

*HOW I HELP YOU
PURCHASE YOUR HOME*

BUYER'S ORIENTATION GUIDE

PREPARED BY

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Member National, Texas & Austin Board of Realtors



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WHY ME?

Named a 5 STAR Real Estate Agent for 2011!

More than 100,900 recent Home Buyers, readers of *Texas Monthly*, mortgage lenders and title companies were asked to submit an evaluation to identify exceptional real estate agents in the Austin, San Antonio and central Texas region.

After review by a blue-ribbon panel of local real estate experts, fewer than 7% of all licensed real estate agents in the Austin, San Antonio and Central Texas region were selected. **I was one of them!**

20 years in the business!

I have been a Real Estate Professional since 1991 and I have helped **hundreds of families** to find their dream home!

I can find the right home for my buyers in Austin, the Hill Country and all surrounding areas in just about any price range!

I have the skills to eliminate any problems before they arise; my experience can save you both **TIME** and **MONEY!**

As an experienced **BUYER'S AGENT**, I can assist you with planning, locating and evaluating property, negotiating price and terms, financing, inspections and more. Insist on undivided loyalty and the protection of your interests. As a **BUYER'S AGENT**, I do NOT work for the seller or for a home building company, **I ONLY WORK FOR MY CLIENTS!**

Whether you are a first time home buyer, an old pro looking for real estate for sale by owner, relocation buyer or you're out to just buy a home the best way possible, you owe it to yourself to see how a dedicated buyer's agent can be your best answer to the complexities of real estate transactions.

Buying a home is very likely the largest investments you will ever make. To help you make the right decisions, you need a committed professional you can trust. I will listen and do my best to help you find your dream home, negotiate the best price and help you understand every detail along the way.

Knowledge of the area!

Whether you are looking for that special school for your children, or you seek information on the local High-Tech employers, tell me what you want and I'll research it for you.

Resources of the TOP office in the region!

I am affiliated with **JB Goodwin REALTORS®** the #1 local Austin real estate company.

Our first priority is to **HELP PEOPLE** and to provide the best customer service possible to our clients in Austin and the surrounding areas. Whether it's buying resale or new homes, selling property or investing in real estate in Austin, TX our professional real estate agents will provide the best service possible. Austin, Texas real estate has been our business since 1971.

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THINKING OF BUYING A HOME?
I CAN HELP!

DO YOU KNOW YOU ARE ALREADY PAYING A MORTGAGE?
YOUR LANDLORD'S!

YOU HAVE THOUGHT OF BUYING A HOME?
YOU HAVE THOUGHT YOU CANNOT AFFORD IT?

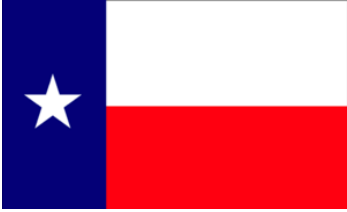
CALL ME!
512-585-0131

WE CAN MEET AND DISCUSS THE MANY POSSIBILITIES TO
GET YOU INTO YOUR DREAM HOME.

IT IS EASIER THAN YOU THINK!

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OWN A PIECE OF TEXAS!

Dear Future Homeowner.

If you have considered buying your own home, or you would like to buy a larger or smaller home, now would be an excellent time. The market hasn't slowed down and the interest rates are still at an all time low. There are "Bond Programs", Government Programs", and "Down Payment Assistant Programs" available. New Home Builder's giving money towards lowering the cost to buy a home. The value of the homes is increasing every month.

If you want some solid market information as well as some sincere advice and help, please call or e-mail me. You can also visit my website www.bmrealty.com.

Thanks – and please remember that my buyer service **does not cost you anything!**

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BENEFITS OF BUYER'S AGENCY

- **Loyalty**
The real estate agent must act in the best interest of the buyer
- **Obedience**
Must follow the lawful instructions
- **Disclosure of material facts**
Examples but not limited to:
 - Relationships between agent and other parties
 - Existence of other offers
 - Status of earnest money
 - Seller's financial condition
 - Property's true worth
 - Commission split with other brokers
 - Legal effect of important contract provisions
- **Confidentiality**
Any discussions, facts, or information that should not be revealed to others but does not include responsibility of fairness and honesty in dealings with all parties
- **Accounting in dealings**
Reporting of where any money placed in the hands of the broker is kept
- **Reasonable skills and care**
Arriving at reasonable purchase price and advising buyer of such affirmatively discovering material facts and disclosing them to the buyer. Investigating the material facts related to the sale

Agency is a legal relationship and a written agreement has to be completed and signed to explain all the duties and responsibilities

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HOW A BUYER'S AGENT BENEFITS YOU!

Here are just three examples of the many benefits available for you.....

Substantial Savings possible!

We will help you negotiate to obtain the best possible price, terms and conditions.

You are represented!

Our Buyer Agent will do a comprehensive market analysis on the property you select. This will help you establish fair market value before an offer of purchase is made.

You will be shown everything!

In addition to MLS listed properties our Buyer Agency System allows us to show you a wider variety of available homes, including unlisted properties such as: for sale by owners, foreclosure sales and homes not yet on the market. In other words, you will have access to the TOTAL market.

BUYER AGENCY SYSTEM:

Under this system the selling Real Estate Agent (the Agent who sells you the home) is the Agent for the Buyer and has a duty to represent the Buyer's best interests including:

- Negotiate for the *lowest price* possible, and
- Structure the transaction to the *Buyer's advantage*.

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RENTER!

Can you afford to rent? Stop throwing your money away!

You will pay this while losing Tax Benefits and Appreciation *

If your rent per month is:	In 3 YRS.	In 5 YRS.	In 10 YRS.
\$750	\$29,790	\$54,947	\$143,437
\$800	\$31,776	\$58,609	\$152,999
\$850	\$33,762	\$62,272	\$162,562
\$900	\$35,748	\$65,935	\$172,124
\$950	\$37,734	\$69,598	\$181,687
\$1,000	\$39,720	\$73,261	\$191,249
\$1,050	\$41,706	\$76,925	\$200,813
\$1,100	\$43,692	\$80,587	\$210,373
\$1,150	\$45,678	\$84,251	\$219,940
\$1,200	\$47,664	\$87,913	\$229,497
\$1,250	\$49,650	\$91,577	\$239,065
\$1,300	\$51,636	\$95,240	\$248,624
\$1,350	\$53,622	\$98,902	\$258,183
\$1,400	\$55,608	\$102,566	\$267,750

Assumes 10% annual rent increase

You can't afford to rent!

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10 QUESTIONS FIRST TIME HOME BUYERS SHOULD ASK

As a potential first time home buyer, your first home purchase can be very confusing. Since a home purchase is usually the single largest purchase an individual or family can make, there are a lot of factors to consider before jumping into the home ownership club.

