly and shows no evidence of leaks
- Built-in appliances operate properly
- Cabinets are in good condition

## Basement

- No evidence of moisture
- No evidence of water damage to above floor
- No staining or major cracks in exposed foundation
- Sump pump operates properly
- Visible floor joists show no damage, decay, or staining and appear straight

## Attic

- No evidence of staining from roof
- Structure shows no damage or decay
- Adequate ventilation through soffit vents and end louvers
- Insulation is sufficient and installed properly
- Electrical splices are contained

## Crawl Space

- Adequate ventilation to the exterior
- No evidence of damage from moisture and insects
- Insulation between crawl spaces and heated areas
- Water supply and waste pipes are insulated

## Heating and Cooling Systems

- No gas odor
- Air conditioning and heating operate well
- Air filters are clean
- Flues have no open seams and slow up to chimney connection
- Cooling unit has no visible rust
- Duct work is in good condition

## Electrical Systems

- Wiring is in good condition
- Service panel has normal capacity with cables attached correctly
- Cables are secured and protected
- No exposed electrical splices

## Plumbing

- Visible pipes have no damage or evidence of leaks
- Water heater shows no signs of rust
- Manufacture date of water heater is within length of expected use
- Water pressure falls within accepted range
- Hot water temperature does not exceed 125-degrees Farenheit

## Questions to ask your home inspector:

1. Are you licensed or certified?
2. What is covered or not covered in this home inspection?
3. How well is the home insulated?
4. Is the plumbing in good order?
5. Is the electrical system current or upgraded?
6. Does the house need to be brought up to code?
7. Is the house structurally sound?
8. What are your major concerns?
9. How is the grading and drainage?
10. What fire, safety, health, and water hazards exist here?
11. What should I repair first?
12. What else could go wrong?
13. What is the condition of the roof?
14. Will the trees on the property be a hazard down the road?
15. Do I need to hire a specialist?

## Notes:

## 7. Get a home appraisal and secure the financing.

Even if you've been pre-approved, you still need to take a few additional steps to officially submit the mortgage application. If you decide to apply for your loan with the same lender that did your pre-approval, they already have some of the documents you'll need for your application. Likely, you'll need to provide updated financial statements. If you decide to move forward with another lender, they will tell you the list of documents needed to complete your application.

Once you've selected your lender, an appraisal report will be ordered. Your lender will hire the appraiser, so there's not much for you to do here. (Your real estate agent should work with the seller's agent and the appraiser to schedule the appraisal).

If the appraisal matches your offer price: You should be clear to close.

If the appraisal comes in above your offer price: Even better! This means not only are you clear to close, but you're purchasing the home for a price below market value, giving you instant equity.

If the appraisal comes in low: Your lender won't approve the full loan amount, as in their eyes, you're overpaying for the property. You'll need to either make up the difference between the appraised value and the offer price in cash or try to re-negotiate the offer price with the seller. If you believe the appraisal was incorrect, you can try to request a new appraisal from your lender.

## 8. Do a final walkthrough.

You should do a final walkthrough in your new home before you close, even if you're 100% committed to the property. This time allows you to ensure that the seller has made any agreed upon repairs and has cleared out the property. You should also double-check the home's systems one last time to ensure they are in working order. If everything looks good, it's time for you to confidently move toward closing.

## 9. Close on your loan and move into your new home!

Three days before closing, your lender is required to give you the Closing Disclosure (CD), which tells you what you need to pay at closing and summarizes your loan details. Once you've reviewed the CD, it's time to attend your closing. Bring a valid ID, a copy of your CD and proof of funds. You'll sign a settlement statement, which lists all costs related to the home sale, the mortgage note, and the mortgage deed of trust to secure the mortgage note. This is when you will also pay your down payment and closing costs.

After the closing finishes, you're officially a homeowner. Congratulations!

# PACKING & MOVING

You're officially a homeowner! Now what? It's time to settle into your new home but do you hire movers or do it yourself? As you weigh your options, you'll want to consider both budget and logistics such as distance and time. Here are a few great tips and checklist to help with your move.

## 1. Estimate your costs

Professional moving companies have different prices so be sure to get at least three estimates from recommendations by friends, family or trustworthy consumer sites. You'll want to make sure the company is licensed and insured.

If you're thinking of moving yourself, consider the following costs:

- Rental truck (fees typically include the hours used and miles driven)
- Boxes and other moving materials
- Dolly, hand truck and moving straps
- Food, drinks, money or other things of value when asking friends to help

## 2. Clear and sort belongings

You'll want to begin this new journey with a fresh start. Go through your belongings and purge what you don't need. This will lighten your load and cost you less when you move. You can donate your things and maybe get a tax deduction or sell them. Either way, it's one less thing to pack.

