

COLDWELL BANKER RESIDENTIAL BROKERAGE  
SUTTON ERICKSON REAL ESTATE GROUP  
5460 E Broadway Blvd, Ste 350, Tucson, AZ 85711

*When Experience Matters*



A GUIDE TO  
**BUYING** YOUR HOME



## TABLE OF CONTENTS

---

Welcome.....	1
The Benefits of Buying vs. Renting.....	2
Don't Make a Move without a REALTOR.....	3
Purchasing New Homes & New Construction.....	4
The Typical Buying Process.....	5
Home Buying Wishlist.....	6
For a Smooth Closing – Please Remember.....	6
What is Escrow and Title Insurance?.....	8
The Home Inspection.....	9
Benefits of a Home Warranty.....	10
The Appraisal Process.....	11
After the Closing.....	12
Your Personal Moving Guide.....	13
Change of Address and Moving Checklist.....	14
School Districts.....	16
Government Numbers.....	17
About The Sutton Erickson Real Estate Group.....	18
Glossary.....	19
	20

# A GUIDE TO **BUYING** YOUR HOME

## WELCOME!

---

We pride ourselves on creating long lasting relationships with our clients. Our utmost goal is to help you make wise Real Estate decisions while we take care of all the details involved with researching and negotiating in the purchase of your next home. We encourage you to be involved in the open discussions that will help us lead to the most successful outcome possible.

We offer you the highest level of service by providing you an in-depth analysis of you needs, wants, and of course what is realistic for you. We offer personal service and we do not hand our clients off to anyone. Communication is the key to our success working together as a team.

Once we have completed the analysis of what you are looking for we then provide you with ongoing research and information to keep you up to date with the ever changing market. We never rush you into making decisions and we let you know from the beginning that this process may be faster than you expected or take much longer than we thought. Either way, we are with you until you reach your goal.

Once we have found a qualified property, agree on an offer, and even close on the sale, that is when our true level of service shines through. We don't forget our clients after closing and we stay in touch with you for years to come providing you with up-to-date Real Estate reports, articles, and information. If you're relocating from outside of the Tucson area, we can assist you in finding a qualified service professionals.

*The key to our success is your success.*



Del Sutton, CRS, GRI  
Real Estate Consultant



Michael Erickson  
REALTOR®

## THE BENEFITS OF BUYING vs RENTING

---

### BUYING

1. Buying is a great tax write-off
2. Your housing expense may never go up.
3. You are able to decorate, make physical changes and enjoy your home as you wish.
4. You will build equity as your home appreciates in value.
5. You are never at the mercy of a landlord.
6. Your house will become your home!

### RENTING

1. There is no tax write-off
2. Your rent may go up at any time.
3. You must get permission to make any changes and Improvements.
4. Your money is building equity for someone else.
5. You could be evicted or trapped into a lease.
6. Your living situation is always temporary —it's never your home.

## DON'T MAKE A MOVE WITHOUT A REALTOR®

---

As a member of the National Association of REALTORS®, we are bound by a strict Code of Ethics. Using a the Del Sutton Real Estate Team as your REALTOR® partner works for you in terms of your interests, convenience, your budget and your peace of mind throughout the entire buying process.

- REALTORS® have the most information in one place about what is “on the market,” including homes listed by other REALTORS®. You won't waste time looking at homes that don't meet your needs.
- REALTORS® help you determine what you can afford and what financing options may be open to you.
- REALTORS® help you find the home best suited to your needs: size, style, feature, location and accessibility to amenities that are important to you.
- REALTORS® can supply information on real estate values, taxes, utility costs, municipal services and facilities.
- REALTORS® have no emotional ties to a home, can be objective about it and can point out its advantages and disadvantages.
- REALTORS® will handle all the negotiations, offers and counter offers with the seller until an agreement is reached and will help you through the escrow process.

## PURCHASING NEW HOMES & NEW CONSTRUCTION

---

Purchasers who choose new home construction instead of residential resale in established neighborhoods have additional legal considerations of which to be aware. It is important to talk to your REALTOR®. Agents who work in a model home center represent the builder and while he or she may seem warm and friendly to purchasers, they are advocates of the builder paid by the builder. It is in your best interest to work with an independent REALTOR® of your own choosing who represents them through the entire new home purchase process, including the closing.