Brigitte Mueller has put together a list of questions that all first time home buyers should ask themselves before they make the commitment to purchase a home.

1. How much will it cost to work with Brigitte Mueller?

As a buyer, you won't pay anything to have Brigitte Mueller work for you. In a residential real estate transaction, the seller pays the real estate commission. As a full service residential real estate brokerage, Brigitte Mueller provides full MLS access to buyers as well as local real estate agents to help you select, negotiate, and purchase the home of your dreams.

2. What is the difference between a "Buyer's Agent" and a "Seller's Agent"? Why should I work with a "Buyer's Agent"?

A "Buyer's Agent" is a real estate agent that is hired by the buyer to find the right home for the buyer. The main goal for a "Buyer's Agent" is to find the best home for a buyer, while negotiating the best price. A "Seller's Agent" is a real estate agent hired by the seller to market and sell their home. The main goal of a "Seller's Agent" is to sell the seller's home at the highest price possible. As a buyer, it is in your best interest to work with a "Buyer's Agent" because this will ensure that your agent is working for you and your best interests. Often times, when a "Seller's Agent" is acting on behalf of both the seller and buyer (when a buyer does not have his/her own agent), there is a conflict of interest, since a seller wants the highest possible price for the home, while the buyer wants the most reasonable price for the home.

3. Should I rent or buy?

In general, the rent vs. buy question compares the cost of renting to the after-tax cost of owning a home. Some factors to consider are rent increases and home price appreciation in your area. If you have a nice, cheap, rent-controlled apartment, then it may not make sense to buy. If you are planning to stay in the same place for a longer period of time and the property values in your area are getting higher, it may be a good decision to buy.

To get an idea for your own situation, [use Brigitte Mueller's Rent vs. Buy calculator.](#)

4. How much house can I afford?

In general, the amount you can afford to spend on a home is a combination of your cash on hand, your salary, and your outstanding debt. For your specific situation, please visit Brigitte Mueller's affordability calculator to see how much you can afford to spend on a home. This calculator is a free, anonymous service, which asks you for basic salary, savings, and debt information.

5. What will my real estate professional do? Not do

I will do the following:

- work with you through the entire home buying process, from start to finish
- search the entire MLS (Multiple Listing Service)
- show you all of the homes you are interested in visiting
- recommend houses which meet your criteria
- negotiate on your behalf with the seller of the home

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- prepare the offer for the house prepare all of the contracts associated with the home purchase work with the title company, the lender, and the seller (or seller's agent) to arrange all necessary inspections
- serve as your "point" person during the closing process
- answer any questions you may have about any part of the real estate process

I will not do the following:

- provide you with legal advice
- provide you with financial advisory advice
- pressure you to do anything that you don't feel comfortable doing

6. When is the best time to get loan approval?

In order to have the best possible chance when submitting a home offer, Brigitte Mueller recommends that buyers get pre-approved for their home loan. Pre-approval simply means that the buyer has worked with a lender to determine what the maximum loan amount the buyer could qualify for with that lender, prior to selecting a house. Pre-approved buyers have several advantages, including increased negotiating power, since the seller knows that you can complete the transaction. In fact, some sellers will not even entertain offers unless the buyer is pre-approved.

7. What are the tax implications?

When you buy a home mortgage, interest and property taxes are generally deductible from the income taxes you itemize and pay in April. This means while monthly housing costs may be larger when you own than when you rent, what you save in taxes can make up some or all of the difference. For details, speak with a tax professional.

8. Have I seen everything on the market?

Ensure that you have seen all the properties available on the market by asking your agent. Often times, real estate agents have an incentive to only show clients their own featured listings, not all of the available listings on the MLS (Multiple Listing Service). One way to ensure you are shown every available home is to search for yourself. You can do this using Brigitte Mueller's website, which allows complete access to the MLS for consumers.

9. How will I know I am not overpaying for the property?

One way to ensure that you are paying a fair price for the property is to look at what other houses of similar size and characteristics have sold for in the past few months. Brigitte Mueller is able to provide you with some comparable home sales in the area.

10. When can I move in?

After the home closes escrow, you can move in. For more information on the escrow process, please visit the [Closing Process](#) page.

10 TIPS FOR SAVVY HOME BUYERS

If you want to buy a home, but aren't sure if your budget can handle soaring real estate prices, we've got good news. There are things you can do to stretch your buying power. With the help of your real estate agent - and these 10 tips - you can become a savvy home buyer without breaking your budget.

1. **Get pre-approved for your home loan.** This means, fill out a loan application and go through the process of securing financing. That way, when you're ready to seriously evaluate real estate, you'll know exactly how much home you can afford. And you can prove to a seller that your offer is sincere.
2. **Explore creative financing options.** During the home loan pre-approval process, ask about ways to get creative with your financing. Low down payment options, first and second mortgage combinations and first time buyer programs might help you afford more funding. Many lenders are now offering interest-only home mortgages; just make sure you thoroughly evaluate the terms for this type of home loan. Down payment grants are also available in some instances and might be worth investigating or discussing with your realtor.
3. **Sell your existing home first.** Although selling your existing home before finding new real estate to buy can be nerve wracking, the inconvenience will be offset by your ability to make an offer with cash in hand. Contingent purchases are not the best when negotiating to buy a home. Having your financing in order and your bags packed may give you the advantage in a competitive market.
4. **Look for vacant real estate.** Perhaps a seller's job has transferred him out of the area. Or maybe a family purchased a new home before putting their existing one on the market. In any case, a vacant home could be just the deal for a savvy home buyer, so have your realtor look for vacant property in your preferred neighborhoods. And keep in mind, the longer a house stays empty, the greater your negotiating power will be.
5. **Consider cosmetic fixers.** If you're handy with a paintbrush, a toolset and gardening equipment, consider buying real estate in need of cosmetic fixing. Property that lacks curb appeal needs minor handiwork or the yard overhauled could end up being the home of your dreams for a price you can afford. You just need to look beyond the ho-hum to see the potential of a cosmetic fixer.
6. **Buy a home that's a major remodel project.** If you want to live on Lake Washington, but can't afford a \$2M home mortgage, consider buying a dilapidated cottage on a fabulous lot with western exposure. In time you'll need to gut the existing home and build from the ground up or contract significant home improvements. But in the end your property value may skyrocket. And if your carpentry and other construction skills are well-developed, you can save even more and accrue "sweat equity" during your remodel by doing much of the work yourself.
- 7.
8. **Don't discount bank foreclosures.** One person's loss could be your gain if you buy real estate in foreclosure. Although the search for a decent foreclosure may take a while, your realtor should be able help. The U.S. Department of Housing and Urban Development

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(<http://www.hud.gov/>) can be an excellent resource for foreclosed properties. Because HUD houses are sold at market value, your best bet will be homes that need cosmetic work or even major repair.