## 3. Pack and move

Start acquiring boxes way before your move so you don't have to pay for them at the last minute. Check out neighborhood online chat rooms for free packing material. Here's what you'll need:

- Boxes
- Packing paper
- Bubble wrap
- Packing tape
- Moving blankets
- Plastic wrap
- Tools/ screwdriver set
- Markers
- Paper towels
- Ziploc bags (to house furniture hardware)
- Scissors

# Moving Checklist

*Time your move successfully*

Buying a home is stressful enough. Don't let the move add to your stress. Use this checklist to help you prepare for your move and to make it as painless as possible.

## 8 Weeks Out

- Schedule in-home estimates with reputable moving companies and compare
- Request time off work for moving day
- Request school transcripts if transferring schools
- Sort through things to keep, sell, give or trash
- Create an inventory of your home

## 6 Weeks Out

- Start gathering boxes and other moving containers
- Address necessary home repairs in your current home
- Sell what you can
- Donate items in good condition that you did not sell
- Throw away items you're not moving

## 4 Weeks Out

- Select your moving company or reserve your rental truck
- Start packing - separate valuables and label each box
- Gather all financial, legal and medical records in one place
- Research new professional services like doctors, dentists, or vets if your move requires you to change providers
- Find cable and internet providers who serve your new address and schedule your installation appointment
- Confirm travel plans

## 2 Weeks Out

- Cancel or transfer utilities, services and gym membership
- Forward medical records
- Confirm your rental truck
- Dispose of hazardous materials
- Submit a change of address with your local post office
- Plan meals to use up food in fridge

## 1 Week Out

- Pack an overnight bag for everyone moving
- Pack an essentials box for what you'll need for the first few days
- Have cash on hand to tip movers

## Moving Day!

- Wake up early and ready to tackle the day
- Protect floors and carpets
- Give movers a tour and moving instructions
- Dispose of all trash
- Finish the final cleaning
- Take pictures and videos of the empty place to prove move-out condition
- Do a final walk-through of each room to ensure there is nothing left behind
- Leave keys and garage door openers

## Your 'Essentials' Box

- Paper plates, utensils and paper towels
- Light bulbs and basic tools
- Hand soap
- Shower curtain
- Cleaning supplies

## Your 'Overnight' Bag

- Clean clothes and towels
- Toiletries, toilet paper and medication
- Chargers for phones and other electronic devices
- Cash, valuables and important documents
- Pet food and supplies

## Notify of Address Change

- Employer
- Post Office
- Utility companies
- Telephone, internet and cable
- Lawn and pest control
- Recycle and trash removal
- Banks, insurance and loan companies
- Social Security Administration
- Tax agencies
- Doctors, dentists, vets and pharmacies
- Attorneys and accountants
- Subscriptions and memberships

# Real Estate Terms

**Annual Percentage Rate (APR)**: The cost of a loan or other financing as an annual rate. The APR includes the interest rate, points, broker fees, and certain other credit charges a borrower is required to pay.

**Appraisal**: A professional analysis used to estimate the value of the property. This includes examples of sales of similar properties.

**Appreciation**: An increase in the market value of a home due to changing market conditions and/or home improvements.

**Assessed value**: Typically the value placed on property for the purpose of taxation.

**Assignment of Mortgage:** A document evidencing the transfer of ownership of a mortgage from one person to another.

**Assumable Mortgage**: A mortgage loan that can be taken over (assumed) by the buyer when a home is sold. An assumption of mortgage is a transaction in which the buyer of real property takes over the seller's existing mortgage; the seller remains liable unless released by the lender from the obligation. If the mortgage contains a due-on-sale clause, the loan may not be assumed without the lender's consent.

**Assumption**: A homebuyer's agreement to take on the primary responsibility for paying an existing mortgage from a home seller.

**Automated Underwriting**: An automated process performed by a technology application that streamlines the processing of loan applications and provides a recommendation to the lender to approve the loan or refer it for manual underwriting.

**Balloon Mortgage**: A mortgage with monthly payments often based on a 30-year amortization schedule, with the unpaid balance due in a lump sum payment at the end of a specified period of time (usually 5 or 7 years). The mortgage may contain an option to "reset" the interest rate to the current market rate and to extend the due date if certain conditions are met.

**Balloon Payment**: A final lump sum payment that is due, often at the maturity date of a balloon mortgage.

**Bridge Loan**: A short-term loan secured by the borrower's current home (which is usually for sale) that allows the proceeds to be used for building or closing on a new house before the current home is sold. Also known as a "swing loan."

**Buydown**: A way for a borrower to obtain a lower interest rate by paying discount points at closing.

**Cap**: For an adjustable-rate mortgage (ARM), a limitation on the amount the interest rate or mortgage payments may increase or decrease.

