



HOW TO KNOW WHEN IT'S TIME TO MOVE UP TO ANOTHER HOME OR STAY AND IMPROVE YOUR CURRENT HOME

(A.K.A.: THE MOVE UP SYSTEM)

AN EDUCATIONAL RESOURCE



**“Just A Quick Letter To Introduce Myself,
And Explain Why I've Put Together This FREE
Report To Help Families Just Like Yours Get
All The Information You Need To Move Up...
For FREE”**

Dear Move Up Buyer,

Moving up a home can be really confusing. Why? Because you're bombarded with misleading information, confusing claims, and bad advice from family and friends that aren't accountable or responsible to you for the advice they give.

How do you ever find solid, practical information that will help you decide if moving up is the right decision for you? **You start by reading this free report.**

I'm providing this report to help you avoid some of the biggest pitfalls I see homebuyers make everyday. In this fact filled report, you'll discover the amazing secrets that I've used to help my clients move up to the right home for their family.

What I'm going to share isn't theory. My clients and I have tested it. In this simple, yet profoundly powerful report, is a compilation of ideas I've discovered over the years.

Now, with this information, you can see if moving up is right for you.

And if you have any questions about the information in this report, send me an email at blair@newmanteam.com or give me a call at (562)822-6532. I've dedicated my business to helping people just like you.

I'm happy to help in every way.

Warmly,

Blair Newman

Blair Newman, REALTOR®

Berkshire Hathaway HomeServices CA Properties
DRE#:01459316

P.S.: If you are feeling overwhelmed with the process of selling your home, and you would like a personalized plan to help you get from point A to point B, I invite you to set up a home buying consultation with me by calling (562)822-6532.

Why A System For Moving Up?

As a real estate professional dedicated to providing value-added Real Estate service, I derive great satisfaction in the knowledge that I have helped countless numbers of buyers and sellers reach their Real Estate objectives.

The Move Up SystemSM has been developed to encourage you, the Real Estate consumer, to engage in a dialogue with our real estate specialists for the purpose of carefully examining the potential benefits to you of selling your present property and moving up to another.

You might ask, “Why is it necessary to have a Move Up System when many real estate consumers have enormously profited, over the last several decades, without the assistance of a Move Up System?”

The average home seller would be more likely to move up if they knew there was a system that would help them do so without the fear of being homeless, unintentionally owning two homes or being completely stressed in the process.

This fear and lack of education of the process often causes the home seller to miss the opportunity to take that next step into their dream home and to grow their net worth by purchasing a larger, high quality home.

(I am well trained to assist you in discovering the possibility of exchanging your lifestyle, net worth, and tax privileges through the use of a Move Up SystemSM consultation. See my contact information to schedule a quick chat.)

In recent years more than ten million plus North Americans buy or sell a home.

Of that ten million number a significant percentage of individuals and families had to first resolve the following questions:

Would we be better off financially or in terms of our preferred lifestyle by staying put and making home improvements or should we save ourselves the stress and struggles associated with a home improvement project and buy another home?

First Step:

- Determine the current price of your home.

Second Step:

- Determine what new features and/or improvements you desire in your present home.

Third Step:

Meet with a real estate professional that can:

- A. Help connect you to superior local contractors and/or interior designers.
- B. Help you determine which renovations are more consequential regarding ultimate resale value.
- C. Provide you with information and previews of current and potentially soon to be marketed properties which will help you determine if the alternative of moving is in your best short range and long range interest.

Know your options!

Should you:

- Stay in your home as is until it might be a better time to sell.
- Stay in your home, improve it's value and get to enjoy your personalized upgrades.
- Consult with recommended architects and/or contractor and look to maximize your profit in your property.
- Determine the value of your home as is, then calculate the costs of renovation and the projected market value once enhancements are fully executed.
- Market your property for sale while you plan your renovation.
- Consider pricing your home to sell as is as well as pricing it to sell after renovation.
- Determine which area and type of home is enjoying the greatest current and projected demand and consider the future resale of that property versus your current home.