Prior to signing a contract with a new home builder, you should:

**Read the subdivision public report.** The law requires a builder in a new home subdivision to provide you with a report disclosing information about the subdivision which may affect your decision to buy. The public report must include information on adjacent land use (commercial zoning and city dump location, if nearby, for example) as well as assessments and taxes to name a few.

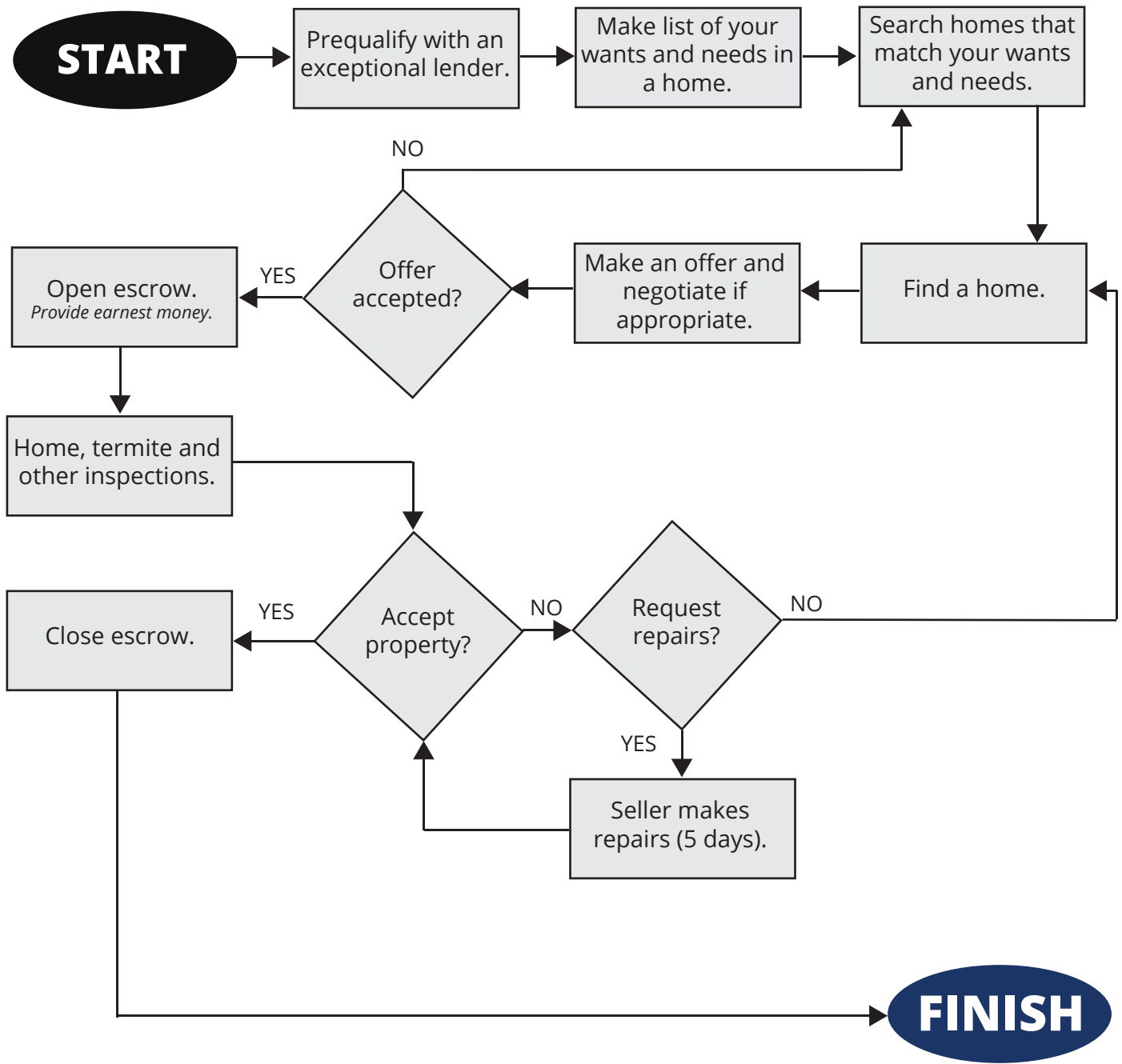
**Read the CC&R's and any other Homeowner Association bylaws and/or architectural guidelines.** CC&R's (Covenants, Conditions and Restrictions) enable an association to control some aspects of your use of your home. CC&R's can be very strict, particularly those which address landscaping, paint selections, RV's, boats and outdoor play equipment. You must consider these restrictions in advance. After closing is too late to find out your home will not meet your intended use.

