

An Up-to-date, Informative and Easy-to-Use Reference Guide

Buyer's Guide to Home Ownership



Published by Vanguard Properties Marketing Group

Version 1.1 January 2012

Contents

Flow Chart

The Loan Process

Writing An Offer

The Inspection Process

Ten Questions About Pest Inspections

The Escrow Process

Title Insurance

Who Pays For What?

Tax Calendar

Common Forms of Ownership

What Closing Costs Are All About

Overview of Closing Costs

Glossary



The Flow of a Real Estate Transaction

Seller

Buyer

Agent Presents Competitive Market Analysis
 Price Established
 Listing Agreement Signed

Commitment To The Agent
 Market Education
 Financial Pre-Qualifications

MLS (Multiple Listing Service)
 Marketing, Advertisements
 Open House Showings

Viewing Properties
 Property Of Choice Located
 Writing Offer With Agent

Purchase Offer Presented To Seller

Seller Agent ↔ **Negotiation Of Terms** ↔ **Buyer Agent**

Terms Of Contract Accepted

Disclosures Provided

Escrow Opened
 Earnest Money Deposit

Loan Process Initiated

Inspections Facilitated

Disclosures
 Inspections
 Preliminary Title Report

Inspections Obtained

Conditions Removed

Seller Agent ↔ **Possible Additional Negotiations** ↔ **Buyer Agent**

Conditions Removed
 Deposit Increased

Escrow Closing Procedures

Keys Delivered
 Move In

Loan Funding
 Property Title Records At City Hall
 Utilities Transfer To Buyer

Keys Delivered
 Move In

The Loan Process

Step 1. The Application

The key to the loan process going smoothly is the initial application interview. At this time, the lender obtains all pertinent documentation so unnecessary problems and delays may be avoided. The Realtor opens escrow with the Title Company at this time as well.

Step 2. Requesting Documentation

Within 24 hours of application, the lender requests a credit report, an appraisal on the property, verifications of employment, mortgage or landlord ratings, a preliminary title report, picture ID, W2s (2 yrs), Certificate of Eligibility, a dDD214 (VA only), and any other necessary supporting documentation.

Step 3. Loan Submission

Once all the necessary documentation is in, your loan processor will put the loan package together and submit it to the underwriter for approval.

Step 4. Loan Approval

Loan approval generally takes anywhere from 1 to 5 days after receiving loan applications, verification of income & employment, and appraisers report. All parties are notified of the approval and any loan conditions must be received before the loan can fund.

Step 5. Documents are Drawn

Within 1 to 3 days after the loan's approval, loan documents (including the Note and Deed of Trust) are completed and sent to the Title Company. Your Escrow Officer will either call you directly or have your Realtor make the appointment with you to come in and sign all the documents. At this time, you will be informed how much money, if any, you will need to bring in to close the escrow.

Step 6. Funding

Once you (the Buyer) have signed the loan documents, they will be returned to the lender, who then reviews the package. If all the forms have been properly executed, the funds will be transferred by wire.

Step 7. Recordation

When the Title Company receives the funds from your lender, your Escrow Officer will authorize recordation of your signed documents with the County Recorder. He/She will then prepare a Final Settlement Statement, disburse the proceeds to the Seller, pay off the existing encumbrances and other obligations.

Step 8. You are on record!

Congratulations, you have your dream home!

Why Get Pre-Approved

The first thing you need to do is get pre-approved! This is the difference from pre-qualifying, as it is as a full loan approval instead of simply an option letter. It is best that you take this step before looking at homes. Finding out what you qualify for will help you look in the right price range. You would be disappointed if you found a home you liked and then found you couldn't qualify for it. By the same token you may be able to look at more expensive homes than you originally thought possible. Getting pre-approved will help you in the following ways:

Determining How Much You Can Afford

The lender will determine your purchasing power, which gives you a guideline as to how much home you can afford – before you start looking. They will show you a variety of different types of financing (30 year fixed, buy-down loans, adjustable, and special first-time Buyer programs, etc.) and will determine how much you qualify for with each of those types. Based on your desire payment level and type of financing with which you feel comfortable, we can determine your purchasing power.

Know What Your Down Payment Will Be and Provide Financing Options

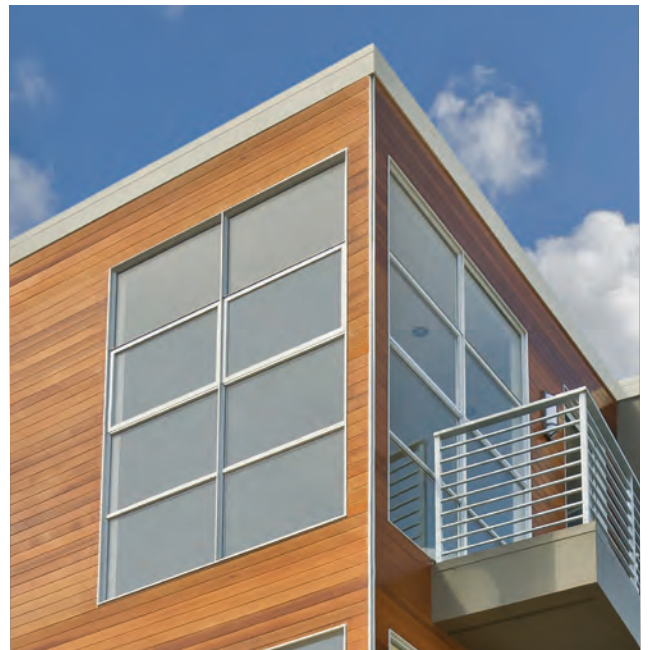
You need to choose a home based on how much money you have available. Based on the funds you have available, the lender will design a loan that will work for your individual situation.

Know What Your Monthly Payments Will Be

Before picking a price range, you should make sure that you can handle your total monthly payment: Principle, Taxes, Interest, Insurance (and Mortgage Insurance, if necessary).

Turns You Into a Cash Buyer

In today's market, Buyers are not the only parties concerned about financing. Sellers are equally concerned. In cases where there are multiple offers for homes, the Buyers must put themselves in the best possible position to have their offers accepted. Getting pre-approved also puts the Buyer into a better negotiating position, as the Seller knows the Buyer is ready, willing and able to buy, and that financing is not in question. Buyers who are not pre-approved have less chance of obtaining an accepted offer on the house they wish to buy.



Writing An Offer

There is no exact right or wrong way to make an offer. Real Estate transactions are as individual as people are, therefore there are no two transactions that are exactly alike. That said, there are basic guidelines we use in writing a “typical offer.”

Once you and your Realtor have found the home you want to buy, you will review and discuss market conditions to determine the value and what you would like to offer. There are many variables that help define what the offer price should be and your agent will explain these to you.

Once you have decided the initial offer price your agent will draft the offer and review with you all of the financing options, inspections and contingencies that are part of your offering.

Your agent will be the one to represent you to the Listing Agent and the Sellers. They will either meet the Seller and the Seller’s agent in person, or present the offer as instructed. In addition sometimes the Buyers write letters to the Sellers explaining what they like about the house. In today’s fast-paced environment, we often scan, DocuSign and email offers too. It all depends on what the Buyers and Sellers needs are.

The Realtors are here to provide you service, expert professional advice and to negotiate the best price for you on the purchase. We get you the home you want with the least amount of stress.





The Inspection Process

When you make an offer on a home, your Purchase Contract will likely contain provisions allowing you various inspections of the property. The purpose of these inspections is to educate you as to the physical condition of the property you are purchasing. They provide valuable information to you as a Buyer. Your Purchase Contract may provide for withdrawal from the contract if these reports are unsatisfactory to you, or allow you to negotiate a remedy for any previously disclosed defects and/or defects discovered through inspections.

Structural Pest Control Inspection

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

Section 1 Conditions

Most Pest Reports classify conditions as Section 1 or Section 2 items. Section 1 conditions are those that are "active," or currently causing damage to the property.

Section 2 Conditions

These items are those that are not currently causing damage, but are likely to create problems, if left unattended. A typical Section 2 item is a plumbing leak where the moisture has not yet caused decay.

Who Pays?

The Buyer usually pays for these inspections. The work to be completed is negotiated between the Buyer and Seller. If we provided a pest inspection report prior to writing our offer, it is often assumed by the Seller that we took this information into account when arriving at our offer price. I will advise you in these matters.