Other factors to consider:

- | | | | |
|---|-----|----|--------|
| 1. Are you considering investing in expanding your present property? | Yes | No | Unsure |
| 2. Would you like to renovate before you sell? | Yes | No | Unsure |
| 3. Would renovating your home be stressful? | Yes | No | Unsure |
| 4. Would renovating your home represent something you would enjoy doing? | Yes | No | Unsure |
| 5. Would you like to remain in your present neighborhood? | Yes | No | Unsure |
| 6. Would construction overly disrupt your life? | Yes | No | Unsure |
| 7. Would your present neighborhood support your improvement or would your money grow more potentially if put into another property in a different location? | Yes | No | Unsure |
| 8. Would you qualify for a construction loan? | Yes | No | Unsure |
| 9. Do you need a current market value analysis for your home? | Yes | No | Unsure |
| 10. Would you like non obligatory advice regarding: | | | |
| A. Present value | Yes | No | Unsure |
| B. Cost of renovations | Yes | No | Unsure |
| C. Recommended home improvement professionals | Yes | No | Unsure |
| D. Information on alternative homes and locations | Yes | No | Unsure |
| E. Would you like to discuss how you can both improve your present home, sell it, and then move to another home? | Yes | No | Unsure |

Questions to Ask Your Potential Real Estate Agent

1. What do you think makes our home distinctive and how will this influence how you market our home?
2. How do you network with local realtors to increase their awareness of a home that you market?
3. How do you market properties online?
4. How many photos do you suggest for our home?
5. What is your negotiating philosophy?
6. How do you decide on the best pricing strategy?
7. Can you give me examples of when you sold a property for significantly more than your fellow agents thought was possible?
8. How do you determine the right marketing mix?
9. What are the pros and cons to having open houses?
10. What makes you and your company different from your competitors?
11. Are you more focused on selling more homes, or selling homes for more?
12. Do you provide staging guidance and if so do you charge for this service?

Frequently Asked Questions... Answered

How do I time my move? Should I buy first or sell first?

The question to consider is, do you have the funds to buy without selling your home? And if you do, are you okay with having the expenses of two properties potentially, for a period of time. Would you consider an option of a bridge loan? If the answer to all of these are no, if you need the funds from your current home, then you would need to sell first so that you would not be making a contingent purchase. It would still be a contingent purchase but at least it would be contingent on the close of a qualified sale.

The challenge is, if you try to buy first, you're not going to get your offer accepted because they're not going to feel comfortable not knowing what's going to happen on the other transaction. So you really need to sell your property first, it will give you more leverage when you go to negotiate on your move up.

So what happens then, if I do sell, but then I can't find the right home?

If we find a buyer that's willing to give us a rent back that would give you a little bit of time to be able to close your transaction and then find another piece of property and hopefully be able to close the transaction at the end of that rent back period.

Is there some type of financing that would help me bridge the gap? What is a bridge loan?

A bridge loan is basically interim financing that you apply for to pull your equity or a portion of your equity out of your property in advance. And normally a bridge loan will not give you more than 70-75% loan to value. You'll need to check with your lender because the programs change, and they would normally be for just a short period of time. So the terms vary but they are available, and you could consult with your real estate agent and they could connect you with a resource for this type of financing

If I'm leaving the area, how do I find the right agent in a new location?

You could search online, but you could also ask the real estate agent that you're working with to find someone through one of the many networks that they're probably a member of. This could be the best option because they will be able to work with that agent to help coordinate a hopefully very stress free transition. They can also do some research to vet the agent to make sure that they truly are an expert in the community that you're moving into. Now this would mean that most likely, the agent that helps you find your new agent would receive a referral fee, which is a very standard practice in the industry. This would obviously give them an even bigger vested interest in making sure that all goes well.

Can I list my home contingent on finding a home or buy contingent on selling?