**Read the purchase contract.** Unlike residential resale purchase contracts, there is no standard contract for homebuilders. Keep these points in mind while reading the builder's contract.

- *What happens to my earnest money and any additional cash deposits to secure my lot?* Deposits should be held by an escrow company, however a builder may disclose that deposits are held not by an escrow company but become immediately available for use by the builder. You may find it difficult to recover funds held by the builder if the builder fails to perform as promised.
- *Is there a financing contingency for my benefit?* Should you not qualify for a loan you need to know whether you are required to apply through the builder's lender or you are entitled to a return of your deposit.
- *Is there a realistic completion date.* Should the date not be met, you need to know if you are able to negotiate with the builder a certain dollar amount per day for late completion.
- *What are my options for problems?* Are there remedies set out in the builder's contract should a problem arise or are you forced to use the Register of Contractors or binding arbitration? You should consult an attorney if you don't understand the language and or rights set out in the builder's contract.

# A GUIDE TO **BUYING** YOUR HOME

## THE TYPICAL BUYING PROCESS



# A GUIDE TO **BUYING** YOUR HOME

## HOMEBUYER WISHLIST

Write in your preferences and rate each item: 3 = Vital, 2 = Very Important, 1 = Neutral, 0 = Not important

LOCATION	PREFERENCES	RATE
Neighborhood / Area		
School district		
Near public transportation		
Near expressway		
Near shopping		
Great views		

PROPERTY TYPE	PREFERENCES	RATE
Single-family / condo / townhome		
Minimum / maximum property age		
Willingness to renovate		
Architectural style		
Open floor plan		

SIZE & MAKE UP	PREFERENCES	RATE
Minimum # of bedrooms		
Minimum # of bathrooms		
Eat-in kitchen		
Family room		
Formal dining room		
Formal living room		
Garage (number of cars)		
Outdoor space (size/use)		
Laundry room		



## HOMEBUYER WISHLIST CONTINUED

AMENITIES	PREFERENCES	RATE
Wood floors / carpeting / tile		
Heating / cooling system types		
Fireplace		
Pool		

OTHER PREFERENCES & SPECIAL NEEDS

LIST PRICE MIN \$ \_\_\_\_\_ MAX \$ \_\_\_\_\_

BUYER NAME(S) \_\_\_\_\_

COMBINED SQFT MIN \_\_\_\_\_ MAX \_\_\_\_\_

BUYER PHONE \_\_\_\_\_

LOT ACRES MIN \_\_\_\_\_ MAX \_\_\_\_\_

BUYER EMAIL \_\_\_\_\_

TODAY'S DATE \_\_\_\_\_

## FOR A SMOOTH CLOSING - PLEASE REMEMBER

---

- Maintain current financial status (no major purchases, no job changes). Avoid credit card purchases and any other lines of credit.
- Tell your REALTOR® and Escrow Officer if you will be unable to come to their office at closing; they will make special arrangements to accommodate your needs.
- Check with your lender and your REALTOR® at least two weeks prior to your scheduled closing date to finalize lender requirements and verify that the loan package has been ordered.
- If your funds will come from out-of-state, please let your escrow officer know at least two weeks before closing.
- Call your escrow officer the week prior to scheduled closing to set your closing appointment. Closing usually takes about an hour.
- At this time your Escrow Officer will inform you about the funds you need to bring to close and what form they should be in.
- If you are unsure about closing procedures, ask questions. An explanation is just a phone call away.
- Be prepared for last minute lender requirements.
- Bring a government issued photo ID and any “Certified” funds with you to signing.