9. **Land with a manufactured home.** Sometimes, to buy a home on a budget, you need to look beyond convention. Even if your wish is to buy real estate, you may have to settle for a piece of property in an outlying area with a mobile or manufactured home. Discuss this option with your real estate agent and try to keep an open mind about this possibility.
10. **An older, smaller home.** If you can enjoy life in an older and smaller home in a neighborhood or suburb off the beaten path, this could be your ticket to real estate ownership.
11. **The cheapest house in the best neighborhood.** You have your heart set on a specific - and expensive - neighborhood. Maybe it's the schools that you're interested in. Or perhaps it's the close proximity to downtown or the waterfront. In any case, a budget-savvy buyer will look for the least expensive home for sale in the neighborhood. If you're not in a hurry, you can even play the waiting game to see what properties come on the market. Your real estate agent can be a real asset in this case by investigating potential sellers.

Buying real estate without breaking your budget will require research and compromise. On moving day, however, you'll have the satisfaction of knowing that your homework paid off!

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AN OVERVIEW OF THE LOAN PROCESS



Organize Your Documents

A properly documented loan application makes your loan process go smoothly. This checklist will help you gather your paperwork.

1. Complete and sign the residential loan application, Form 1003, and the attached loan info sheet, credit authorization and fair lending notice. Page 5 of the application is a continuation page in case you need additional space for your assets or liabilities. If you make a mistake while filling out the application cross it out, and make a change. Do NOT use whiteout.
2. If you are **salaried**: provide W-2's for the previous two years and one month of pay stubs. If you are **self-employed**, provide tax returns for the previous two years, including all schedules, and a YTD profit and loss statement. (Note: provide copies of all requested documents. Do not provide original documents.)
3. If you own rental property, provide recent rental agreements and tax returns for the previous two years, including all schedules.
4. To speed up the approval process, provide bank statements for the most recent three months, and recent statements for stock, mutual funds and IRA/401K accounts.
5. If you are requesting cash out refinance, provide a letter explaining how you will use the refinance proceeds.
6. If applicable, provide a copy of your divorce decree and settlement agreement.
7. If you are NOT a US citizen, provide a copy of your green card (front & back). If you are NOT a permanent resident provide a copy of your H-1 or L-1 visa.
8. If any borrower has filed bankruptcy, provide the Discharge Notice, Filing and Schedule of Creditors.
9. If you are applying for a home equity line of credit or loan (second loan), also include your first mortgage note. (This should be with your closing loan documents.)

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Get Qualified

Getting qualified before you apply for a loan can help you understand how much you can borrow.

When buying a home, you may be pre-qualified or pre-approved. You can be pre-qualified over the phone or on the Internet in a few minutes. Pre-qualification is not as useful as pre-approval. Pre-approval requires a more rigorous process, including verification of your credit, income, assets and liabilities. It is highly recommended that you be pre-approved before you start looking for a home.

Being pre-approved will:

1. Inform you of your maximum affordable home value, and save you from previewing properties outside your price range.
2. Put you in a stronger negotiating position with the seller, because the seller will know your loan is pre-approved.
3. Help you close quickly, since your loan is pre-approved.

Shop Loan Programs and Rates

What loan program is best for your situation? Lenders offer many different loan options:

1. **Think about how long you plan to keep the loan.** If you plan to sell your home in a few years, you may want to consider an adjustable rate or balloon loan. If you plan to keep your home for a longer time, you may want to consider a fixed rate loan.
2. **Understand the relationship between rates and points.** Points are considered prepaid interest and may be tax deductible. Each point is equal to 1 percent of the loan. For example 1 point on a \$150,000 loan is \$1,500. The more points you pay, the lower your rate.
3. **Compare different loan programs.** With so many programs to choose from, it's hard to figure out which program is best for you. Consult an experienced loan officer who can help you find a loan program that best fits your short- and long-term plans.

Obtain Loan Approval

Once your loan application has been received, we will start the loan approval process immediately. This involves verifying your:

- Credit history
- Employment history
- Assets including your bank accounts, stocks, mutual fund and retirement accounts
- Property value
- Based on your specific situation, additional documents or verifications may be required.

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To improve your chances of getting a loan approval:

- Fill out the loan application completely.
- Respond promptly to any requests for additional documents. This is especially critical if your rate is locked or if you plan to close by a certain date.
- Do not make any major purchases. Do not buy a car, furniture or another house till your loan is closed.
- Anything that causes your debts to increase might have an adverse affect on your current application.
- Do not move money into your bank accounts unless it can be traced. If you are receiving money from friends, family or other relatives, please contact us.
- Do not go out of town around the closing date. If you do plan to be out of town when your loan is expected to close, you may sign a power of attorney, to authorize another individual to sign on your behalf.
- Notify your loan officer before applying for any other credit, including credit cards, personal loans or even with another mortgage company. Some loan programs have strict guidelines regarding your credit score. Credit inquiries may lower your credit score and may have an adverse affect on your loan approval.

Close the Loan

After your loan is approved, you will be required to sign the final loan documents. This will normally take place in the presence of a notary public. Be prepared to:

- Bring cashiers check for your down payment and closing costs if required. Personal checks are normally NOT accepted.
- Review the final loan documents. Make sure that the interest rate and loan terms are what you were promised. Also, verify the accuracy of the name and address on the loan documents.
- Sign the loan documents. The notary will require that you have your picture ID with you. Some lenders also require seeing your Social Security card.

Your loan will normally close shortly after you have signed the loan documents. On refinance and home equity loan transactions, federal law requires that you have three days to review the documents before your loan transaction can close. Purchase transactions do not have a three day rescission period.

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PRE-APPROVAL PROGRAM

Many buyers are applying for a loan and obtaining approval before they find the home they want to buy.

Here are the benefits:

- ◀ You look at the right homes
- ◀ You save money dealing with a comfortable seller
- ◀ You close more quickly
- ◀ You minimize trauma of not knowing whether or not you qualify

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TYPES OF FINANCING

Conventional loans

Conventional loans are usually more lenient with respect of appraisal and condition of the property. If you are purchasing a “fixer-upper”, you may need to use a conventional loan. Also expensive homes above the FHA loan limit are generally financed with conventional loans.

FHA loans

FHA loans are insured by the Federal Housing Administration under HUD. They usually require a smaller down payment than conventional loans and are easier to qualify for.

VA loans

VA loans are guaranteed by the Veterans Administration. A veteran must have served 180 days active service. VA loans can be done with zero down payments.

Fixed rate loans

Fixed rate loans have one interest rate, which is fixed for the entire term of the loan.