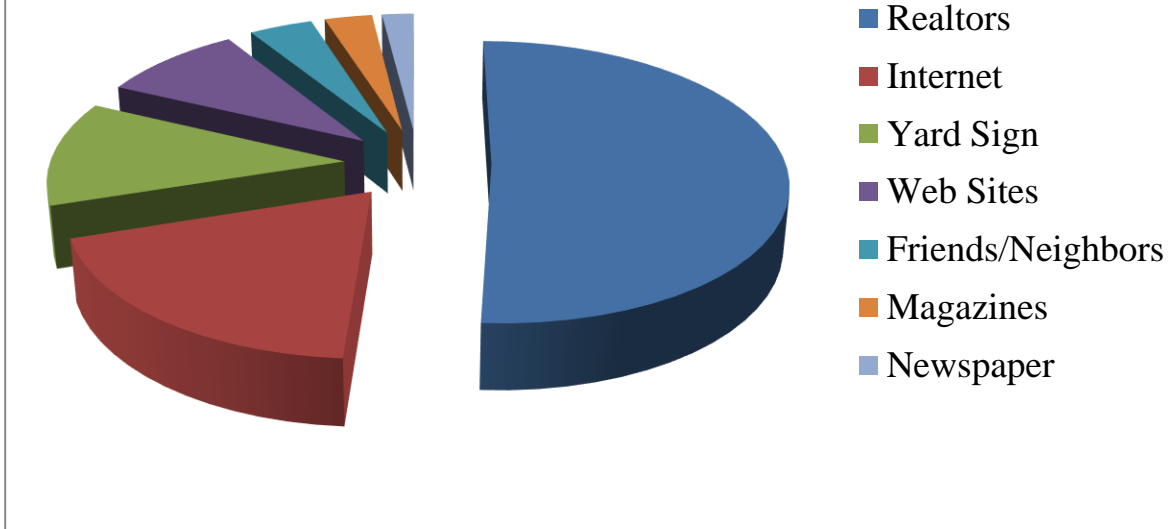
Yes, you can list your home contingent on finding a home to purchase. However, when a buyer makes an offer, they do not have to automatically agree to those terms. So they are going to submit an offer and most likely you are going to have to make a counter offer to get them to agree. And typically, if they will agree to this, they will only give you a limited amount of time to do so. Now, you may be able to negotiate to buy a home contingent on selling the home you're in, however, that's typically going to only happen in a market where there's not a high level of demand for the home that you're purchasing. And often the seller, who is willing to accept your contingency, is going to want a very high price and not be very flexible on terms, because after all, they're taking a chance

waiting on you. So it's not the most ideal way to purchase.

If I can't coordinate the closing of the two properties how can I avoid a double move?

You could avoid a double move by negotiating with the buyer at the time that they make the offer to arrange a rent back. You should be aware though, that they're going to charge you the rent back most likely at the fee of their principle interest taxes and insurance payment because they are not going to want to absorb any of the cost of you living in the property. So if you have a very low or no monthly payment, you need to be aware that renting back from the new homeowner could be a substantial expense, depending on the amount of time that you needed to stay in the property. However, if they're willing to allow you to do so, it may still be a lot less expensive than making a double move and a lot less stressful.

Where Do Buyers Come From?



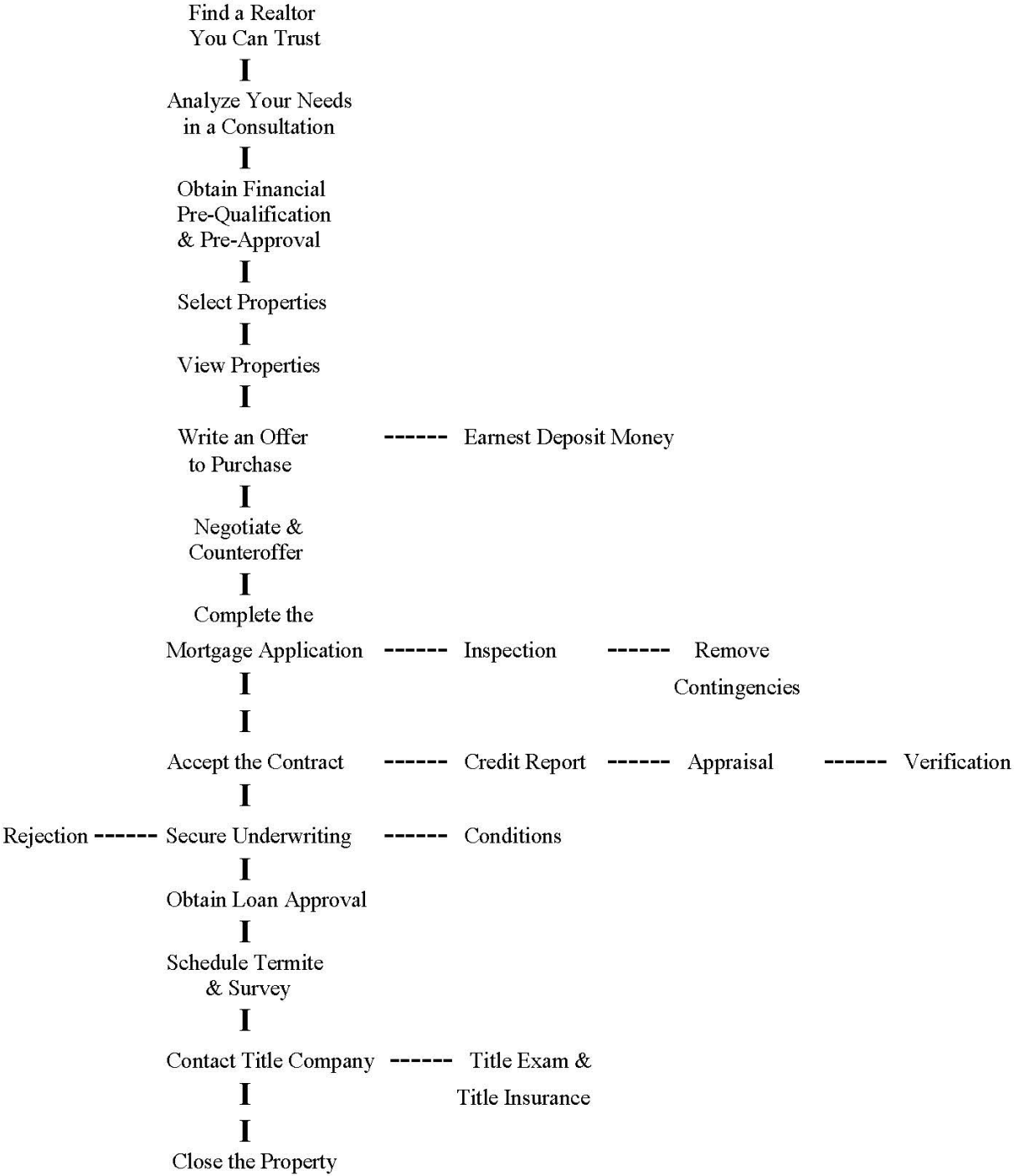
NOTE:

The statistics above are from the National Association of Realtors and reflect the national picture.

Which home search services you should expect your agent to provide:

1. In-depth Home Buyer Consultation
2. Arrange a free pre-qualification and introduction to quality lender
3. Enter your criteria in their search system and notify you of new matches via e-mail as they occur
4. Be available to show you property as needed
5. Review and revise the search criteria as needed
6. Write the contract to purchase and handle the negotiations
7. Open escrow and supply the lender with the necessary paperwork
8. Arrange all inspections and appraisals
9. Keep you updated on all aspects of the transaction throughout the process
10. Supply reputable vendor referrals as needed
11. Arrange a final walk-through
12. Arrange signing of loan documents
13. Deliver the keys
14. Provide quarterly updates on market conditions post-closing

Home Buying Process



Needs & Wants

Name _____

Address _____

Telephone: Home _____ Work _____ Cell _____

Children (names/ages) _____

Pets _____

Hobbies/special interests _____

Best time/days to look at homes _____

Reason for move/purchase _____

Current home: Purchase (Date/Price) _____ Estimated Equity _____

Other _____

Like about present home

Dislike about present home

Needs

Type of home (number of stories) _____

Style of home _____

Size of garage needed _____

Exterior desired _____

Lot size/yard features _____

Number of bedrooms needed _____ Number of baths needed _____

Special rooms needed _____

Distance to:

Employment _____ Public transportation _____ Church _____

School _____ Shopping _____ Other _____

Other special needs _____

Wants

Include features the buyer would like to have such as a family room, dining room, patio, porch, fireplace, heating/cooling systems, built-ins, recreation, sauna, hot tub, swimming pool, etc.

Estimated Move Up Purchase Price: _____

Information to be Reviewed with your Lender

Employment and Income

Purchaser	Co-purchaser
Employer _____	Employer _____
Address _____	Address _____
Position _____	Position _____
How long _____ Years _____ Months	How long _____ Years _____ Months
Total gross monthly income (include overtime, bonuses, other incentive pay)	Total gross monthly income (include overtime, bonuses, other incentive pay)
Earnings for last three years 20 _____ \$ _____	Earnings for last three years 20 _____ \$ _____
20 _____ \$ _____	20 _____ \$ _____
20 _____ \$ _____	20 _____ \$ _____

Is purchaser or co-purchaser eligible for federal VA? _____

Is purchaser or co-purchaser eligible for any special home mortgage programs? _____ Type _____

Assets And Liabilities of Purchaser(s)

<i>Assets</i>		<i>Liabilities</i>	
Checking (bank) _____ \$ _____		Unpaid balances	Monthly payments
Checking (bank) _____ \$ _____	Real estate	\$ _____	\$ _____
Savings (bank) _____ \$ _____	Automobile	\$ _____	\$ _____
Savings (bank) _____ \$ _____	Automobile	\$ _____	\$ _____
Stocks/bonds (market value) _____ \$ _____	Charge accounts (monthly payments beyond six months)		
Life insurance (cash value) _____ \$ _____		\$ _____	\$ _____
Real estate (equity available from sale) \$ _____		\$ _____	\$ _____
Other _____ \$ _____	Alimony/child support		\$ _____
Other _____ \$ _____	Other	\$ _____	\$ _____
Other _____ \$ _____	Other	\$ _____	\$ _____
TOTAL _____ \$ _____	TOTAL	\$ _____	\$ _____

Have you been involved in any bankruptcy, mortgage foreclosure, garnishment, judgment or receivership proceedings, or any other credit problems in the past 7 years?