Property Inspection

The inspection clause in your Purchase Contract, when initialed by both parties, allows you the right to have the property thoroughly inspected. This is called a general home inspection, and is generally conducted by a licensed general contractor who specializes in pre-sale inspections. The general inspection will sometimes call for additional inspections by specific trades people, such as roof or furnace inspectors. By law, licensed home inspectors do not give bids for repairs that maybe required.

Who Pays?

The Buyer usually pays for this inspection.

Home Warranty

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



10 Questions About Pest Inspections

1

Q: Under what conditions is a pest control inspection required?

A: Although the State of California regulates structural pest control firms, it does not require an Inspection Report prior to the sale of property. However, financial institutions usually require the report to ensure that the building is structurally sound. This requirement protects their investments and provides the Buyer with an inexpensive safeguard against the cost of pest control repair and treatment.

2

Q: What are the rights of the Buyer with regard to pest inspection reports & pest control treatment?

A: When a pest control company is hired, it is accountable to both the Buyer and the Seller, regardless of who pays for the inspection. It is required to furnish the person who orders the inspection with a copy for the report within 5 days. Under section 1099 of the Civil Code, the Seller must deliver a copy of the report to the Buyer.

3

Q: What information must be included on the the inspection report?

A: The Structural Pest Control Board requires all pest companies use a standardized inspection report form. The inspection report identifies wood-destroying organisms or conditions likely to cause pest infestation and the areas where the problem exists. Recommendations are also made for corrective treatment.

4

Q: What areas are considered to be inaccessible on the inspection report?

A: Those areas that cannot be inspected without opening the structure or removing the objects blocking the opening are considered inaccessible. Attics without adequate crawl space, slab foundations without openings to bathroom plumbing, floors covered by carpeting, wall interiors, and locked storage areas are the most common inaccessible areas. The pest inspector must list all inaccessible areas.

5

Q: Do all recommendations on the inspection report have to be completed prior to the sale?

A: The Buyer should be aware of work that has been done and work that has yet to be completed before purchasing the home. Pest Control companies are required to complete a Notice of Work Completed and Not Completed when any work is done on the structure.



6

Q: If two inspection reports are filed on the same structure within a close period, should they be nearly identical?

A: There are three parts to an inspection report: Findings, Recommendations, and Estimates. Each may differ from company to company. Findings should be similar, no matter which company performs the inspection. Any major difference, such as failing to spot active infestations, should be reported to both companies.

7

Q: How long is an inspection report valid and are companies required to certify their inspection work?

A: Under the California Structural Pest Control Act, all licensees are responsible for any inspection for two years from the date of such work. However, they are not responsible for conditions that develop after the inspection.

8

Q: How can a Buyer tell if a house has been inspected before any work has been completed?

A: Every time a pest control company makes an inspection for wood-destroying pests and organisms, it must post a tag at the entrance of the attic or in the garage. The tag contains the firm's name and the date of the inspection. A similar tag must be posted next to the inspection tag when the company completes a *Notice of Work Completed or Not Completed*, indicating any work completed with respect to wood-destroying pest organisms.



9

Q: What criteria should a consumer use in selecting a pest control company?

A: The approach should be similar to buying other goods. Check the Internet, shop around, compare prices and services, and get more than one estimate for an inspection. Ask friends or neighbors who have recently used structural pest control services for reference. Realtors may also recommend companies.

10

Q: What recourse does a consumer have if dissatisfied with the pest control company?

A: After reading the information, contact the company with whom you are dissatisfied and explain your problem. If the company does not resolve the problem to your satisfaction, you can contact the California Structural Pest Control Board for additional information or assistance by telephoning (919) 920-6323 in Northern California.

The Escrow Process

When opening an escrow, the Buyer and Seller of a piece of property establish terms and conditions for the transfer of ownership of that property. These terms and conditions are given to a neutral third party known as the escrow holder. The escrow holder in turn has the responsibility of seeing that the terms of the escrow are carried out. The escrow is an independent, neutral account and the vehicle by which the interest of all parties to the transaction are protected.

How Does the Escrow Process Work?

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

What Does the Escrow Holder Do?

The escrow holder is a neutral third party that maintains the escrow and impartially oversees the escrow process, ensuring that all conditions of the sales are properly met or executed.



The Escrow Holder's Duties Include:

- Serving as the neutral agent and the liaison between all parties involved.
- Preparing the escrow instructions.
- Requesting a Preliminary Title Search to determine the status of the title of the property.
- Requesting a Beneficiary's Statement if debt or obligations are to be taken over by the Buyer.
- Complying with the lender's requirements as specified in its instructions to escrow.
- Receiving and handling purchase funds from the Buyer.
- Preparing or securing the deed and other documents related to the escrow.
- Prorating taxes, interest, insurance and rents.
- Securing releases of all contingencies or other conditions imposed on the escrow.
- Recording the deed and any other documents.
- Requesting the title insurance policy.
- Closing the escrow pursuant to instruction supplied by the Seller, Buyer, and lender, if any.
- Disbursing funds as authorized by the instructions, including charges for the title insurance, recording fees, real estate commissions and loan payoffs.
- Preparing final HUD statements for all parties that account for the disposition of all funds held in the escrow account.

How Do I Open An Escrow?

Your Vanguard Real Estate Agent, will open escrow if one has not already been opened. As soon as you execute the Purchase Agreement, typically funds are wired directly to the escrow account. The funds will then be deposited in a separate escrow account and processed through your bank. You will receive a receipt for the funds from the Title Company.

What Information Will I Have To Provide?

You may be asked to complete a Statement of Identity as part of the paperwork. Because many people have the same name, the Statement of Identity is used to identify a specific person involved in the transaction through such information as date of birth, social security number, etc. This information is held in strict confidence.

How Long is An Escrow?

The length of an escrow is determined by the terms of the Purchase Agreement and can range from a few days to several months. The average length of an escrow is usually 30 to 45 days.

When Do I Sign Escrow Instructions and Where?

A few days before closing, your escrow officer or I will contact you to make the appointment for you to sign your escrow instructions, grant deed, and final papers. At this time, your escrow officer will also tell you the amount of money you will need to provide at closing.

- Lenders requirements – Buyers – Check with your lender to make sure you have satisfied all your lender requirements before coming to the Title Company to sign papers.
- Fire and Hazard insurance – Buyers – You must have fire and hazard insurance in place before the lender will send money to the Title Company to fund your loan. Whenever you buy a single family home, you must have insurance. Once you have spoken to your insurance agent, call your Title Company with the insurance agent's name and phone number so they can make sure the policy complies with your lender's requirements.

After Your Appointment

After all parties have signed all the necessary papers, your escrow officer will return the Buyer's loan documents to the lender for a final review. This review usually occurs within a few days of execution of the documents. Once the review is completed, the lender will call your escrow officer and wire funds so that the necessary final paperwork can be completed to record the documents and close the escrow.

Escrow Closing

The escrow closing is the legal transfer of the property's title from the Seller to Buyer. Usually A Grant Deed and the Deed of Trust are recorded within one day of the Title Company's receipt of loan funds. This completes the transactions and signifies the close of escrow.

Once all the conditions of escrow have been satisfied, your escrow officer will inform you of the date escrow will close and take care of all the technical and financial details of recordation.

When Will I Get The Deed?

The deed to your new home will be mailed directly to you by the County Recorder's Office several weeks after the close of escrow. Be sure to keep it in a safe place.



Title Insurance

Title Insurance is a contract of indemnity, which guarantees that the title to a property is as reported and, if not as reported and the owner is damaged, the title policy covers the insured for losses up to the amount of the policy. Title insurance assures owners that they are acquiring marketable title. Title insurance is designed to eliminate risk or loss caused by historical defects in title. Title insurance provides coverage only for the title problems which are already in existence at the time the policy was issued.

Title Search

Your Title Company works to eliminate risks by performing a search of the public records through its own plant. The search consists of public records, laws and court decisions pertaining to the property to determine the current recorded ownership, any recorded liens or encumbrances or any other matters of record that could affect the title to the property. When a title search is complete, your Title Company will issue a preliminary report detailing the current status of the title.

A Preliminary report contains vital information which can affect the close of escrow: ownership of the subject property how the current owner holds title, matters of record that specifically affect the subject property or its owners, a legal description of the property and an informational plat map.



What Does a Title Policy Not Cover?