Buy-down loans

Buy-down loans also known as “stair-step” loans, start at a lower interest rate and climb to what is usually a fixed rate. For example: the interest rate in year one could start at 4%, increase in year two to 5% and level off in year three to 6% fixed. This type of loan is no longer in use. Interest rates are still very low at this time.

USDA loans

It is a federal program offering home ownership assistance in some rural areas. An excellent program which offers 100% financing for those who qualify. Can be combined with any Bond program loans.

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Bond Programs

These are home-buyer assistance programs which are available for first-time home buyers. The available money can be used for down payment and or closing costs. Can be combined with FHA and USDA loans.

SETH 5 Star Texas Advantage Program

5% or 4% assistance Grant to be applied towards down payment and/or closing costs.
No first-time home buyer requirement

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TOP TIPS TO IMPROVE YOUR CREDIT

- 1. Review your current credit report for accuracy.** Everyone is entitled to one free credit report per year from each of the three credit bureaus—Experian, Equifax, and TransUnion. Get a copy of your credit report and look at it for accuracy. First, make sure that the information in your file is about you and only you, not someone who has a similar name or a similar Social Security number. It is very common for your credit reports to have mistakes or incorrect information. At a minimum, make sure that the information you are being evaluated on is current and correct.
- 2. Repair credit report mistakes.** If you find something on your credit report that is incorrect or missing, you should dispute the mistake by contacting the credit bureaus directly. All credit bureaus have their dispute procedures on their website. They are also required by law to investigate any disputed items and these investigations will usually be done within 30 days of your request.
- 3. Pay your bills on time.** Sounds like a no-brainer, right? Payment history accounts for roughly 35% of your credit score. Paying bills on time is the most important thing to do. If you're struggling to catch up, contact your creditors to work out a payment schedule.
- 4. Increase the length of your credit history.** This accounts for about 15% of your score. Don't cancel your old card or get a lot of new ones in a short time span because this can hurt your score.
- 5. Keep credit card balances low.** It's a good idea to keep the balances below 25% of your available credit. Even if you pay off your credit cards every month, a high average balance will impact your score. This accounts for about 30% of your credit score.
- 6. Keep new credit requests to a minimum.** This accounts for 10% of your score. Every time a lender runs your credit, an inquiry is recorded. If you are trying to get a loan, don't apply for new credit cards first.
- 7. Be aware that paying off a collection account will not remove it from your credit report.** It will stay on your report for seven years.
- 8. Pay off debt rather than moving it around.** The most effective way to improve your credit score in this area is by paying down your revolving credit. In fact, owing the same amount but having fewer open accounts may lower your score.
- 9. Beware credit-repair scams.** By all means, don't pay someone to wipe away the negative items in your file. If they don't follow through, the damaging items will reappear in two or three months.

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OWNERSHIP DEFINITIONS

Single Family Homes

- Single family homes remain the popular choice. Location. Size of the home, lot and amenities effect the price.

Condominiums

- In the case of condominiums, the buyer owns his or her individual unit and a percentage of the remaining real property, land and amenities. Unit owners belong to a homeowner's association which charges monthly fees for the maintenance of common property.

Town homes

- In the case of town homes the buyer owns his or her individual unit and the ground underneath that unit. Each town home has its own roof. Town home owners may also belong to a homeowners' association for the maintenance of common areas and amenities.

Duplexes

- Duplexes typically consist of two dwelling units constructed as a single building. The buyer can live in one unit and rent out the other unit

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10 MUST KNOW MORTGAGE TERMS

Shopping for a new home is fun and exiting. Yet securing financing to buy real estate can be stressful. The more you know about the home mortgage business, however, the smoother your transaction will be. To help you get a handle on financing terminology before you buy a home, we have defined 10 commonly used mortgage terms.

Adjustable Rate Mortgage (ARM Loan): An ARM Loan has an initial interest rate that is often lower than a conventional fixed-rate mortgage. This initial rate is usually locked in for one or more years. Once the initial term is over, the interest rate on an ARM loan may go up within specified limits over predetermined intervals during the course of the loan. The lower initial interest rate associated with an ARM loan translates to a lower initial monthly payment. The tradeoff, however, is the potential for a higher payment if interest rates go up as the ARM loan progresses.

Annual Percentage Rate (APR): The APR for your home loan is an annual calculation that includes the interest rate quoted by your mortgage company plus additional home loan costs such as origination fees and points. The important thing to keep in mind about your loan's APR is that it will be higher than advertised interest rates because of these additional factors.

Closing Costs: With each real estate transaction, there are many expenses to pay and agencies to compensate. These fees, which are often shared by the buyer and the seller, are referred to as the closing costs. When you buy a home, the closing costs might include loan origination fees, escrow payments, title insurance, attorney fees and even discount points paid to lower your loan's interest rate.

Escrow: During the home loan process, a neutral third party known as Escrow holds documents and money (including earnest money deposits) for safekeeping until the real estate transaction is complete. An Escrow account is also used once you complete your home loan to hold the property tax and insurance monies that are collected with each mortgage payment.

Fixed-Rate Mortgage: A conventional fixed-rate mortgage means that your interest rate will be the same for the entire life of the home loan. Financing for this type of loan is typically spread out over 10, 15, 20, or 30 years, depending on the needs and payment capability of the buyer. A fixed-rate mortgage provides buyers with the security of knowing exactly what their monthly house payment will be during the entire loan term.

Loan to Value Ratio (LVR): When you buy a home, this term refers to the amount of financing you are getting in relationship to your new home's value. For example, an \$80,000 mortgage on a \$100,000 home has an LVR of 80 percent. This is important because an LVR of more than 80 percent will require you to purchase private mortgage insurance (PMI). Using the same example to illustrate this point, if you finance \$90,000 of your \$100,000 home, your LVR will be 90 percent, initiating the need for PMI.

Lock-In: Home mortgage interest rates vary from day to day. While you buy a home and secure financing, you may decide to lock in a particular interest rate with your lender. This lock-in guarantees that your home loan will be processed with this rate, even if interest rates rise before your loan closes.

Points: There are two types of points that can be applied to a home mortgage. Discount points are used to reduce the loan's interest rate and origination points may be added to cover the expenses associated with processing a loan. One point equals one percent of the loan amount. This means that, to lower your interest rate by one point on a \$300,000 mortgage, you'll need to pay an additional \$3,000 at closing.

Private Mortgage Insurance (PMI): When you finance more than 80 percent of your new home's value, your lender will require you to purchase PMI. This protects the lender against loss if you default on your home loan. Your monthly PMI payment is added to the cost of your mortgage payment. It is important to note that when

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you have accumulated 20 percent equity in your home, you will want to check into canceling your PMI to lower your monthly mortgage payment.