Money available for initial investment \$ _____

Money available for monthly investment \$ _____

Estimated home purchase price range \$ _____ to \$ _____ *

NOTICES/DISCLAIMER

This is not a loan application. The Move Up SystemSM may not apply in every circumstance. Price range and costs can vary depending on the type of financing selected. Figures are based upon an estimated home purchase price, and are not guaranteed to be complete or accurate. Any and all representations made by the sales executive to the purchasers as to their ability to qualify for the Move up SystemSM is subject to receipt of a satisfactory credit report. The Realtor/Broker has an ethical obligation to quote the full asking price of the property being offered for sale. It should be understood that if your current home (which you may be selling) does not close title prior to the closing of the home which you are purchasing, that you may incur additional carrying charges for bridge financing. The Realtor/Broker hereby discloses that he/she may also be representing the purchasers in the capacity of a seller of their existing home. All financial information should be discussed with your CPA or financial advisor.

Move Up System Analysis

<i>Sale of current home</i>		<i>Purchase of property</i>	
Purchase price	\$ _____	Purchase price	\$ _____
*Estimated Market Value	\$ _____	Down payment (cash from	
Mortgage	\$ _____	sale or other sources)	\$ _____
	\$ _____	Buying expenses:	
Est. Cash available from sale	\$ _____	Points	\$ _____
		(Tax Deductible in 1st year)	
Selling Expenses:		Attorney fees	\$ _____
Real Estate commission	\$ _____	Title insurance	\$ _____
Attorney fees	\$ _____	Misc. recoding fees	\$ _____
Preparation deed/Affidavit title	\$ _____	Survey	\$ _____
Transfer fee	\$ _____	Inspections	\$ _____
		Mortgage application fee	\$ _____
Total selling expenses	\$ _____	PrePaid Taxes/Ins.	\$ _____
Net Cash Available	\$ _____		
		Total expense	\$ _____
		Mortgage required	\$ _____
		(see Mortgage Analysis Form)	

*TAX ANALYSIS

	<i>Current</i>	<i>New home</i>	<i>Difference</i>
Mortgage Interest Payment	\$ _____	\$ _____	\$ _____
Real Estate Taxes	\$ _____	\$ _____	\$ _____
Insurance	\$ _____	\$ _____	\$ _____
Total taxable deductions	\$ _____	\$ _____	\$ _____
Tax bracket	x _____	x _____	x _____
Tax benefit	\$ _____	\$ _____	\$ _____

MOVE-UP ANALYSIS

	<i>Current</i>	<i>New home</i>	<i>Difference</i>
Monthly mortgage payment (P&I)	\$ _____	\$ _____	\$ _____
Real Estate taxes	\$ _____	\$ _____	\$ _____
Total monthly expense	\$ _____	\$ _____	\$ _____
Monthly tax benefit	\$ _____	\$ _____	\$ _____
NET TOTAL MONTHLY EXPENSE	\$ _____	\$ _____	\$ _____

REMARKS: _____

*See Competitive Market Analysis

(Review tax information with CPA or financial advisor. I am the agent and am not qualified to give tax advice. See Notices/Disclaimer note on previous page)

*If the home you buy is of equal or greater price than the home you sold, and you lived in the previous home for 24 months, or your move is employment related, you do not have to pay taxes on any gain you made on the sale, tax on the gain is deferred.

Move Up System AnalysisSM
SUMMARY

(To be completed with your agent.)

A large, empty rectangular box with a thin black border, occupying the central portion of the page. It is intended for the user to complete the summary with their agent.

What Are Capital Gains and Losses?

Almost everything you own and use for personal or investment purposes is a capital asset. Examples include a home, personal-use items like household furnishings, and stocks or bonds held as investments. When you sell a capital asset, the difference between the adjusted basis in the asset and the amount you realized from the sale is a capital gain or a capital loss. Generally, an asset's basis is its cost to the owner, but if you received the asset as a gift or inheritance, refer to [Topic 703](#) for information about your basis. For information on calculating adjusted basis, refer to [Publication 551, Basis of Assets](#). You have a capital gain if you sell the asset for more than your adjusted basis. You have a capital loss if you sell the asset for less than your adjusted basis. Losses from the sale of personal-use property, such as your home or car, are not tax deductible.