Not all risks can be determined by a title search, since certain things such as forgeries, identity of persons, incompetency, failure to comply with the law, or incapacity cannot be disclosed by an examination of the public records. Matters, which a physical examination or a survey of the property might disclose, are not covered. However, more extended coverage is available and should be considered. The California Land Title Associations (CLTA) is the standard policy of the title insurance in California and is used to cover either an owner's or lender's interest.

What Does a CLTA Policy Cover?

- Ownership of the property
- All record matters affecting title are shown in the policy in order of their priority
- Defines access, if the property abuts upon an open public, dedicated street
- Identifies that there are no forgeries or failed conveyances in the chain of title
- Identifies that the insured has a marketable interest in the real property
- With regards to Lender's coverage, it covers:
 1. The Priority of the insured mortgage
 2. The invalidity or unenforceability of the lien of the insured agent
 3. The invalidity or unenforceability of the lien of the insured mortgage on the title

Who Pays For What?

The Seller generally pays for:

- Real Estate commission
- Documentation preparation fees for Deed
- Transfer tax
- Notary fees
- Homeowner's transfer fee
- Interest accrued, statement fees, reconveyance fees and any payment penalties
- Any judgments or tax liens
- Prorated taxes of any unpaid property taxes
- Any unpaid homeowner's dues
- Any bonds or assessments
- Any and all delinquent property taxes

The Buyer generally pays for:

- Title Insurance premiums
- Escrow fee from the Title Company
- Document preparation
- Notary fees
- Recording charges for all documents in Buyer's name
- Any loan fees required by Buyer's Lender
- Inspection fees (pest inspection, property inspection, roofing, geological)
- Tax pro-ration (from the date of acquisition)
- All new loan charges
- Interest on new loan from date of funding to 30 days prior to first payment date
- Assumption/change of records fees for takeover of existing loan
- Fire and hazard insurance premium for 1st year



Tax Calendar

Month	Important Dates	Computing Delinquent Penalties
January		
February	February 1 – Second installment due	
March	March 1 – Assessment date March 1 – Taxes on unsecured roll due	
April	April 10 – Second installment delinquent April 15 – Last day to file Homeowners, Veterans & Senior Citizens Exemptions	April 10 to June 30 One or both installments 10% + \$10.00 Cost
May		
June	June 8 – Publication date for delinquent taxes	
July	July 1 – Beginning of fiscal year to July 1 of the following year July 1 – Properties with delinquent taxes sold to state July first Monday – Assessment Appeals Board July 30 – Last day to advise owners of new values	July 1 and Later One or both installments delinquent Add 10% Penalty Add \$10.00 Cost Add \$15.00 Redemption Charge Add 1 ½ % per month
August	August (late) – Sale number assigned for delinquent taxes	
September	September (late) – Tax rates set	
October	October (last week) – Tax bills mailed	
November	November 1 – First installment due	
December	December 10 – First installment delinquent	December 10 to April 10 First installment delinquent Add 10%

SECOND INSTALLMENT JANUARY 1 - JUNE 30

FIRST INSTALLMENT JULY 1 - DECEMBER 31



Common Forms of Ownership

	Tenancy in Common	Joint Tenancy	Community Property
Parties	Any number of persons (can be husband and wife)	Any number of persons (can be husband and wife)	Husband and wife Registered domestic partners
Division	Ownership can be divided into any number of interests	Ownership cannot be divided	Unless designated as a sole and separate property, ownership interests are equal
Title	Each owner has a separate legal title to their undivided interests	There is only one title to the whole property	Title is in the "Community" (Similar to partnership)
Possession	Equal right of possession	Equal right of possession	Equal right of possession
Conveyance	Each co-owner's interest may be conveyed separately by its owner	Conveyance by one co-owner without the others break the joint tenancy	Both co-owners must join in conveyance of the real property. Separate interest cannot be conveyed
Purchaser's Status	Purchaser becomes a tenant in common with the other co-owners	Purchaser becomes a tenant in common with the other co-owners	Purchaser can only acquire whole title of community; cannot acquire part of it
Death	On co-owner's death, their interest passes by will to their devisees or heirs. No survivorship rights	On co-owner's death, their interest ends and cannot be willed. Survivor owns the succession property by survivorship	On co-owner's death, half goes to the survivor in severalty. Up to half goes by will or to others (ask attorney for specifics)
Successor's Status	Devisees or heirs become tenants in common	Last survivor owns the property in severalty	If passing by will, tenancy-in-common between devisee and survivor results
Creditors	Co-owner's interest may be sold on execution sale to satisfy his creditor. Creditor becomes a tenant in common	Co-owner's interest may be sold on execution sale to justify his creditor. Joint tenancy is broken, creditor becomes a tenant in common	Co-owner's interest cannot be seized and sold separately. The whole property may be sold to satisfy debts of either husband or wife, depending on the debt.
Presumptions	Favored in doubtful cases except husband and wife (see community property)	Must be expressly stated and properly formed. Not favored	Strong presumption that property acquired by husband and wife is community



What Closing Costs Are All About

Closing Costs or settlement costs are an accumulation of separate charges paid to different entities for the professional services associated with the buying and selling of real estate.

Some of the items associated with the closing costs are:

Title Insurance Premium

Fee paid by an individual to ensure she/he has a marketable title or (in case of a lender) to ensure its lien position.

Real Estate Commission

Fee paid to a real estate company for services rendered in listing, showing, selling and consummating the transfer of property.

Transfer and Assumption Charges

Fees charged by a lender to allow a new purchaser to assume an existing loan.

Recording Fees

Fees assessed by a county recorder's office for recording the documents of a real estate transaction.

Loan Fees

Fees charged by a lender in connection with the processing of a new loan. These may include points, origination fee and credit report.

Escrow Fees

Fees charged by a title and/or escrow company for services rendered in preparing documents necessary in the consummation of a real estate transaction.

Additional Settlement

Taxes, insurance, impounds, interest proration's and termite inspection fees.





Overview Of Closing Costs

Listed below are some typical closing costs you, as the Buyer, may incur as part of your loan transaction. When you apply for a loan, you will receive a Good Faith Estimate of closing costs and settlement charges, along with a booklet that will explain these costs.

Appraisal:

This is a one-time fee that pays for an appraisal – a statement of property value for the lender. The appraisal is made by an independent fee appraiser.

Credit Report Fee:

A one-time fee that covers the cost of the credit report.

Loan Discount:

A one-time fee used to adjust the yield on the loan to what market conditions demand, called “points.”

Loan Origination Fee:

The lender’s administrative costs in processing the loan are covered by this fee.

PMI Premium:

You might be required to pay an up front fee for mortgage insurance, depending on the amount of your down payment. Lenders may also require monies be placed into a reserve account held by them.

Prepaid Interest:

Depending on the time of month your loan closes, this per diem charge may vary from a full month’s interest to just a few days. If your loan closes at the beginning of the month, you will probably have to pay the maximum amount if your loan closes at the end of the month, you will only have to pay a few days interest.

Taxes and Hazard Insurance:

You may be required to reimburse the Seller for property taxes, prorated depending on the month in which you close. You will also need to pay a year’s hazard insurance premium up front. Also, you might be required to put a certain amount for taxes and impounds into a reserve account held by the lender.

Title Insurance Fees:

There are two title policies, a lender’s policy (which protects the lender against loss due to defects in the title) and a Buyers’ title policy which protects you). These are both one-time fees.

Escrow Fee:

Fee charged by the Title Company to handle funds and documents of Buyers and Sellers.

- Notary Fees: State established fee of \$10.00 per signature
- Recording Fees: Fee paid to county to record documents
- Inspections Fees: Fees charged for various inspections of said property
- Home Warranty Plan: Optional Warranty Package that pays for repair/replacement of home’s major systems and appliances
- Disclosure Source: Optional. Consult your Realtor.





Glossary.

Acceleration Clause – A clause in a Deed of Trust or Note that accelerates or hastens the time when the debt becomes due. For example, most Deeds of Trust of loans contain a provision that the Note shall become due immediately upon the sale or transfer of title of the loan, or upon failure to pay an installment of principal or interest. This is also called a due on sale clause.

Adjustable Rate Mortgage – A mortgage instrument with an interest rate that is periodically adjusted to follow a preselected published index. The interest rate is adjusted at certain intervals during the loan period.