Title Insurance: A home mortgage requirement, title insurance protects both the buyer and the seller against legal defects in a home's title. This policy ensures that a property owner has the legal right to transfer a home's title to the seller. If a problem occurs, the title company pays the associated legal fees to correct the situation.

Knowledge is power, even when you buy a home and apply for a loan. By familiarizing yourself with these 10 must-know mortgage terms, and doing additional research as needed, you will be positioned to negotiate the best home loan that your money can buy!

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HOMESTEAD PROTECTION

- Texas law requires no formality for creating a homestead for protection against a forced sale. A homestead is established by living in the property, or being able to show intent to live there.
- A homestead exemption must be filed, however, to receive a reduction in your property taxes.
- As of January 1, 1998 Texas is no longer a homestead state. Texas law permits increasing the indebtedness on a homestead above the original purchase money mortgage amount for any reason the owner wants.

TEXAS IS A COMMUNITY PROPERTY STATE

- Ownership in Texas falls under the law of community property for married people. This means that each spouse owns an undivided one-half interest of all property accumulated during the marriage except for separate property that was owned before the marriage or received by gift or inheritance during the marriage.

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FIRST-TIME HOMEBUYER'S GUIDE TO TAXES

Freelance writer Kay Bell writes Bankrate's tax stories from her Austin, Texas, home. She also writes two tax blogs, Bankrate's [Eye on the IRS](#), and [Don't Mess With Taxes](#).

There's nothing quite like purchasing your first home. You're on your own. You have a substantial financial investment.

And you now have some different tax considerations. You're probably well-aware that homeownership affords you several new ways to save on the annual Internal Revenue Service bill.

"Homeownership is one of the best tax benefits that the federal government gives out," says attorney Robin Gronsky, principal of Gronsky Law Offices in Ridgewood, N.J. "People count on it. It's how they calculate their out-of-pocket costs in owning versus renting."

What you're probably less sure of is exactly how to go about taking advantage of all your new house-related tax breaks.

Many first-time homeowners will definitely enter new tax-filing territory with the very first return they file after moving into their new abode. For other new owners, the filing changes might take a little longer to show up.

But all will need to know some basic tax rules that could make their homes a great tax -- as well as an actual -- shelter.

You survived the house search and the bidding process. Getting the mortgage on your new home was a piece of cake. But now you've got to file your tax return for the first time since you moved into your first home. Relax.

1. Welcome to Schedule A

As a homeowner, regardless of whether you're a first-timer or have owned many residences, you probably immediately think "deductions" when it comes to tax time. That's because you now have the chance to claim several expenses you didn't face as a renter.

The big-three home-related deductions are mortgage interest, any points connected with the loan and property taxes. To claim these, you'll have to itemize.

This deduction method, which requires filing the long Form 1040 and detailing your various deductible expenses on Schedule A, is often a new experience for first-time homeowners.

However, before you rush off to download this new tax paperwork, take a few minutes to evaluate your overall filing circumstances. While many homeowners do benefit by itemizing, that's not the case in every situation.

You want to make sure that the deduction method you choose is the one that gives you the larger deduction amount. If you find that the standard deduction, which on 2007 taxes is \$5,350 for single taxpayers and \$10,700 for married couples filing a joint return, is greater than the total of your itemized

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expenses, then by all means take the standard deduction.

Don't worry, you're not stuck using that method forever. You can alternate between the two deduction options every year or you can itemize for several years, claim the standard amount for a few more and the return to itemizing.

The key is to pick the deduction method that will give you the most tax savings for each filing year.

2. Making the most of mortgage interest

If you do find that itemizing is the way to go, your largest write-off is probably going to be the interest you paid on your mortgage. This is a particularly valuable tax break in the early years of a home loan, when most of your monthly payments go toward interest charges.

"Just make sure you count all of it," says Gronsky. "It doesn't have to be paid to an institutional lender. It can be a private loan."

A common private home-loan is one obtained through seller financing, where you make your monthly payments to the seller instead of a traditional lender. Interest paid to the seller is deductible, as long as the loan is established using the same guidelines as for a conventional bank mortgage.

The same is true if you borrow money from a relative for your house purchase, says Gronsky. Again, you need to be sure this is documented properly (it's probably a good idea to have an experienced real estate lawyer help you set up this arrangement) and that an appropriate interest rate is charged.

But as long as the money is secured by the house, says Gronsky, it's a mortgage, and the interest is deductible.

3. Hang onto your HUD-1

Regardless of who holds your mortgage, the lender should send you a Form 1098 or similar document in January. This will list all the interest you paid over the previous tax year. You report that interest amount on either line 10 or 11, depending upon the mortgagee, of your Schedule A.

New homebuyers, however, shouldn't rely solely on that 1098 information.

"It is possible that for a new homebuyer, the amount on the form is not quite accurate," says Benny L. Kass, who practices law in the Washington, D.C., area with the firm Kass, Mitek & Kass PLLC.

"You settle on July 10," says Kass. "Your first payment typically will be due Sept. 1. When you make that payment, you will pick up interest for the month of August. But since you borrowed on July 10, many lenders will charge interest from the 10th to the end of July. That amount covering those days in July is deductible."

Not all lenders, however, will include that initial adjustment of interest for that first month, July in this case, says Kass. "Make sure you pick that up."

You'll find that added amount of interest on your closing statement, usually referred to as the HUD-1.

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4. Points pay off at tax time

Your HUD-1, and probably the 1098 you'll get from your lender, will list any **points** you paid for your mortgage. A point is 1 percent of your loan amount. Buyers sometimes choose to pay points to obtain a lower interest rate.

The IRS allows you to deduct points for the tax year in which you purchase the home. You include the points paid in the same section of Schedule A where you claim your mortgage interest.

"For a purchase of a principal residence, you can choose to amortize or deduct the points all at once," says Gary Garwitz, CPA and partner at BKD LLP in Springfield, Mo. "Most people, and usually first-time buyers, are going to fall into the category of claiming it all at once."

This means if you paid 1.5 points on a \$200,000 home loan, that \$3,000 will go directly toward your itemized deduction amount.

You'll find points on lines 801 and 802 of the HUD-1, says Gronsky. But don't be concerned if you don't see the term "points" on the settlement sheet.

"This amount could be called 'loan origination fee,' 'loan discount fees' or 'points,'" says Kass. "The name is not important. What is important for most loans is they are fully deductible by the new homebuyers as long as they are reasonable and consistent in the area where you bought the home."

The tax law requirement that points be in line with your real estate market is yet one more reason to avoid lenders who charge exorbitant amounts. "Ten points is probably not consistent or reasonable anywhere" says Kass, "but some loan sharks are charging that."

Another nice tax feature of points: Even if the seller paid them, the buyer generally gets to claim the deduction.