Capital gains and losses are classified as long-term or short-term. If you hold the asset for more than one year before you dispose of it, your capital gain or loss is long-term. If you hold it one year or less, your capital gain or loss is short-term. To determine how long you held the asset, count from the day after the day you acquired the asset up to and including the day you disposed of the asset.

Report most sales and other capital transactions and calculate capital gain or loss on [Form 8949, Sales and Other Dispositions of Capital Assets](#), then summarize capital gains and deductible capital losses on [Form 1040, Schedule D, Capital Gains and Losses](#). If you have a net capital gain, a lower tax rate may apply to the gain than the tax rate that applies to your ordinary income. The term "net capital gain" means the amount by which your net long-term capital gain for the year is more than your net short-term capital loss for the year. The term "net long-term capital gain" means long-term capital gains reduced by long-term capital losses including any unused long-term capital loss carried over from previous years. The tax rate on most net capital gain is no higher than 15% for most taxpayers. Some or all net capital gain may be taxed at 0% if you are in the 10% or 15% ordinary income tax brackets. However, a 20% tax rate on net capital gain applies to the extent that a taxpayer's taxable income exceeds the thresholds set for the 39.6% ordinary tax rate (\$413,200 for single; \$464,850 for married filing jointly or qualifying widow(er); \$439,000 for head of household, and \$232,425 for married filing separately).



<https://www.irs.gov/taxtopics/tc409.html>

Upgrades That Boost Your Property Value:

- 1) Curb appeal is critical. You don't have to spend a fortune to give your home a facelift!
- 2) Kitchens and bathrooms can be a turn on or turn off. A complete remodel usually is not necessary and may not be a wise use of funds. Anything you can do to update on a budget in these rooms can make a significant difference. Replace an old appliance, changing an old toilet or upgrading the counter tops can be affordable and do make a big difference.
- 3) De-clutter and then de-clutter some more. Make your home decor as lean and clean as a model home. In fact, taking a walk through a few model homes could give you some simple staging ideas that you can implement easily in your own home.
- 4) Remove wallpaper and brighten up especially dark rooms with lighter colored paint. A neutral palette is best to allow the buyers' imaginations to run free.
- 5) Fix obvious defects: broken tile, torn screen, cracked driveway, etc. Buyers may feel these minor flaws are hiding bigger issues, or they may ask for significant discounts for repairs that won't actually cost you much to do.
- 6) Clean or replace carpet and remember to keep the color neutral. If your carpet is bad and there are hardwood floors underneath, you may be able to get away with stripping the carpet and cleaning up the floors. Even if they aren't perfect the buyer may prefer it to dirty carpet.
- 7) Ask your realtor to begin at the front curb and complete a curb to curb check up with you. They will be able to best advise you for your market conditions and price point what improvements are a must do and what improvements would be an over do.

Outdoors

- Keep lawn mowed, trim hedges
- Store hoses neatly; be sure sprinklers don't water walkways
- Repair gates, fences and sidewalks
- Remove or replace dead/dying plants
- Add color with blooming flowers
- Clear yard of all debris
- Sweep front walkway
- Paint, fix, or wash railings, storm drains, screens and doors

Garage

- Keep the floors clean and swept
- Store or neatly arrange all items
- Show maximum storage space

Bathrooms

- Polish the floor, mirror and fixtures
- Repair grout and caulking
- Repair running toilet or faulty plumbing

Closets

- Replace burned out light bulbs
- Hang clothes neatly; store shoes in boxes
- Not overcrowded, suggest inadequate storage space

Kitchen

- Clean appliances, cabinets and floors
- Organize cabinets
- Sink should be spotless
- Clear and clean countertops
- Repair faucets and appliances

Overall

- Wash windows
- Quick once-over with vacuum
- Flowers in main rooms
- Play soft music and add air fresheners
- Keep pets out of the way
- Oil hinges, tighten knobs and faucets

Key Features To Showcase When Marketing My Home

Note: This worksheet will give your real estate agent valuable information to help them showcase your home and highlight key features and benefits in the marketing campaigns. Supply as much detail as you can and they will know which items are best to use to add value and create excitement.

1) What I have enjoyed most about living in this community:

2) The most recent upgrades and improvements:

3) The features about the home we utilize most:

4) What we will miss most about living here:

5) The order I believe the photos should be taken to give the buyer the best sense of the homes style:

4 Steps To Getting Your Home Sold:

Step 1: Make a Commitment to Act.