**Certificate of Eligibility**: A document issued by the U.S. Department of Veterans Affairs (VA) certifying a veteran's eligibility for a VA-guaranteed mortgage loan.

**Cash-out Refinance**: A refinance transaction in which the borrower receives additional funds over and above the amount needed to repay the existing mortgage, closing costs, points, and any subordinate liens.

**Chain of Title**: The history of all the documents that have transferred title to a parcel of real property, starting with the earliest existing document and ending with the most recent.

**Clear title**: Ownership that is free of liens, defects, or other legal encumbrances.

**Closing**: The process of completing a financial transaction. For mortgage loans, the process of signing mortgage documents, disbursing funds and transferring ownership of the property. In some jurisdictions, closing is referred to as "escrow," a process by which a buyer and seller deliver legal documents to a third party who completes the transaction in accordance with their instructions. See also Settlement.

**Commitment Letter**: A binding offer from your lender that includes the amount of the mortgage, the interest rate and repayment terms.

**Concession**: Something given up or agreed to in negotiating the sale of a house. For example, the sellers may agree to help pay for closing costs.

**Construction Loan**: A loan for financing the cost of construction or improvements to a property; the lender disburses payments to the builder at periodic intervals during construction.

**Contingency**: A condition that must be met before a contract is legally binding. For example, home purchasers often include a home inspection contingency; the sales contract is not binding unless and until the purchaser has the home inspected.

**Counter-offer**: An offer made in response to a previous offer. For example, after the buyer presents their first offer, the seller may make a counter-offer with a slightly higher sale price.

D

**Debt-to-Income Ratio**: The percentage of gross monthly income that goes toward paying your monthly housing expense, alimony, child support, car payments, and other debts.

**Deed**: The legal document transferring ownership or title to a property.

**Deed of Trust**: A legal document in which the borrower transfers the title to a third party (trustee) to hold as security for the lender. When the loan is paid in full, the trustee transfers title back to the borrower. If the borrower defaults on the loan the trustee will sell the property and pay the lender the mortgage debt.

**Depreciation**: A decline in the value of a house due to changing market conditions or lack of upkeep.

**Discount Point**: A fee paid by the borrower at closing to reduce the interest rate. A point equals one percent of the loan amount.

**Down Payment**: A portion of the purchase price, usually between 3-20%, not borrowed and paid up front in cash. Some loans are offered with zero down-payment.

**Due-on-Sale Clause**: A provision in a mortgage that allows the lender to demand repayment in full of the outstanding balance if the property securing the mortgage is sold.

**Earnest Money Deposit**: The deposit to show that you are committed to buying the home. The deposit usually will not be refunded to you after the seller accepts your offer, unless one of the sales contract contingencies is not fulfilled.

**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 deposit of funds by a borrower to pay taxes and insurance premiums when they become due.

**Escrow Account**: An account that a mortgage servicer establishes on behalf of a borrower to pay taxes, insurance premiums, or other charges when they are due. Sometimes referred to as an "impound" or "reserve" account.

**Escrow Analysis**: The accounting that a mortgage servicer performs to determine the appropriate balances for the escrow account, compute the borrower's monthly escrow payments, and determine whether any shortages, surpluses or deficiencies exist in the account.

**Foreclosure**: A legal action that ends all ownership rights in a home when the homeowner fails to make the mortgage payments or is otherwise in default under the terms of the mortgage.

**Fully Amortized Mortgage**: A mortgage in which the monthly payments are designed to retire the obligation at the end of the mortgage term with no balloon payment.

**Gift Letter**: A letter that a family member writes stating that s/he has given you a certain amount of money as a gift and that you don't have to repay it. You can use this money towards a portion of your down payment.

**Gross Monthly Income**: The income you earn in a month before taxes and other deductions.

**Hazard Insurance**: Insurance coverage that compensates for physical damage to a property from fire, wind, vandalism, or other covered hazards or natural disasters.

**Homeowner's Insurance**: A policy that protects you and the lender from fire or flood, which damages the structure of the house; a liability, such as an injury to a visitor; or damage to your personal property.

**Homeowner's Warranty**: Insurance offered by a seller that covers certain home repairs and fixtures for a specified period of time.

**Homeowner's Association**: An organization of homeowners residing within a particular area whose principal purpose is to ensure the provision and maintenance of community facilities and services for the common benefit of the residents.

**Investment Property**: A property purchased to generate income, tax benefits, or profitable resale rather than to serve as the borrower's primary residence.

**Jumbo Loan**: A loan amount that exceeds the mortgage amount eligible for purchase by Fannie Mae or Freddie Mac. Also called "non-conforming loan."