## ESCROW and TITLE INSURANCE

---

### What is Escrow?

An escrow is an independent third party account and is the means by which the interests of all parties to the transaction are protected. The escrow is created after the contract for the sale of the home is executed. The escrow becomes the depository for monies, documents and instructions that pertain to the sale of the home. The amount of time necessary to complete the escrow is determined by the terms of the purchase agreement. It is normally 30-45 days but can range from a few days to several months.

### What is Title Insurance?

Title Insurance is a contract of indemnity that guarantees against the defects in title. In Arizona, most real estate transactions are closed with a title insurance policy. Many homeowners make the assumption that when they purchase a piece of property, possession of the deed is all they need to prove ownership. However, there is a possibility that there are hidden hazards attached to the real estate.

Title companies work to eliminate risks by performing a search of the public records, laws and court decisions pertaining to the property. This is done to determine the current recorded ownership, any recorded liens, encumbrances or any other matters of record that could affect the title to the property.

## THE HOME INSPECTION

---

The AAR Residential Resale Real Estate Purchase Contract gives you, the buyer, the right to conduct physical, environmental, and other types of inspections including tests, surveys and other studies of the premises at the buyer's expense to determine the value and condition of the premises. The Buyer must have any inspections, tests, surveys, etc. and investigate any material matters that are a concern during the inspection period. The Contract also states that the buyer shall provide you, upon request and at no cost to you, copies of all reports concerning the premises.

**PROFESSIONAL HOME INSPECTION:** In a home inspection, a qualified inspector takes an in-depth, unbiased look at the premises: (1) to evaluate the physical condition, i.e., structure, construction, and mechanical systems; (2) to identify items that need to be repaired or replaced; and (3) to estimate the remaining useful life of the major systems, equipment and structure. The inspection gives a detailed report on the condition of the structural components, exterior, roofing, plumbing, electrical, heating insulation and ventilation, air conditioner and interiors.

**WOOD INFESTATION REPORT (WIR):** As a protective measure, lending institutions require that homes be inspected for damage from termites or other wood-destroying insects before closing the sale of the home. A WIR is a document prepared by a licensed pest control company that informs the buyer and lending institution of the results of the inspection.

## THE BENEFITS OF A HOME WARRANTY

---

A home warranty is an insurance policy that covers a variety of mechanical, electrical, and plumbing items, as well as some appliances inside the home. Optional coverage is available for additional cost for more additional systems such as air conditioners, refrigerators, pools and spas.

Sellers may purchase a home warranty plan prior to selling in order to protect against repairs needed during the listing period. The purchaser may have the option to assume the policy at the close of escrow, or the Seller may offer to purchase a home warranty policy for the Purchaser. Offering a home warranty plan can provide these benefits:

- Increases the marketability of your home by reassuring the potential purchaser;
- Helps sell the home faster; and
- Wards off potential disputes after the sale for repair and/or replacement of covered items.

**\*\*Most home warranty plans can be paid for at the close of escrow.\*\***

## THE APPRAISAL PROCESS

---

When you are securing a new loan in order to buy a home, your lender will require an independent, licensed appraisal to determine fair market value of the Seller's property. The appraiser researches similar properties that have sold in the past 180 days and are similar in size, age, construction as well as amenities.

The appraiser sets an appointment to see the property and takes about 30 minutes to an hour to view the property for appraisal. He or she measures your home, draws a representative floor plan, photographs the residence inside and out and notes property condition, specific improvements and amenities.

Appraisers provide a typed report to the your lender within a few days. You are notified should the lender require repairs prior to making a loan on the home. If specified in the contract, repairs and a re-inspection fee would likely be charged.

**NOTE: If you apply for an FHA or VA loan, the property must meet certain requirements. Additional repairs and/or improvements may have to be made prior close of escrow as well. Your REALTOR® can advise you on the most current FHA/VA requirements.**

## AFTER THE CLOSING

---

We recommend you keep all records pertaining to your home together in a safe place, including all purchase documents, insurance, maintenance and improvements.

**LOAN PAYMENTS AND IMPOUNDS.** You should receive your loan coupon book before your first payment is due. If you don't receive your book or if you have questions about your tax and insurance impounds, contact your mortgage company.