Agency – Any relationship in which one party (agent) acts for or represents another (principal) under the authority of the principal. Agency involving real property should be in writing, such as listing, trust, powers of attorney, etc.

Amortization – Payment of debt in regular, periodic installments of principal and interest, as opposed to interest only payments.

Appraisal – An opinion of value based on factual analysis. Legally, an estimation of value by two discriminated persons of suitable qualifications.

APR (Annual Percentage Rate) – The yearly interest percentage for a loan, as expressed by the actual rate of interest paid. The APR is disclosed as a requirement of Federal Truth in Lending Statutes.

Assessed Value – Value placed upon property for property tax purposes by the Tax Collector.

Assumption - When a Buyer takes over, or “assumes” the Sellers mortgage.

Attached Housing - Any number of houses or other dwellings which are physically attached to one another, but are occupied by a number of different people. The individual houses may or may not be owned by separate people as well.

Balloon Mortgage - A mortgage loan in which the monthly payments are not large enough to repay the loan by the end of the term. So at the end of the term, the remaining balance comes due in a single large payment.

Balloon Note – A note calling for periodic payments which are insufficient to fully amortize the face amount of the note prior to maturity, so that a principal sum known as a “balloon” is due at maturity.

Balloon Payment - The final large payment at the end of a balloon mortgage term.

Beam - A structural supporting member.

Beneficiary – (1) One for whose benefit a trust is created. (2) In states in which deeds of trust are commonly used instead of mortgages, the lender (mortgagee) is called the beneficiary.

Bill Of Sale - A physical receipt indicating the sale of property.

Bi-Weekly Mortgage - A mortgage where you make “1/2 payments” every two weeks, rather than one payment per month. This results in making the equivalent of 13 monthly payments per year, rather than 12, significantly reducing the time it takes to pay off a 30 year mortgage.

Blighted Area - Any region of a city or town that has fallen into disrepair or otherwise has become undesirable.

Borrower – One who borrows funds, with the express or implied intention of repaying the loan in full, or giving the equivalent.

Bona Fide - Any genuine offer, made without intent to defraud or deceive.

Breach Of Contract – Failure to perform a contract, in whole or in part, without legal excuse.

Bridge Financing - An interim loan made to facilitate the purchase of a new home before the Buyer's current residence sells and its equity is available to fund the new purchase.

Broker - An individual who facilitates the purchase of property by bringing together a Buyer and a Seller.

Building Code - Regulations that ensure the safety and material compliance of new construction within a municipality. Building codes are localized to ensure they are adequate to meet the risk of common hazards.

Building Line Or Setback - The statutory distance between buildings and the property line, imposed by municipalities, home associations, or other agreements.

Bungalow - A one-story, home-style dating from the early twentieth century. Often characterized by a low-pitched roof.

Buy Down - Extra money paid in a lump sum to reduce the interest rate of a fixed rate mortgage for a period of time. The extra money may be paid by the borrower, in order to have a lower payment at the beginning of the mortgage. Or paid by the Seller, or lender, as incentive to buy the property or take on the mortgage.

Call Option - A clause in a mortgage which allows the lender to demand payment of the outstanding balance at a specific time.

Cal-Vet Loans – Real Estate loans available to Armed Forces Veterans from California, at low interest rates.

Cap - Associated with Adjustable Rate Mortgages. A limit on how high monthly payments or how much interest rates may change within a certain time period or the life of the mortgage.

Capital - Accumulated goods and money which is most often used to generate additional income.

Capital Expenditure - An outlay of funds designed to improve the income-producing capabilities of an asset or to extend its economic life.

Cash-Out Refinance - Refinancing a mortgage at a higher amount than the current balance in order to transform a portion of the equity into cash.

Caveat Emptor - Literally translated: "Let the Buyer beware." A common business tenet whereby the Buyer is responsible for verifying any and all claims by the Seller of property.

Certificate Of Deposit - A document showing that the bearer has a certain amount of money, at a particular amount interest, on deposit with a financial institution.

Certificate Of Deposit Index - An index based on the interest rate of six months.

CD's - Used to set interest rates on some Adjustable Rate Mortgages.

Certificate Of Eligibility - A document issued by the Veterans Administration that certifies eligibility for a VA loan.

Certificate Of Occupancy - Issued by an appropriate jurisdictional entity, this document certifies that a building complies with all building codes and is safe for use or habitation.

Glossary (continued)

Certificate Of Reasonable Value (CRV) - Usually based on an independent appraisal, a CRV for a particular property establishes the maximum amount which can be secured by a VA mortgage.

Certificate Of Title - A document designating the legal owner of a parcel of real estate. Usually provided by a title or abstract company.

Certified General Appraiser - Generally, any professional who has met the local or state requirements, and passed the appropriate certification exam, and is capable of appraising any type of property.

Certified Residential Appraiser - A sub-classification of appraiser who is only licensed to appraise residential property, usually up to four units.

Chain Of Title - The complete history of ownership of a piece of property.

Chattel - Any personal property which is not attached to or an integral part of a property. Chattel is not commonly taken into consideration when appraising the value of real property.

Clear Title - Ownership of property that is not encumbered by any counter-claim or lien.

Closing - The process whereby the sale of a property is consummated with the Buyer completing all applicable documentation, including signing the mortgage obligation and paying all appropriate costs associated with the sale (closing costs).

Closing Costs - All appropriate costs generated by the sale of property which the parties must pay to complete the transaction. Costs may include appraisal fees, origination fees, title insurance, taxes and any points negotiated in the deal.

Closing Statement - The document detailing the final financial arrangement between a Buyer and Seller and the costs paid by each.

Cloud On Title - An invalid encumbrance on real property, which, if valid, would affect the rights of the owner. For example: (A) sells lot 1, tract 1 to (B). The deed is mistakenly drawn to read Lot 2, tract 1. A cloud is created on lot 2 by the recording of the erroneous deed. The cloud may be removed by quitclaim deed, or if necessary, by court action.

Co-Borrower - A second person sharing obligation on the loan and title on the property.

Collateral - An asset which is placed at risk to secure the repayment of a loan.

Collection - The process a lender takes to pursue a borrower who is delinquent on his payments in order to bring the mortgage current again. Includes documentation that may be used in foreclosure.

Co-Maker - A second party who signs a loan, along with the borrower, and becomes liable for the debt should the borrower default.

Common Law - As opposed to statute law. Laws that have been established by custom, usage and courts over many years.

Commission - A percentage of the sales price or a fixed fee negotiated by an agent to compensate for the effort expended to sell or purchase property.

Common Area Assessments - Fees which are charged to the tenants or owners of properties to cover the costs of maintaining areas shared with other tenants or owners. Commonly found in condominium, PUD or office spaces.

Common Areas - Any areas, such as entry ways, foyers, pools, recreational facilities or the like, which are shared by the tenants or owners of property near by. Commonly found in condominium, PUD or office spaces.

Community Home Buyers' Program – A fixed rate loan with a low 3 to 5% Down payment, no cash reserve requirement, and easier qualifying ratios. Subject to borrower meeting income limits and attendance of a 4 hour training course on home ownership.

Community Property - In many jurisdictions, any property which has been acquired by a married couple. The ownership of the property is considered equal unless stipulated otherwise by both parties.

Comparables - An abbreviated term used by appraisers to describe properties which are similar in size, condition, location and amenities to a subject property who's value is being determined. The Uniform Standards of Professional Appraisal Practice (USPAP) establish clear guidelines for determining a comparable property.

Compound Interest - Interest paid on the principal amount, as well as any accumulated interest.

Concessions - Additional value granted by a Buyer or Seller to entice another party to complete a deal.

Condominium - A development where individual units are owned, but common areas and amenities are shared equally by all owners.

Condominium Conversion - Commonly, the conversion of a rental property such as an apartment complex into a CONDOMINIUM-style complex where each unit is owned rather than leased.

Consideration – Anything which is, legally, of value, and induces one to enter into a contract.

Construction Loan - A loan made to a builder or homeowner that finances the initial construction of a property, but is replaced by a traditional mortgage once the property is completed.

Contingency - Something that must occur before something else happens. Often used in real estate sales when a Buyer must sell a current home before purchasing a new one. Or, when a Buyer makes an offer that requires a complete home inspection before it becomes official.

Contract - A legally binding agreement, oral or written, between two parties.

Conventional Mortgage - A traditional, real estate financing mechanism that is not backed by any government or other agency (FHA, VA, etc.).