Funny as this may sound, I can't tell you how many times people have requested this report and then said to me, "If I would have known what you just showed me, I would have avoided so many problems!"

I've shared just a few simple ideas in this report. Ideas that if acted upon could prove to be worth thousands of dollars when selling your home. But these ideas are only as good as the action put into them. Decide to act right now.

Step 2: List Your Objectives.

Jot down what your goals are in selling your home. What is your ultimate goal? Selling quickly? Getting top dollar? Not selling before you have an accepted home offer on your next home?

What do you expect from the agent you hire? How and how often do you want them to communicate with you? Do you want an open house done? If so, how often do you expect it?

Step 3: Contact an agent that knows how to market your home effectively.

Of course, I'd love to be the agent you choose to work with, but let's face it, I'm not right for everyone. That's why I've given you the questions to ask your potential agent – or as I like to call them – your marketing partner.

If you would like additional information, please reach out to me at (562)822-6532 or via email at blair@newmanteam.com

Step 4: Act.

Do I need to say anything more? Reach out to me and let's talk about how to get your home sold for top dollar. Let's work together!

Referral Request

(if applicable)

I am leaving the area and need a referral agent to provide preliminary information to me.

My destination: _____

When I would like to be contacted by the agent: _____

Best method of contact: _____

When I expect to be in town to view homes: _____

(Please complete the enclosed needs and wants list
so that I can forward it to the agent in your
new destination so he or she can begin the search.)

Glossary of Terms

A

Acceptance – The time at which an offer to purchase is accepted. The fact that it was accepted must be relayed to the person that made an offer in order for all parties to be bound to the contract.

Amortization – The repayment of a loan over time. With each payment, there is a reduction of both principal (the original amount borrowed), plus the interest.

Appraisal – A professional determination of value. Mortgage companies usually require an appraisal of the property by a licensed, disinterested party before agreeing to loan money on the property. Methods of determining value may be based on many things, such as comparable sales in the area, the cost approach, the income approach, or the highest and best use of the property.

As Is Condition – Disclaiming any warranties or representations regarding the condition of the property.

B

Back-Up Contract – A contract or offer that is in a secondary position to an already existing contract. This contract shall be elevated to the first position if some condition in the first contract is not met. If the first position contract is consummated, then the second contract is no longer in effect.

Bridge Loan, also called a **swing loan** - A short term loan used to transition in between the paying off of an old loan, and the inception of permanent financing. This is often used to build or purchase a new home, when the previous home is still owned, but is up for sale. Once the previous home is sold, and the owner receives the proceeds from that sale, permanent financing is usually obtained.

C

Certificate of Title - A statement verifying who has the rights and responsibilities of ownership in a property. This may be ascertained by a public record search but does not guarantee that any other parties may not stake a claim to the property. Title insurance protects against claims that may arise against the title.

Clear Title - Ownership that is free of liens, defects and encumbrances, beyond those which the the owner agrees to accept.

Closing - The transaction where title passes from seller to buyer and the seller is paid. A settlement statement shows all costs incurred and gained by both parties.

Closing Costs – The expenses incurred in obtaining the property and transferring title to the new owner. This may include, but is not limited to attorney’s fees, points, title charges, credit report fee, document preparation fee, mortgage insurance premium, inspections, survey, appraisals, prepayments for property taxes, deed recording fee, and homeowners insurance.

Commitment Letter, also known as a **loan commitment** - A written offer by a lender to make a loan by a particular date under certain conditions. A buyer has more clout with a seller if he submits a letter of loan commitment from his lender to the seller at the same time that he submits his offer to purchase to the seller than a buyer who has not even applied for the loan yet.

Contingency - A condition that must be met before a contract is legally binding, or before a sale is to be completed. The contingency provides an out or an escape from performing if the condition is not met.

Conventional loan or **conventional mortgage** - A real estate loan, which is not insured by the government agency FHA nor guaranteed by the Veterans Administration. Typically subject to the terms of their particular institution, the conditions may be more flexible, as the lender is not required to follow federal guidelines. The lender looks to the credit of the borrower and the security of the property to insure payment of the debt.

Counteroffer - If the receiver of an offer makes any changes to the original offer, it is considered a rejection of the initial offer and becomes a counteroffer.

D

Deed of Trust - Some states use a deed of trust to convey property being held as security for a loan. This document is then conveyed to a trustee and can be used to sell, mortgage or subdivide the property.