**HOME WARRANTY REPAIRS.** If you have a home warranty policy, call your home warranty company directly for repairs. Have your policy number available when you call.

**RECORDED DEED.** The original deed to your home will be mailed directly to you.

**TITLE INSURANCE POLICY.** Your title company will mail your policy to you after closing.

**PROPERTY TAXES.** You may not receive a tax statement for the current year on the home you buy, however it is your obligation to make sure the taxes are paid when due. Check with your mortgage company to find out if taxes are included with your payment. For more information on your Pima County property taxes, contact:

Pima County Tax Assessor: (520) 724-8341  
or visit:

[www.to.pima.gov/tax-payments/payment-information](http://www.to.pima.gov/tax-payments/payment-information)

## YOUR PERSONAL MOVING GUIDE

---

To make sure your move runs smoothly, here are a few helpful moving tips!

### **6 WEEKS BEFORE MOVE:**

- If you're planning a garage sale, set a date.
- If you have children, arrange to transfer school records.
- Discover schools in your new community (Visit: [www.theschoolreport.com](http://www.theschoolreport.com) on the web).
- Notify insurance companies of your move.
- Start a "Move File" for all receipts, papers and estimates related to your move.

### **4 WEEKS BEFORE MOVE:**

- Choose a van line/rental truck company and give them tentative pick-up/deliver dates.
- If you are moving to a new city, be sure and ask your attorney, doctor and other providers for referrals and any necessary records.
- If you have pets, schedule a check-up and be sure to get a copy of their records from your veterinarian.
- Set schedules with real estate agents and/or landlords.
- Arrange to have your mail forwarded to your new home and inform creditors of your new address.

### **2 WEEKS BEFORE MOVE:**

- Schedule disconnect date with your local utility companies, cable company, phone company, etc.
- Notify new utility company, cable company and phone company of connect dates for your new home.
- If you have a lawnmower or any other power equipment, drain them of oil and gasoline. Moving companies will not move them if they are full.
- Cancel newspaper delivery and trash pickup effective on your move date.
- Clean the carpet, floors and drawers before moving into your new home.
- If sink and bathtub drain slowly, unclog them.

### **1 WEEK BEFORE MOVE:**

- Clean out refrigerator and defrost freezer.
- If you will be driving a long distance, have your car serviced.
- Confirm connect dates for utilities, cable service and phone service in your new home.
- Transfer or close your checking account.
- Be sure to get all items from your safe or deposit box.
- Pack a survival kit with basic tools, bathroom essentials, kitchen essentials, eyeglasses, address book, checkbook, clock, change of clothes and directions to your new home.



## YOUR PERSONAL MOVING GUIDE CONTINUED

---

### **PACKING FOR YOUR MOVE:**

- Bend from your knees and not from your back when trying to lift something.
- For large appliances, remove loose fittings and accessories and pack separately. Tie down, tape or wedge all movable parts and doors.
- Wrap anything fragile with blankets, curtains, sheets, plastic or paper.
- Label anything you wrap and place into a box.
- Plants help make home feel homey, so don't forget them! Store them in plastic bags with holes punched for air. Check agriculture regulations on moving plants or trees out of your area and into your new area.
- Moving can be overwhelming for your pet. Remember to help make the move calm and comfortable for them too!

### **MOVING DAY:**

- Spend the entire day at home with the movers.
- Carry any valuables or family heirlooms with you.
- Specify a "DO NOT MOVE" area where you place items you do not want the movers to take with them.
- Right before the movers leave, take a final tour of your home to make sure nothing has been left in drawers or closets.
- Make sure that all doors and windows are locked.