5. The tax-deduction value of property taxes

The third major home-related tax deduction is real estate taxes.

This can get complicated, depending on when you bought your house and your jurisdiction's tax year.

For example, your tax year runs January through December and you buy July 1. Taxes are due in March, says Kass.

"When you closed on your home, the seller had already prepaid taxes in March for the full year," he says. "So at closing, the buyer would reimburse the seller for the amount from July 1 to Dec. 31. That amount the buyer reimbursed will be shown on the HUD-1 and the buyer can deduct that for income tax purposes."

But there might be other taxes shown on the HUD-1 that aren't immediately deductible.

Most **people** escrow real estate taxes, says Garwitz. Here you give your lender a portion of your annual property tax bill each month along with your payment of principal and interest on your loan. At closing on a home, lenders usually collect from you, the buyer, a portion of your coming tax bill (around three to six months' worth is typical) for the escrow account.

When your property taxes are due, the lender takes that money and uses it to pay your local tax collector.

In the example above, you cannot write off this amount on your first tax return after purchasing the house, because, even though it's designated for deductible property taxes, the amount was simply collected, not actually paid.

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When your lender does pay your property tax bill the next year with that escrowed money, then you'll get to deduct the amount on the returns you file for that tax year.

Financial institutions usually report the amount of property taxes paid on your behalf on the Form 1098. It's a good idea, though, to double-check your actual property tax bill to make sure the correct amount was paid, says Garwitz. The county should send you, the owner, a copy of the bill that it sends to your lender for payment.

6. Timing is everything

Now that you know all the new-home-related deductions you can claim, you've probably already gone to Bank rate's tax form library to download a Schedule A.

Not so fast. With taxes, timing is everything.

While in most cases homeowners will benefit from itemizing, the time of year when you actually closed on your house could make a big difference in your deduction method choice.

"Not everybody should consider itemizing," says attorney Kass, who also writes the weekly "Housing Counsel" column for The Washington Post.

"If you settle later in the year, you'll have very few deductions for mortgage interest and taxes, so it might be better to use the standard deduction amount."

Gronsky says new homebuyers should "run it both ways" to see if, by itemizing their deductions, they will exceed the standard deduction amount.

"Most of the time, when they just purchased the house, because the mortgage payment is mostly interest and very little principal, typically itemizing is better," she says. "But if they got into the house in November, for 2007 taxes it may not be better.

"On the other hand if they got in January or February, itemizing probably will be better."

When calculating your itemized deductions, also be sure to count other non-housing items. For example, you can now take tax advantage of any charitable contributions you made in the year that you bought your house.

"Young people buying their first home usually don't worry about keeping records of charitable donations because they've been using the standard deduction for years," says Garwitz. "Now they can add those contributions to the deductible costs associated with their new home to come up with a larger itemized deduction amount."

And remember those points you paid?

If you find that you can't itemize for the year you bought your home, you can take Garwitz's advice and amortize them.

You'll simply spread the points over the life of the loan and deduct the appropriate amount in each future year you itemize your deductions.

If you have a 30-year mortgage, that \$3,000 in points, in the example cited earlier, would give you \$100 to deduct each tax year that you itemize.

7. Other deductions, thanks to your home

Some new homeowners also might elect to take out a small home equity loan or line of credit in connection

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with their new residences. While going into more debt that is tied to your residence is a personal financial decision that you must consider carefully, if you do get such credit, at least be sure to take advantage of its tax breaks.

Interest on a home equity line or loan of up to \$100,000 is deductible. It doesn't matter if you used the money to buy furniture for your new house, upgraded the kitchen in your fixer-upper or purchased a car. As long as the loan is secured by your residence, its interest is deductible.

Did you buy the house after moving to take a job? Then you also might be able to write off some relocation expenses. "If the move was either to start a new job or your current office relocated you to a new location more than 50 miles from your old job," says Gronsky, "some of those expenses might be deductible."

Alternatively, if you are self-employed and working out of your house, home office deductions might apply.

And if you make any improvements to your home to alleviate a medical condition, such as the installation of a ramp or central air conditioning to alleviate allergies or asthma, says Gronsky, these also might help boost your itemized deduction amount.

8. What's not deductible

But don't get carried away with writing off any and everything connected to your home.

Many things you'll see listed on your HUD-1, such as appraisal charges, title insurance, credit report fees, and state and local "recordation" transfer taxes (as some states call them), are not deductible on your federal tax return, says Kass.

Wait a minute. Recordation taxes? Aren't taxes connected with your home deductible? Yes, as long as they are real estate taxes. Recordation taxes or stamp taxes or whatever name your region gives them are basically administrative fees connected with your purchase and are not deductible.

Neither is private mortgage insurance that your lender might have required you to purchase -- unless you took out the loan (or refinanced) on or after Jan. 1, 2007, when a new law took effect which enables some homeowners to deduct PMI.

Homeowners association fees are not deductible, however.

"That's simply a personal cost you'll have to absorb," says Garwitz. "The one exception to that is if your homeowners association pays some property taxes for common areas.

"You can deduct your pro rata portion of those taxes," he says. "It's usually not very much, might be only \$50, but hey, I want every buck!"

9. Not federal, but tax-related

You also need to pay attention to some more local tax matters connected to your home.

Property-tax exemptions, for example, could help lower your annual property tax bill. While this will mean less to deduct when you file your annual federal tax return, that's usually a trade-off homeowners will gladly make in order to have more money in their personal accounts the rest of the year.

Exemptions have to do with how much property tax you're ultimately paying," says Gronsky. "The taxes are assessed on the value of your house. It may be worth \$200,000, but if you get a \$40,000 exemption for being a veteran or every homeowner gets that amount, you will be paying taxes on just \$160,000 of value."

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The types and amounts of homeowner real-estate-tax exemptions vary greatly across the United States. Check with your local officials about what's available and what you need to do to qualify for the exemptions.

"Even before you buy, you should find out from your settlement attorney, real estate agent or county officials what exemptions and deductions you do get," says Kass.

10. Planning ahead

After you finish your first tax return as a homeowner, use it to plan for the next one.

In early December, Kass says, "ask yourself, 'Do I need more deductions this year?' 'Am I making more money this year or will I next year?' 'Can I prepay my January (mortgage) payment and real estate taxes in December?'

"At the end of the year, if you feel you can use an added mortgage interest deduction this year instead of the next year, as long as you make the payment early (by Dec. 31), you can deduct it. The same with property taxes. Pay them this year to deduct them on your next return."

Also be sure to hang onto your HUD-1 sheet. Remember all those charges you couldn't deduct on your return? They can be added to your home's basis. The basis, which is the total of your purchase price plus closing costs plus any **substantive improvements** you make to the residence, is what you subtract from the sales price you receive to determine your profit.