Deposit – (also called Earnest Money) - A good faith deposit of a sum of money offered by the prospective purchaser at the time of the offer to purchase. These funds are typically deposited into an escrow account and held until the real estate closing takes place. At the closing, the buyer is most often given credit for the earnest money that has already been paid, but in some cases it may be returned to the buyer at closing. These funds may also be returned to the buyer in some cases if the contract on real property doesn't go through to a final sale.

E

Earnest Money (also called Deposit) – Funds given by the buyer and held in an escrow account until the real estate closing. In some cases, these funds are refundable if the loan fails to close, but if the loan does close, the purchaser is given credit at closing for the earnest money.

Escrow – A neutral third party holds other people's funds in a secure account for future use. An earnest money deposit is held in a real estate broker's *escrow* account. It is the broker's account, but he is holding the buyer's funds in the account for safekeeping until closing. In the case of a mortgage, the total monthly mortgage payment may include funds to pay for future taxes and insurance paid in addition to the principal and interest. This escrow is held by the lender until taxes and insurance are due, at which time the mortgage company pays the taxes and insurance on the borrower's behalf. After the taxes and insurance are paid, the lender may re-adjust the total monthly payment to insure sufficient funds for future escrowed items.

Exclusive Agency Listing – A written agreement between a property owner and a real estate broker giving the broker the exclusive right to sell the property for a specified period and at a specified fee. Agents whose licenses are held by a broker may sign on their broker's behalf.

F

First Right Of Refusal - A legal right by an individual giving that person the first opportunity to purchase or lease real property.

H

HUD -The U.S. Department of Housing and Urban Development. This is the agency responsible for enforcing the federal Fair Housing Act. Among HUD's many programs are urban renewal, public housing, rehabilitation loans, FHA subsidy programs, and water and sewer grants. The Office of Interstate Land Sales Registration, the Federal Housing Administration (FHA) and the National Mortgage Association (GMNA) are all under HUD.

L

Loan Commitment - A lender's written approval granting a specific loan amount, conditions, and a set time limit for closing the loan.

Loan Origination - The process of applying for a mortgage loan.

Loan Originator - The person who assists borrowers in obtaining their new loan.

Loan to Value - The ratio of the amount of the loan divided by the value or sales price of the home.

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

N

Non Conforming Loans - Loan amounts that exceeds FNMA's \$417,000 (as of July 2006) maximum lending.

P

Possession - The buyer occupying the property that is purchased or a tenant occupying the property that is leased. In a real estate sale, possession is rarely granted prior to closing when the seller receives their funds.

Prequalification - Having a mortgage lender advise that debt ratios and credit report plus other factors show a borrower qualifies for a particular loan amount before signing a contract.

Purchase and Sale Agreement - The contract between the buyer and seller stating terms, conditions, sales price and other pertinent information about the property being purchased.

Q

Qualify - To meet the guidelines based on debt, income, and credit worthiness.

Qualifying Ratios - Comparing a borrower's income to their proposed monthly housing expense. Also comparing their income to monthly housing expense added to all of the borrower's other debt obligations.

Quit Claim Deed - A document by which one property owner releases his or her claims, rights and interest in a particular property.

R

Rate Lock -When the lender issues a written commitment to a borrower as to a specific interest rate for a specific period of time.

Real Estate Owned – (REO) - Real estate that is owned by a bank or financial group. Usually a result of their borrowers defaulting on the loan and the subsequent foreclosure of the property from that buyer.

Right of first refusal - The right to the first opportunity to lease or purchase real property. For example, apartment tenants might retain the right of first refusal when their units are being converted to condominiums.

S

Sweat Equity - The equity earned as a result of the owners' labor in upgrading and improving the property.

T

Tax Lien - A lien against a property for unpaid taxes.

Ten Thirty One Exchange – (1031 Exchange) – A means of deferring capital gains taxes on real estate exchanges for like kind properties. This is allowed under the U.S. Internal Revenue Code, Section 1031.

Term - The length of time it will take to pay the mortgage in full.

Time Limit of an Offer - An offer should include a specified time period during which the other party must decide to accept, reject, or counter the offer.

Title Company -The company that, for a fee, checks and insures the title against liens, ownership claims, and title problems.

Title Insurance - An insurance policy that may be purchased to protect the new owner from any liens or clouds against the title. In order to issue title insurance, the issuer will perform a title search in the county records. Since title is searched at the time of closing, title insurance is usually less expensive at the time of closing, rather than if a buyer called the title company at a later time, as an additional title search would have to be performed prior to issuing the insurance.

Title Search - A review done by the title company's representative of all records available to determine if the title is indeed clear of all liens and claims.