**Lease-Purchase Option**: An option used by sellers to rent a property to a tenant, who has the option to buy the home within a specified time period. Typically, part of each rental payment is put aside for the purpose of accumulating funds to pay the down payment and closing costs.

**Loan Origination**: The process by which a loan is made, which may include taking a loan application, processing and underwriting the application, and closing the loan.

**Loan-to-Value (LTV) Ratio**: The relationship between the loan amount and the value of the property, expressed as a percentage. For example, a $100,000 home with an $80,000 mortgage has an LTV of 80 percent.

**Lock-In Rate**: A written agreement guaranteeing a specific interest rate for a certain amount of time. Also called "rate lock."

**Mortgage Insurance (MI)**: Insurance that protects lenders against losses caused by a borrower's default on a mortgage loan. MI is typically required if the borrower's down payment is less than 20 percent of the purchase price.

**Mortgage Insurance Premium (MIP)**: The amount paid by a borrower for mortgage insurance, either to a government agency or to a private mortgage insurance (PMI) company.

**Mortgage**: A loan using a home as collateral.

**Multifamily Properties**: Typically, buildings with five or more dwelling units.

**Multiple Listing Service (MLS)**: A clearinghouse through which member real estate brokerage firms regularly and systematically exchange information on listings of real estate properties and share commissions with members who locate purchasers. The MLS for an area is usually operated by the local, private real estate association as a joint venture among its members designed to foster real estate brokerage services.

**Net Monthly Income**: Your income after taxes and other deductions.

**Offer**: A formal bid from the home buyer to the home seller to purchase a home.

**Open House**: When the seller's real estate agent opens the seller's house to the public. You don't need a real estate agent to attend an open house.

**Origination Fee**: A fee paid to a lender or broker to cover the administrative costs of processing a loan application.

**Owner Financing**: A transaction in which the property seller provides all or part of the financing for the buyer's purchase of the property.

**PITI**: An acronym for the four primary components of a monthly mortgage payment - principal, interest, taxes, and insurance.

**Planned Unit Development (PUD)**: A real estate project in which individuals hold title to a residential lot and home while the common facilities are owned and maintained by a homeowner's association for the benefit and use of the individual PUD unit owners.

**Principal**: The amount of a loan that has not yet been repaid to the lender. This does not include the interest paid to borrower the money.

**Qualifying Ratios**: Calculations that are used in determining the loan amount that a borrower qualifies for, typically a comparison of the borrower's total monthly income to monthly debt payments.

**Ratified Sales Contract**: A contract that shows both buyer and seller have agreed to the offer. This offer may include sales contingencies.

**Recording**: The filing of a lien or other legal document in the appropriate public record.

**Refinance**: A new mortgage used to pay off an existing mortgage.

**Rehabilitation Mortgage**: A mortgage loan made to cover the costs of repairing, improving, and sometimes acquiring an existing property.

**Rescission**: The cancellation of a transaction or contract by operation of law or by mutual consent.

**Second Mortgage**: A mortgage that has a lien position subordinate to the first mortgage.

**Servicer**: A firm that performs servicing functions, including collecting mortgage payments, paying borrower's taxes and insurance and generally managing borrower escrow accounts.

**Settlement Statement**: A document that lists all closing costs on a mortgage transaction.

**Settlement**: The process of completing a loan transaction at which time the mortgage documents are signed and recorded, funds are disbursed and the property is transferred to the buyer.

**Single-Family Properties**: One-to-four unit properties including detached homes, townhouses, condominiums, cooperatives and manufactured homes attached to a permanent foundation and classified as real property under applicable state law.

**Soft Second Loan**: A second mortgage whereby payments are forgiven or deferred until resale of the property.

**Survey**: A precise measurement of a property by a licensed surveyor, showing legal boundaries of a property and the dimensions and location of improvements.

**Termite Inspection**: An inspection to determine whether a property has termite infestation or termite damage. In many parts of the country, a home must be inspected for termites before it can be sold.

**Third-Party Origination**: A process by which a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package a mortgage loan.

**Title**: The right to and the ownership of property. A title or deed is used as proof of ownership.

**Title Insurance**: Insurance that protects lenders and homeowners against legal problems with the title.

**Title Search**: A check of the public records to ensure that the seller is the legal owner of the property and to identify any liens or claims against the property.

**Transfer Tax**: State or local tax payable when title to property passes from one owner to another.

**Underwriting**: The process used to determine loan approval. It involves evaluating the property and the borrower's credit and ability to pay the mortgage.

**Walk-Through**: A common clause in the sales contract that allows the buyer to examine the property before closing.

**Uniform Residential Loan Application (URLA)**: A standard mortgage application you will have to complete. The form requests your income, assets, liabilities, and a description of the property you plan to buy, among other things.

**Zillow**: An online real estate database.