"Capital improvements are things like putting on a new roof, redoing the kitchen, remodeling the bathroom," says Gronsky. "A lot of people do these things even before they move in."

"They're not deductible this year but might help you when you sell the house in terms of how much capital gains you have to pay."

If you're single, you can make up to a \$250,000 profit on your home and not owe any taxes on the money as long as you've lived in the house two out of the last five years prior to the sale. Couples who file jointly get twice that exclusion amount. If your home's value appreciates substantially, the items added to the basis, if you keep track of it, could help you keep your profit in the tax-free range.

"Set up a record-keeping system that helps you track your home-related costs and does so in a way you can retrieve the information if the IRS wants to get a look at it," says Garwitz.

Also, Kass says to "absolutely hang onto to HUD-1 for three years after you sell your last house." That's how long the IRS has to come back and look at your return.

But even if you have no audit concerns whatsoever, it's a good idea to hold onto this document since it's a record connected to what's probably your largest personal investment.

Freelance writer Kay Bell writes Bankrate's tax stories from her Austin, Texas, home. She also writes two tax blogs, Bankrate's [Eye on the IRS](#), and [Don't Mess With Taxes](#).

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ESTIMATED TIME CHART

The following time table has been suggested to give you an idea of the timing of the different events in the home buying process. It is meant to be a guide and if you have any questions, please ask **Brigitte Mueller**

First Week

- Deposit the earnest money check with you Realtor®
- Your Realtor® will arrange for property inspection
- Your Realtor® will arrange for Termite inspection
- Have a meeting with your Realtor® to make repair request to seller
- Make sure all information the mortgage company has requested has been submitted

Second Week

- Talk to your Realtor® to find out if all repairs have been completed
- Call Mortgage Company to find out if additional information is needed

Fourth Week

- Walk through with your Realtor® to verify completed repairs
- Arrange for cashiers check for closing
- Arrange for transfer of the utilities
- Your Realtor® will schedule the closing for signing the closing papers

*** Now you are the proud owner of your home ***

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HOW I HELP YOU PURCHASE YOUR HOME

I will:

- Listen to you what you want
- Communicate with you on a regular basis
- Provide information on resale and new home builders
- Explain the advantages of owning versus renting
- Advise you on financing alternatives and qualifying for a loan
- Help you selecting your home and provide you with information on comparable real estate values
- Provide information on schools, taxes, utilities, amenities and other areas of interest
- Write the standard purchase agreement for you
- Inform you about legal requirements commonly associated with residential real estate
- Provide you with information on licensed property and termite inspectors
- Explain the repair process on resale homes or the builder walk-through on new homes
- Provide information about home warranty programs to protect your investment
- **Go with you to the closing**

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QUESTIONS TO ASK WHEN WRITING AN OFFER

- 👉 Has the owner completed a property disclosure statement?
- 👉 If yes: May I have a copy?
- 👉 What type of financing is available on this property at this time?
Do you have quote sheets available?
- 👉 What would be a reasonable repair expense amount for this home?
- 👉 Could you run comparables of recent sales in the areas?
- 👉 Are you aware of anything that might affect the value presently or in the future?
- 👉 Would you prepare an estimated closing cost statement and figure the approximate house payments?
- 👉 Would you prepare a comparison of different mortgage loans?

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NEGOTIATING THE AGREEMENT

No two agreements between buyers and sellers in residential real estate are exactly alike. Many opinions in each contract allow negotiation between the parties. In addition to the price, you must negotiate time frames, conditions and expenses in the selling and buying process. Which party pays for different items will depend on your agent's negotiating skills and the cooperativeness of the parties. In Texas, the Texas Real Estate Commission has promulgated contract forms for real estate agents to use. In addition to the basic contract, there are several addenda that Texas law requires in all residential transaction and some for specific cases.

In Texas it is the law to disclose agency relationship. It is also required by Texas law that the seller disclose to the buyer all information that they know about their home in reference to its structure and any factors that could affect the economic value of the home.

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CONTRACT ADDENDA & DISCLOSURES

Texas Law

- Texas Real Estate Commission (TREC) AGENCY DISCLOSURE
- SELLER'S DISCLOSURE
The seller's disclosure notice became effective January 1, 1994 under Texas House Bill 1081. Each seller of residential property in Texas is required by law to provide buyers with this notice prior to entering into contract.
- LEAD BASED PAINT DISCLOSURE (if build 1978 or prior)
- MUD/WATER DISTRICT DISCLOSURE (if located in a MUD or Water district)
- ADDENDUM FOR PROPERTY SUBJECT TO MANDATORY MEMEBERSHIP IN AN OWNER'S ASSOCIATION (if so located)

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BENEFITS OF HOME WARRANTY COVERAGE

To the Seller

- Home may sell faster and at a higher price
- Optional coverage during listing period
- Protection from after-sale legal disputes
- Increases marketability of home

To the Buyer

- Warranty coverage on major systems and built-in appliances
- Protects your cash flow
- Puts a complete network of qualified service technicians at your fingertips
- Low deductible

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CONTRACT TO CLOSING

If you have purchased or sold a home before, you are well aware that many details must be taken care of in the contract to closing process. It can be a confusing process to accurately complete the paperwork, order inspections, an appraisal and a survey. I have provided a checklist for you to reference as you and I work through this sometimes tedious procedure.

Because of the legal inabilities possible with a real estate transaction, I recommend that you date each item as you finish it on your checklist. In addition, it is a good idea to this to keep notes with dates concerning any conversation and actions involving the buying process.

All agreements should be in writing!

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THE CLOSING PROCESS

The following steps outline what happens during the closing process.



Earnest Money — The first step for the buyer after acceptance is to write a check for the "earnest money deposit" (the deposit that secures the buyer's offer).

Title Check — Depending on the state you are from, a title company, closing attorney, or closing agent will be selected to handle the closing process. Their primary purpose is to get a preliminary title report, which is used to confirm that the seller is the legal owner of record of the property and that there are no unsettled liens or other claims against the property, including all real estate taxes and special assessments.

Homeowner's Insurance — is the buyer's responsibility to obtain homeowner's insurance. Lenders always require the buyer to have proof of homeowner's insurance secured.

Disclosures, Inspections, and Contingencies — it is the obligation of the seller to disclose any material facts about the property. Disclosure of material facts can include any property defects or any lawsuits regarding claim to ownership on the property. It is generally the obligation of the buyer to arrange any inspections on the property, including general property and pest inspections. You will work with the buyer to arrange all of the necessary steps as customary to your geographic area. Other contingencies to be aware of include financing, additional inspections, and sale of the buyer's current home. Once the disclosures and inspections are complete and satisfactory, you will arrange to have any contingencies removed from the sales contract.