Convertible Arm - A mortgage that begins as an adjustable, that allows the borrower to convert the loan to a fixed rate within a specific time frame.

Conveyance – Transfer of title to land. Includes most instruments by which an interest in real estate is created, mortgaged or assigned.

Cooperative (Co-Op) - A form of ownership where each resident of a multiunit property owns a share in a cooperative corporation that owns the building. With each resident having rights to a specific unit within the building.

Glossary (continued)

Corporate Relocation - A situation where a person's employer pays all or some of the expenses associated with moving from one location to another, usually over a substantial distance. Relocation expenses often include the amounts, such as Brokerage fees, incurred in the selling and buying of the employee's primary residence.

Cost Of Funds Index (COFI) - An index of Financial institution's costs used to set interest rates for some Adjustable Rate Mortgages.

Covenant - A stipulation in any mortgage that, if not met, can be cause for the lender to foreclose.

Credit - A loan of money for the purchase of property, real or personal. Credit is either secured by an asset, such as a home, or unsecured.

Credit History - A record of debt payments, past and present. Used by mortgage lenders in determining credit worthiness of individuals.

Creditor - A person to whom money is owed.

Credit Report - A detailed report of an individual's credit, employment and residence history prepared by a credit bureau. Used by lenders to determine credit worthiness of individuals.

Credit Repository - Large companies that gather and store financial and credit information about individuals who apply for credit.

Date Of Appraisal - The specific point in time as of which an appraiser designates the value of a home. Often stipulated as the date of inspection.

Debt - An obligation to repay some amount owed. This may or may not be monetary.

Debt Equity Ratio - The ratio of the amount a mortgagor still owes on a property to the amount of equity they have in the home. Equity is calculated at the fair-market value of the home, less any outstanding mortgage debt.

Deed - A document indicating the ownership of a property.

Deed-In-Lieu (Of Foreclosure) - A document given by a borrower to a lender, transferring title of the property. Often used to avoid credit-damaging foreclosure procedures.

Deed Of Trust - A document which transfers title in a property to a trustee, whose obligations and powers are stipulated. Often used in mortgage transactions.

Deed Of Reconveyance - A document which transfers ownership of a property from a Trustee back to a borrower who has fulfilled the obligations of a mortgage.

Deed Of Release - A document which dismisses a lien or other claim on a property.

Deed Of Surrender - A document used to surrender any claim a person has to a property.

Default - The condition in which a borrower has failed to meet the obligations of a loan or mortgage.

Delinquency - The state in which a borrower has failed to meet payment obligations on time.

Deposit - Cash given along with an offer to purchase property.

Depreciation - The natural decline in property value due to market forces or depletion of resources.

Detached Single-Family Home - A single building improvement intended to serve as a home for one family.

Discount Points - Points paid in addition to the loan origination fee to get a lower interest rate. One point is equal to one percent of the loan amount.

Disposable Income - Monthly income left over after fixed obligations and living expenses are paid for that period.

Documentary Transfer Tax - A state tax on the sale of real property, based on the sale price.

Distressed Property - A mortgaged property which has been foreclosed on.

Due-On-Sale Provision - A clause in a mortgage giving the lender the right to demand payment of the full balance when the borrower sells the property.

Duplex - A single-building improvement which is divided and provides two units which serve as homes to two families.

Down Payment - An amount paid in cash for a property, with the intent to mortgage the remaining amount due.

Earnest Money Deposit - A cash deposit made to a home Seller to secure an offer to buy the property. This amount is often forfeited if the Buyer decides to withdraw his offer.

Easement - The right of a non-owner of property to exert control over a portion or all of the property. For example, power companies often own an easement over residential properties for access to their power lines.

Eave - The part of the roof that extends beyond the exterior wall.

Economic Depreciation - The decline in property value caused by external forces, such as neighborhood blight or adverse development.

Economic Life - The amount of time which any income-producing property is able to provide benefits to its owner.

Effective Age - The subjective, estimated age of a property based on its condition, rather than the actual time since it was built. Excessive wear and tear can cause a property's effective age to be greater than its actual age.

Eminent Domain - The legal process whereby a government can take ownership of a piece of property in order to convert it to public use. Often, the property owner is paid fair-market value for the property.

Encroachment - A building or other improvement on one property which invades another property or restricts its usage.

Encumbrance - A claim against a property. Examples are mortgages, liens and easements.

Energy Efficiency Ratio - An efficiency rating system for air conditioning units that corresponds to the number of BTU's output per watt of electricity used.

Equal Credit Opportunity Act (ECOA) - U.S. federal law requiring that lenders afford people equal chance of getting credit without discrimination based on race, religion, age, sex etc.

Equity - The difference between the fair market value of a property and that amount an owner owes on any mortgages or loans secured by the property.

Glossary (continued)

Equity Buildup - The natural increase in the amount of equity an owner has in a property, accumulated through market appreciation and debt repayment.

Errors And Omissions Insurance - An insurance policy taken out by appraisers to cover their liability for any mistakes made during the appraisal process.

Escrow - An amount retained by a third party in a trust to meet a future obligation. Often used in the payment of annual taxes or insurance for real property.

Escrow Account - An account setup by a mortgage servicing company to hold funds with which to pay expenses such as homeowners insurance and property taxes. An extra amount is paid with regular a principal and interest payment that goes into the escrow account each month.

Escrow Analysis - An analysis performed by the lender usually once each year to see that the amount of money going into the escrow account each month is correct for the forecasted expenses.

Escrow Disbursements - The payout of funds from an escrow account to pay property expenses such as taxes and insurance.

Estate - The total of all property and assets owned by an individual.

Examination Of Title - The report on the title of a property from the public records or an abstract of the title.

Exclusive Listing - An agreement between the owner of a property and a Real Estate Agent giving the agent exclusive right to sell the property.

Execute - To put into effect: carry out. To make valid, as by signing a deed.

Executor - The person named in a will to administer the estate.

Facade - The front exposure of any building. Often used to describe an artificial or false front which is not consistent with the construction of the rest of the building.

Fair Credit Reporting Act - A federal law regulating the way credit agencies disclose consumer credit reports and the remedies available to consumers for disputing and correcting mistakes on their credit history.

Fair Market Value - The price at which two unrelated parties, under no duress, are willing to transact business.

Fannie Mae - A private, shareholder-owned company that works to make sure mortgage money is available for people to purchase homes. Created by Congress in 1938, Fannie Mae is the nation's largest source of financing for home mortgages.

Fascia - The boards that enclose the eaves.

Federal Deposit Insurance Corporation (FDIC) - The U.S. Government agency created in 1933 which maintains the stability of and public confidence in the nation's financial system by insuring deposits and promoting safe and sound banking practices.

Federal Home Loan Banks - A system of 11 regional banks established by the Home Loan Bank Act of 1932 in order to keep a permanent supply of money available for home financing.

Federal Housing Administration (FHA) - A sub-agency of the U.S. Department of Housing and Urban Development created in the 1930's to facilitate the purchase of homes by low-income, first-time home Buyers. It currently provides federally-subsidized mortgage insurance for private lenders.

Fee Appraiser - A certified, professional appraiser who estimates the fair market value of property and receives a set fee in exchange.

Fee Simple - A complete, unencumbered ownership right in a piece of property.

Fee Simple Estate - A form of ownership, or holding title to real estate. It is the most complete form of title, having an unconditional and unlimited interest of perpetual duration.

FHA Mortgage - A mortgage that is insured by the Federal Housing Administration (FHA).

FHLMC (Freddie Mac) – Federal Home Loan Mortgage Corporation. A Federal Agency purchasing first mortgages, both conventional and federal insured, from members of the Federal Reserve System and the Federal Home Loan Bank System.

Final Value Estimate - The estimated value of a piece of property resulting from an appraisal following the USPAP guidelines.

First Mortgage - The primary loan or mortgage secured by a piece of property.

Fixed-Rate Mortgage (FRM) - A mortgage which has a fixed rate of interest over the life of the loan.

Fixture - Any piece of personal property which becomes permanently affixed to a piece of real property.

Flashing - The metal used around the base of roof mounted equipment, or at the junction of angles used to prevent leaking.

Flood Insurance - Supplemental insurance which covers a home owner for any loss due to water damage from a flood. Often required by lenders for homes located in FEMA designated flood zones.