Appraisal of Property — the lender will arrange for the property to be appraised. The appraiser's report will describe the physical characteristics of the property and comparable property values will be used to determine the value of the property. There will be a thorough interior and exterior inspection. The appraisal takes about one hour to two hours, depending on the size of the house.

Loan Approval — once all of the necessary steps are completed, the buyer's lender will notify the title company that the buyer's loan request has been approved. The lender will send the buyer's loan documents to the title company so that the documents can be signed at the closing appointment, which can also be called the "sign-off". At this time, the title company will schedule a closing appointment with the buyer and seller (separate appointments).

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Request to Payoff Seller's Existing Mortgage — the title company, closing attorney, or closing agent will issue an order to the seller's existing lender requesting a demand for payment in full and all re-conveyance/release documents.

Cashier's Check — in preparation for the closing appointment, the buyer must obtain a cashier's check for the amount of money due upon closing. To find out the exact amount due, ask the loan officer, who will work with the title company to ensure you have all of the appropriate information.

"Sign-off" and Closing Appointment — the closing appointment usually takes about 1-2 hours and is where all of the necessary title and loan papers will be signed by the buyer. Depending on your state, the seller will have already signed all the necessary paperwork or will sign them during this appointment.

Final Steps — once sign-off on all necessary documents is complete, the transaction needs to be recorded by the county and the formal change of possession must take place. You will arrange for the transfer of the property keys with the other co-agent. The "For Sale" sign and property lockbox will also be removed by the seller's listing agent so that the home will be ready to move in.

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GENERAL REAL ESTATE DEFINITIONS

Agency	A legal relationship in which someone (principal) hires someone else (agent to represent them to a third party)
Assessed Value	Value place on property as a basis for taxation
Buyer's agent	An agent that represents the buyer in a fiduciary relationship with the buyer as the principle
Chain of Title	A history of conveyances and encumbrances affecting the title (ownership) of real property
Conventional Mortgage	A mortgage securing a loan mad by investors without government underwriting – that is, not FHA insured or VA guaranteed
Convey or Conveyance	Process of transferring ownership of property from one person to another
Deed	A document which, when properly executed and delivered conveys (transfers) title (ownership) or real property
Disclosure	To make known or public: When dealing with real property, all disclosures should be made in writing
Earnest Money	Money deposited by a buyer to indicate an evidence of good faith
Encumbrance	Anything that affects or limits the ownership of real property – such as mortgages, liens, easements, or restrictions of any kind
Escrow	The deposit of documents and funds with instructions to a neutral third party to carry out the provisions of an agreement or contract
Exclusive right to sell	A written agreement between an owner and a broker/agent for a set term giving the broker the right to sell a property and collect a fee
Fair Market Value	The price at which a willing seller would sell and a willing buyer would buy neither being under abnormal pressure

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Intermediary	Two agents that work for the same broker working on a single real estate transaction. One agent works with the seller and agent works with the buyer. Both agents are in an intermediary agency relationship to serve as “go between” for the seller and buyer.
Mortgage	A legal document that provides security for repayment of a promissory note
Seller’s agent	An agent who represents the seller in a fiduciary relationship with the seller as the principal
Principal	The employer of an agent in an agency relationship
Time is of the essence	Demands punctual performance in a binding contract
Title	In dealing with Real Property “title” means ownership
Title Policy	Insurance policy on the ownership of real property against defects in title
Zoning	Act of city or county authorities specifying type of use for which property may be used

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“DEED OF TRUST”

Glossary by Janet Wickell

Definition:

A deed of trust is a special kind of deed that is recorded in public records, where it tells everyone that there is a lien on your property. It is used in place of a mortgage.

A deed of trust involves three parties. You as the trustor, the lender as the beneficiary, and a neutral third party as the trustee, who you can think of as someone who holds temporary (but not full) title until the lien is paid.

The deed of trust is cancelled when the debt is paid. Until then, the trustee has the power to foreclose if the debt is not paid, without going through the court system, making it easier and quicker than foreclosing on a mortgage.

Deed of Trust:

Over half of the states in the United States use mortgages as security instruments. The other states use a deed of trust, which serves the same purpose, but with a few important differences.

- A deed of trust is a special kind of deed that is recorded in public records, where it tells everyone that there is a lien on your property.
- A deed of trust involves three parties. You are the trustor, the lender is the beneficiary, and a third party is the trustee--someone who holds temporary (but not full) title until the lien is paid.
- The trustee should be a neutral third party, someone who won't favor either you or the lender if problems crop up. In some states, attorneys act as trustees, and in others, title insurance companies often provide the service.
- The trustee cannot take your property for no reason--documents are in place to protect against that.
- The deed of trust is cancelled when the debt is paid.

The Bottom Line

The differences between a mortgage and a deed of trust affect home buyers only when foreclosure is an issue, because the trustee has the power to sell the house if your loan becomes delinquent. The lender must give the trustee proof of the delinquency and ask the trustee to initiate foreclosure proceedings.

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The trustee must progress as allowed by law and as dictated in your deed of trust, but the process bypasses the court system, making it a much faster and cheaper way for the lender to foreclose.

You cannot choose the way your loan is secured, that's determined by where you live, but it's important to have an understanding of the type of lien that secures the debt for your home.

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10 TIPS FOR SETTLING INTO YOUR NEW HOME

1. If you haven't done so already, change your address with the post office.

[Change of address at the Post Office](#)

2. Transfer utility connections to your name as soon as you move in to your new home. Depending on your area, you usually have a set amount of time to transfer the account into your name before your service is suspended.

[Transfer Utility Connections](#)

[Directory of Natural Gas Providers](#)

[Directory of Water Providers](#)

[Directory of Electricity Providers](#)

[Directory of Waste Management Providers](#)

For all other utilities not listed above, check your local yellow pages for a list of local providers.

3. Save all the papers associated with your new home. This includes all contracts, cancelled checks, sales receipts, owner's manuals, and home warranty documents. Make sure that you read all of your product and home warranty documents to ensure you know what to do in case something goes wrong.

4. Keep track of your moving expenses since they can sometimes be tax deductible.

5. Locate and contact your local DMV to change your driver's license and vehicle information. Follow this link to find the DMV in your area:

6. Notify friends and family that you have moved.

7. Find local information on schools, libraries, community activities, and local businesses through your local chamber of commerce website. Follow this link for a directory of chamber of commerce websites.

8. If necessary, find a new doctor and dentist around your home. Don't forget to provide them with your medical history records. In case of an emergency, it also doesn't hurt to locate the nearest hospital in your area. Follow these links to search for providers in your area.

9. If you have 401K plans with previous employers, be sure to notify the plan administrator that you have moved.

10. Register to vote in your new community.

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YOUR DREAM HOME?*

*I AM READY TO GO TO WORK
FOR YOU.....*

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