Floor Plan - The representation of a building which shows the basic outline of the structure, as well as detailed information about the positioning of rooms, hallways, doors, stairs and other features. Often includes detailed information about other fixtures and amenities.

Flue - The furnace exhaust pipe, usually going through the roof.

Flood Insurance – Insurance indemnifying banks against loss by flood damage. Required by lenders (usually banks) in areas designated (federally) as potential flood areas. The insurance is private but federally subsidized.

FNMA (Fannie Mae) – Federal National Mortgage Association. A private corporation dealing in the purchase of first mortgages, at discounts.

Foreclosure - The process whereby a lender can claim the property used by a borrower to secure a mortgage and sell the property to meet the obligations of the loan.

Forfeiture - The loss of property or money due to the failure to meet the obligations of a mortgage or loan secured by that property.

Foundation - The solid structural element upon which a structure is built.

Frontage - The segment of a property that runs along a point of access, such as a street or water front.

Gable Roof - A steeply angled, triangular roof.

Gambrel Roof - A “barn-like” roof, where the upper portion of the roof is less-steeply angled than the lower part.

General Lien - A broad-based claim against several properties owned by a defaulting party.

Glossary (continued)

Ginnie Mae - A wholly owned corporation created in 1968 within the U.S. Department of Housing and Urban Development to serve low-to moderate-income home Buyers.

Government Mortgage - Any mortgage insured by a government agency, such as the FHA or VA.

Good Faith – Having good intentions, such as a Buyer putting a deposit for a house or when a lender discloses all information/costs to the loan.

Grant Deed – One of the many types of deeds used to transfer real property. Grantee – one to whom a grant is made, generally the Buyer. Grantor – one who grants property or property rights.

Grade - The slope of land around a building. Also ground level.

Grantee - Any person who is given ownership of a piece of property.

Grantor - Any person who gives away ownership of a piece of property.

Gross Area - The sum total of all floor space, including areas such as stairways and closet space. Often measured based on external wall lengths.

Hazard Insurance - Insurance covering damage to a property caused by hazards such as fire, wind & accident.

Header - The framing elements above an opening such as a window or door.

Height Zoning - A municipal restriction on the maximum height of any building or other structure.

Hidden Amenities - Assets of a property which contribute to its value, but are not readily apparent. Examples might include upgraded or premium building materials.

Highest And Best Use - The most profitable and likely use of a property. Selected from reasonably probable and legal alternative uses, which are found to be physically possible, appropriately supported and financially feasible to result in the highest possible land value.

Home Equity Conversion Mortgage (HECM)
Also known as a reverse annuity mortgage. It allows home owners (usually older) to convert equity in the home into cash. Normally paid by the lender in monthly payments. HECM's typically don't have to be repaid until the borrower is no longer occupying the home.

Home Equity Line Of Credit - A type of mortgage loan that allows the borrower to draw cash against the equity in his home.

Home Inspection - A complete examination of a building to determine its structural integrity and uncover any defects in materials or workmanship which may adversely affect the property or decrease its value.

Home Inspector - A person who performs professional home inspections. Usually, with an extensive knowledge of house construction methods, common house problems, how to identify those problems and how to correct them.

Homeowner's Association - An organization of home owners in a particular neighborhood or development formed to facilitate the maintenance of common areas and to enforce any building restrictions or covenants.

Homeowner's Insurance - A policy which covers a home owner for any loss of property due to accident, intrusion or hazard.

Homeowner's Warranty - An insurance policy covering the repair of systems and appliances within the home for the coverage period.

Housing Starts – Number of houses on which construction has begun. The figures are used to determine the availability, housing, need for real estate loans, need for labor and materials, etc.

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

HUD-1 Statement - A standardized, itemized list, published by the U.S. Department of Housing and Urban Development (HUD), of all anticipated CLOSING COSTS connected with a particular property purchase.

Improved Land - Any parcel of land which has been changed from its natural state through the creation of roads, buildings or other structures.

Improvements - Any item added to vacant land with the intent of increasing its value or usability.

Improvement Ratio - The comparative value of an improved piece of land to its natural, unaltered state.

Impound Account – Account held by lender for payment of taxes, insurance, or other periodic debts against real property. The borrower pays a portion of, for example, the yearly taxes, with each monthly payment. The lender pays the tax bill from the accumulated funds.

Income Approach - The process of estimating the value of property by considering the present value of a stream of income generated by the property.

Income Property - A piece of property whose highest and best use is the generation of income through rents or other sources.

Independent Appraisal - An estimation of value created by a professional, certified appraiser with no vested interest in the value of the property.

Index – An index used to adjust the interest rate of an adjustable rate mortgage loan. For example: the change in U.S. Treasury securities (T-bills) with a 1 year maturity. The weekly average yield on securities, adjusted to a constant maturity of one year, which is the result of weekly sales, may be obtained weekly. This change in interest rates is the “index” for the change in the specific adjustable rate mortgage.

Inspection - The examination of a piece of property, its buildings or other amenities.

Instrument – A legal document, such as a deed, mortgage, will, lease, etc.

Insurable title - The title to property which has been sufficiently reviewed by a title insurance company, such that they are willing to insure it as free and clear.

Interest Rate - A percentage of a loan or mortgage value that is paid to the lender as compensation for loaning funds.

Interest Rate Cap – The maximum interest rate increase of an adjustable rate loan. For example: 6% loan with a 5% interest rate cap would have a maximum interest for the life of the loan which would not exceed 11%.

Investment Property - Any piece of property that is expected to generate a financial return. This may come as the result of periodic rents or through appreciation of the property value over time.

Jamb - The side of a door frame.

Joint tenancy - A situation where two or more parties own a piece of property together. Each of the owners has an equal share, and may not dispose of or alter that share without the consent of the other owners.

Glossary (continued)

Joists - Horizontal beams laid on edge to support flooring or a ceiling.

Judgment - An official court decision. If the judgment requires payment from one party to another, the court may put a lien against the payee's property as collateral.

Judicial Foreclosure - A type of foreclosure conducted as a civil suit in a court of law.

Jumbo Loan - A mortgage loan for an amount greater than the limits set by Fannie Mae and Freddie Mac. Often called non-conforming loans.

Late Charge - A charge to the borrower for failure to pay an installment payment on time.

Latent Defects - Any defect in a piece of property which is not readily apparent, but which has an impact of the value. Structural damage or termite infestation would be examples of latent defects.

Lease - An agreement by which an owner of real property gives the right of possession to another for a specified period of time and for a specified consideration (rent). Title does not pass.

Leasehold Estate - A type of property "ownership" where the Buyer actually has a long-term lease on the property.

Lease Option - A lease agreement that gives the tenant an option to buy the property. Usually, a portion of the regular monthly rent payment will be applied towards the down payment.

Legal Description - The description of a piece of property, identifying its specific location in terms established by the municipality or other jurisdiction in which the property resides. Often related in specific distances from a known landmark or intersection.

Lender - The person or entity who loans funds to a Buyer. In return, the lender will receive periodic payments, including principal and interest amounts.

Liabilities - A person's outstanding debt obligations.

Liability Insurance - Insurance that covers against potential lawsuit brought against a property owner for alleged negligence resulting in damage to another party.

Lien - Any claim against a piece of property resulting from a debt or other obligation.

Life Cap - A limit on how far the interest rate can move for an Adjustable Rate Mortgage. LIKE-KIND PROPERTY - Any property which is substantially similar to another property.

Line Of Credit - An extension of credit for a certain amount for a specific amount of time. To be used by the borrower at his discretion.

Lis Pendens - A legal notice recorded to show pending litigation relating to real property, and giving notice that anyone acquiring an interest in said property subsequent to the date of the notice may be bound by the outcome of the litigation.

Loan - Money borrowed, to be repaid with interest, according to the specific terms and conditions of the loan.

Loan Officer - A person that "sells" loans, representing the lender to the borrower, and the borrower to the lender.

Loan Origination - How a lender refers to the process of writing new loans.

Loan Origination Fee – A one-time set up fee charged by a lender.

Loan Package – The file of all items necessary for the lender to decide to give or not to give a loan. These items would include the information on the prospective borrower (loan application, credit report, financial statement, employment letters, etc.) and information on the property (appraisal, survey, etc.).

Loan Servicing - The processing of payments, mailing of monthly statements, management and disbursement of escrow funds etc typically carried out by the company you make payments to.

Loan-To-Value Ratio (LTV) - The comparison of the amount owed on a mortgaged property to its fair market value.

Lock-In - An agreement between a lender and a borrower, guaranteeing an interest rate for a loan if the loan is closed within a certain amount of time.

Lock-In Period - The amount of time the lender has guaranteed an interest rate to a borrower.

Maintenance Reserve – Money reserved to cover anticipated maintenance costs.

Maker – One who executes (signs) as the maker (borrower) of a note.

Marketability – Sale ability. The probability of selling property at a specific time, price and terms.

Marketable Title – Title which can be readily marketed (sold) to a reasonably prudent purchaser aware of the facts and their legal meaning concerning liens and encumbrances.

Market Price – The price a property brings in a given market. Commonly used interchangeably with market value, although not truly the same.

Major Deficiency - A deficiency that strongly impacts the usability and habitability of a house. Or a deficiency that may be very expensive to repair.

Margin - The difference between the interest rate and the index on an adjustable rate mortgage.

Material Fact – A fact upon which an agreement is based, and without which, said agreement would not be made.

Maturity – (1) Termination period of a note. For example: A 30 year mortgage has a maturity of 30 years.

Mechanic's Lien - A lien created by statute for the purpose of securing priority of payment for the price or value of work performed and materials furnished in construction or repair of improvements to land, and which attaches to the land as well as the improvements.

Merged Credit Report - A credit report derived from data obtained from multiple credit agencies.

Metes And Bounds - A traditional way of describing property, generally expressed in terms of distance from a known landmark or intersection, and then following the boundaries of the property back.

Moisture Barrier – Insulating materials used to prevent the build up of moisture (condensation) in walls and other parts of a building.

Mortgage - A financial arrangement wherein an individual borrows money to purchase real property and secures the loan with the property as collateral.

Mortgage Banker - A financial institution that provides primary and secondary mortgages to home Buyers.

Glossary (continued)

Mortgage Broker - A person or organization that serves as a middleman to facilitate the mortgage process. Brokers often represent multiple mortgage bankers and offer the most appropriate deal to each Buyer.

Mortgage Credit Certificate (MCC) Program – A first time home Buyer program subject to purchase price and income limits and limited to certain counties. The MCC program is actually a special tax credit and assists Buyers in qualifying on almost any loan program.

Mortgagee - The entity that lends money in a real estate transaction.

Mortgage Insurance - A policy that fulfills that obligation of a mortgage when the policy holder defaults or is no longer able to make payments.

Mortgage Insurance Premium (MIP) - A fee that is often included in mortgage payments that pay for mortgage insurance coverage.

Mortgage Life Insurance - A policy that fulfills the obligations of a mortgage when the policy holder dies.

Mortgagor - The entity that borrows money in a real estate transaction.

Multi-Family Properties - Any collection of buildings that are designed and built to support the habitation of more than four families.

Multiple Listing – An exclusive listing, submitted to all members of an association, so that each may have an opportunity to sell the property.

Negative Amortization - When the balance of a loan increases instead of decreases. Usually due to a borrower making a minimum payment on an Adjustable Rate Mortgage during a period when the rate fluctuates to a high enough point that the minimum payment does not cover all of the interest.

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

No-Point Loan - A loan with no “points”. The interest rate on such a loan will be higher than a loan with points paid. Also sometimes refers to a refinance loan where closing costs are included in the loan.

Non-Conforming Use - The use of land for purposes contrary to the applicable municipal zoning specifications. Often occurs when zoning changes after a property is in use.

Non-Liquid Asset - Any asset which can't be quickly converted into cash at little or no cost.

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

Note Rate - The interest rate stated on a mortgage note.

Notice Of Action – A recorded notice that real property may be subject to a lien, or even that the title is defective, due to pending litigation. Notice of a pending suit, also called “Lis Pendens.”

Notice Of Cesaation – A notice stating that work has stopped on a construction project. Done to accelerate the period of filing a mechanic's lien.

Notice Of Completion – A notice, recorded to show that a construction job is finished. The length of time in which mechanic's liens may be filed depends upon when and if a notice of completion is recorded.

Notice Of Default – A notice filed to show that the borrower under a mortgage or deed of trust is in default (behind on the payments).

Occupancy - A physical presence within and control of a property.

Offer – A presentation or proposal for acceptance, in order to form a contract. To be legally binding, an offer must be definite as to price and terms.

Occupancy Rate - The percentage of properties in a given area that are occupied.

Off-Site Improvements - Buildings, structures or other amenities which are not located on a piece of property, but are necessary to maximize the use of the property or in some way contribute to the value of the property.

Original Equity - The amount of cash a home Buyer initially invests in the home.

Original Principal Balance - The total amount of principal owed on a mortgage loan at the time of closing.

Origination Fee - Refers to the total number of points paid by a borrower at closing.

Owner Financing - A transaction where the property owner provides all or part of the financing.

Owner Occupied – Property which is not designated by law as real property.

Ownership – Rights to the use, enjoyment, and alienation of property, to the exclusion of others. Concerning real property, absolute rights are rare, being restricted by zoning laws, restrictions, liens, etc.

Partial Interest - A shared ownership in a piece of property. May be divided among two or more parties.
PARTIAL PAYMENT - A payment of less than the regular monthly amount. Usually, a lender will not accept partial payments.

Payment Cap – A maximum amount for a payment under an adjustable Mortgage Loan, regardless of the increase in the interest rate. If the payment is less than the interest alone, negative amortization is created.

Payoff – The payment in full of an existing loan or other lien.

Periodic Payment Cap - The limit on how many regular monthly payments on an Adjustable Rate Mortgage can change during one adjustment period.

Periodic Rate Cap - The limit on how much the interest rate on an Adjustable Rate Mortgage can change during any one adjustment period.

Personal Property - Owned items which are not permanently affixed to the land.

Piggyback Loan – A loan made jointly by two or more lenders on the same property under one mortgage or trust deed. One 90% loan, for example, may have one lender loaning 80% and another (subordinate) lender loaning the top 10% (high risk portion).

PITI (Principal, Interest, Taxes And Insurance)
Used to indicate what is included in a monthly payment on real property. Principal, interest, taxes (property) and insurance (hazard) are the four major portions of a usual monthly payment.

Glossary (continued)

Planned Unit Development (PUD) -

A coordinated, real estate development where common areas are shared and maintained by an owner's association or other entity.

Plat - A plan or chart of a piece of land which lays out existing or planned streets, lots or other improvements.

Point - A percentage of a mortgage amount (one point = 1 percent).

Power Of Attorney – An authority by which one person (principal) enables another (attorney-in-fact) to act for him. (1) General power authorizes sale, mortgaging, etc., of all property of the principal. Invalid in some jurisdictions. (2) Special power specifies property, Buyers, price and terms. How specific it must be varies in each state.

Pre-Approval - The process of applying for a mortgage loan and becoming approved for a certain amount at a certain interest rate before a property has been chosen. Pre-approval allows the borrower greater freedom in negotiations with Sellers.

Preliminary Title Report – A report showing the condition of title before a sale or loan transaction. After completion of the transaction, a title insurance policy is issued.

Prepayment - Payment made that reduces the principal balance of a loan before the due date and before the loan has become fully amortized.

Prepayment Penalty - A fee that may be charged to a borrower who pays off a loan before it is due.

Pre-Qualification - Less formal than pre-approval, pre-qualification usually means a written statement from a loan officer indicating his or her opinion that the borrower will be able to become approved for a mortgage loan.

Prime Rate - The interest rate that banks and other lending institutions charge other banks or preferred customers.

Principal - The amount owed on a mortgage which does not include interest or other fees.

Principal Balance - The outstanding balance of principal on a mortgage. Does not include interest due.

Principal, Interest, Taxes, & Insurance (PITI) - The most common constituents of a monthly mortgage payment.

Private Mortgage Insurance (PMI) - A form of mortgage insurance provided by private, non-government entities. Normally required when the LOAN TO VALUE RATIO is less than 20%.

Promisee – One to whom a promise has been made, such as the lender under a promissory note.

Promisor – One who makes a promise. The borrower under a promissory note.

Promissory Note – A promise in writing, and executed by the maker, to pay a specified amount during a limited time, or on demand, or at sight, to a named person, or on order, or to bearer.

Property - Any item which is owned or possessed.

Proration – To divide (prorate) property taxes, insurance premiums, rental income, etc., between Buyer and Seller proportionately to time of use, or the date of closing.

Public Records – Usually at a county level, the records of all documents which are necessary to give notice. The records are available to the public. All transactions for real estate should be recorded.

Purchase Agreement - A written contract signed by the Buyer and Seller stating the terms and conditions under which a property will be sold.

Quadrplex - Any building designed to accommodate four families.

Qualifying Ratios - Two ratios used in determining credit worthiness for a mortgage loan. One is the ratio of a borrower's monthly housing costs to monthly income. The other is a ratio of all monthly debt to monthly income.

Quit-Claim Deed - A legal document which transfers any ownership an individual has in a piece of property. Often used when the amount of ownership is not known or is unclear.

Rafter - A structural element of the roof, sloping from the peak to the outer walls.

Rate Lock - A guarantee from a lender of a specific interest rate for a period of time.

Real Estate - A piece of land and any improvements or fixtures located on that land.

Real Estate Settlement Procedures Act (RESPA) - A federal law requiring lenders to give full disclosure of closing costs to borrowers.

Real Property - Land, improvements and appurtenances, and the interest and benefits thereof.

Realtor - A Real Estate Agent or Broker who is a member of the National Association of Realtors.

Reconveyance – An instrument used to transfer title from a trustee to the equitable owner of real estate, when title is held as collateral security for a debt. Most commonly used upon payment in full of a trust deed. Also called a deed of reconveyance or release.

Recorder - A local government employee whose role it is to keep records of all real estate transactions within the jurisdiction.

Recording - The filing of a real estate transaction with the appropriate government agent (normally the RECORDER). A real estate transaction is considered final when it is recorded.

Recording Fee – The amount paid to the recorder's office in order to make a document a matter of public record.

Refinance Transaction - A new loan to pay off an existing loan. Typically to gain a lower interest rate or convert equity into cash.

Register - Where air from a furnace or air conditioning system enters the room.

Remaining Balance - The amount of principal, interest and other costs that have not yet been repaid.

Remaining Term - The amount of time remaining on the original amortization schedule.

Repayment Plan - A plan to repay delinquent payments, agreed upon between a lender and borrower, in an effort to avoid foreclosure.

Replacement Reserve Fund - An account, or fund, setup for the replacement of short life items, such as carpeting, in the common areas of a cooperative property.

Glossary (continued)

Real Estate Settlement Procedures Act

(RESPA) – A federal statute effective June 20, 1975, requiring disclosure of certain costs in the sale of residential (one to four family) improved property which is to be financed by a Federally insured lender.

Residential Property - A piece of property whose highest and best use is the maintenance of a residence.

Revolving Debt - A type of credit that allows the borrower/customer to make charges against a predetermined line of credit. The customer then pays monthly installments on the amount borrowed, plus interest.

Ridge Board - The structural member of a roof where the rafters join at the top.

Right Of First Refusal - An agreement giving a person the first opportunity to buy or lease a property before the owner offers it for sale to others.

Right Of Survivorship – The right of a survivor of deceased person to the property of said deceased. A distinguishing characteristic of a joint tenancy relationship.

Roof Pitch - The degree of slope in a roof.

Sales Contract – Another name for a sales agreement; purchase agreement, etc.

Sale Price - Actual price a property sells for, exclusive of any special financing concessions.

Sales Comparison Approach - An appraisal practice which estimates the value of a property by comparing it to comparable properties which have sold recently.

Scarcity - An economic principal that dictates the price of a good or service through the interaction of supply and demand. When an item is scarce, its price tends to rise, given a constant demand. Real Estate is a classic example of scarcity.

Second Mortgage - A loan secured by the equity in a home, when a primary mortgage already exists.

Secondary Mortgage Market - An economic marketplace where mortgage bankers buy and sell existing mortgages.

Secured Loan - A loan that is backed by collateral. In the case of a mortgage loan, the collateral is the house.

Security - The property used as collateral for a loan.

Semi-Detached Housing - Two residences which share a common wall.

Septic System – A sewage system, whereby waste is drained through pipes and a tile field (a system of clay tiles and gravel) into a septic tank. Found in areas where city or county sewers have not yet been installed.

Septic Tank – An underground tank into which a sanitary sewer drains from a building. The sewage is held until bacterial action changes the solids into liquids or gasses, which are then released in the ground.

Servicer - A financial institution which collects mortgage payments from borrowers and applies the appropriate portions to principal, interest and any escrow accounts.

Servicing - The processing of payments, mailing of monthly statements, management and disbursement of escrow funds etc. Typically carried out by the company you make payments to.

Sheathing - The covering on outside walls beneath the siding or exterior finish.

Sill Plate - The lumber used around the foundation to support exterior wall framing.

Simple Interest – Interest computed on principal alone, as opposed to compound interest.

Single-Family Property - A property designed and built to support the habitation of one family.

Special Assignment – Lien assessed against real property by a public authority to pay costs of public improvements (sidewalks, sewers, street lights, etc.) which directly benefits the assessed property.

Specific Performance – An action to compel the performance of a contract, when money damages for breach would not be satisfactory.

Statement Of Identity – Also called Statement of Information, a confidential form filled out by Buyer and Seller to help a Title Company determine if any liens are recorded against either. Very helpful when people with common names are involved.

Subject Property - A term which indicates a property which is being appraised.

Survey - A specific map of a piece of property which includes the legal boundaries and any improvements or features of the land. Surveys also depict any rights-of-way, encroachments or easements.

Statute – A law which comes from a legislative body. A written law, rather than law established by court cases.

Subordinate – To make subject to or junior to.

Succession – The passing of real property by will or inheritance, rather than by grant or deed or any other form of purchase.

Tax-Exempt Property - Any property which is not taxed.

Tenancy - The right to occupy a building or unit.

Tenancy In Common - A form of holding title, where by there are two or more people on title to a property, ownership does not pass on to the others upon the death of one individual.

Third Party Origination - When a lender uses a third party to originate and package loans for sale to the secondary market (Fannie Mae, Freddie Mac).

Title - A specific document which serves as proof of ownership.

Title Company - An organization which researches and certifies ownership of real estate before it is bought or sold. Title Companies also act as the facilitator ensures all parties are paid during the real estate transaction.

Title Insurance - A policy which insures a property owner should a prior claim arise against the property after the purchase has been completed. This also covers a lender should a question of ownership arise.

Title Search - The process whereby the Title Company researches a properties title history and ensures that no outstanding claims exist.

Transfer Of Ownership - Any means by which the ownership of a property changes hands.

Transfer Of Tax - Taxes payable when title passes from one owner to another.

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

Glossary (continued)

Truth In Lending - A federal law requiring full disclosure by lenders to borrowers of all terms, conditions and costs of a mortgage.

Unencumbered Property - Any property which has no outstanding claims or liens against it.

Uniform Standards Of Professional Appraisal Practice (USPAP) - Developed in 1986 by the Ad Hoc Committee on Uniform Standards and copyrighted in 1987 by The Appraisal Foundation, USPAP forms the guidelines followed by every licensed and certified real estate appraiser in the United States. The purpose of these Standards is to establish requirements for professional appraisal practice, which includes appraisal, appraisal review, and appraisal consulting. The intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

Vacancy Rate - The current percentage of vacant properties in a given area, regardless of why they are vacant.

Variance - An exception to municipal zoning regulations granted for a specific time period to allow for non-conforming use of the land.

Vent Pipe - A pipe allowing gas to escape.

Vested - Having the right to use a portion of a fund such as an IRA. Typically vesting occurs over time. If you are 100% vested, you have a right to 100% of the fund.

Walk-Through Inspection - A process whereby an appraiser examines a property in preparation for estimating its value. Also, the process of inspecting a property for any damage prior to that property being bought or sold.

Warranty - An affidavit given to stipulate the condition of a property. The person giving the warranty assumes liability if the condition turns out to be untrue.

Zero Lot Line - A municipal zoning category wherein a building or other fixture may abut the property line.

Zone - A specific area within a municipality or other jurisdiction which conforms to certain guidelines regarding the use of property in the zone. Typical zones include single-family, multi-family, industrial, commercial and mixed-use.

Notes:



2501 Mission Street, San Francisco, CA 94110

415.321.7000

199 New Montgomery Street, San Francisco, CA 94105

415.321.5300

www.vanguardsf.com