### **AT YOUR NEW HOME:**

- When you first arrive, check boxes for external damage. If damage is found, check the contents.
- Plug in large appliances before your large furniture blocks the outlet.
- Locate your survival kit and put it where you can find it and won't forget.
- Check with the post office on any mail that is being held for you.
- Register your cars. Go to the motor vehicle department to get a new driver's license: [www.azdot.gov/mvd](http://www.azdot.gov/mvd)
- Register to vote in your new area: [cms3.tucsonaz.gov/clerks/register-vote](http://cms3.tucsonaz.gov/clerks/register-vote)

## CHANGE OF ADDRESS & MOVING CHECKLIST

---

- |  |   |
|--|---|
| <input type="checkbox"/> Friends           | <input type="checkbox"/> Pharmacy         |
| <input type="checkbox"/> Cleaners          | <input type="checkbox"/> Post Office      |
| <input type="checkbox"/> Employer          | <input type="checkbox"/> Magazines        |
| <input type="checkbox"/> Bank Account      | <input type="checkbox"/> Newspapers       |
| <input type="checkbox"/> Credit Cards      | <input type="checkbox"/> Electricity      |
| <input type="checkbox"/> Department Stores | <input type="checkbox"/> Gas              |
| <input type="checkbox"/> Motor Vehicle     | <input type="checkbox"/> Telephone        |
| <input type="checkbox"/> Doctors           | <input type="checkbox"/> Cable            |
| <input type="checkbox"/> Insurance Company | <input type="checkbox"/> Water            |
| <input type="checkbox"/> Auto              | <input type="checkbox"/> Garbage          |
| <input type="checkbox"/> Home              | <input type="checkbox"/> School           |
| <input type="checkbox"/> Veterinarian      | <input type="checkbox"/> Health Insurance |
| <input type="checkbox"/> Drugstore         | <input type="checkbox"/> Life Insurance   |

OTHER: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## SCHOOL DISTRICTS

---

### **Ajo Unified School Districts**

111 N. Well Road  
Ajo, AZ 85321  
(520) 387-5618  
[www.ajoschools.org](http://www.ajoschools.org)

### **Amphitheater School District**

701 W. Westmore  
Tucson, AZ 85705  
(520) 696-5000  
[www.amphi.com](http://www.amphi.com)

### **Catalina Foothills School Districts**

2101 E. River Road  
Tucson, AZ 85718  
(520) 209-7500  
[www.cfsd16.org](http://www.cfsd16.org)

### **Flowing Wells Unified School District**

1556 W. Prince Road  
Tucson, AZ 85705  
(520) 696-8800  
[www.floatingwellsschools.org](http://www.floatingwellsschools.org)

### **Marana Unified School District**

11279 W. Grier Road  
Marana, AZ 85653  
(520) 682-4749  
[www.maranausd.org](http://www.maranausd.org)

### **Sahuarita Unified School District**

350 W. Sahuarita Road  
Sahuarita, AZ 85629  
(520) 625-3502  
[www.susd30.us](http://www.susd30.us)

### **Sunnyside Unified School District**

2238 E. Ginter Road  
Tucson, AZ 85706  
(520) 545-2024  
[www.susd12.org](http://www.susd12.org)

### **Tanque Verde School District**

2300 N. Tanque Verde Loop  
Tucson, AZ 85749  
(520) 749-5751  
[www.tanqueverdeschools.org](http://www.tanqueverdeschools.org)

### **Tucson Unified School District**

1010 E. 10th Street  
Tucson, AZ 85719  
(520) 225-6000  
[www.tusd1.org](http://www.tusd1.org)

### **Vail School District**

13801 E. Benson Highway #B  
Vail, AZ 85641  
(520) 879-2000  
[www.vail.k12.az.us](http://www.vail.k12.az.us)

**To learn more about schools in your area, visit:**

**[www.greatschools.org](http://www.greatschools.org)**

**For more information on private schools, visit:**

**[www.privateschoolreview.com](http://www.privateschoolreview.com)**

## GOVERNMENT NUMBERS

---

### **CITY OF TUCSON**

[Cms3.tucsonaz.gov](http://Cms3.tucsonaz.gov)

All Departments	(520) 792-2489
Assessment Records	(520) 791-4124
City Hall	(520) 791-4204
City Services	(520) 791-4144
Finance Department	(520) 791-4893
Mayor	(520) 791-4201
Planning Department	(520) 740-6800
Solid Waste Management	(520) 791-3272
Street Maintenance	(520) 791-4144
Zoning	(520) 791-5550

### **COUNCIL OFFICES**

Westside Ward 1	(520) 791-4040
East Ward 2	(520) 791-4687
Northside Ward 3	(520) 791-4711
East Ward 4	(520) 791-3199
Southside Ward 5	(520) 791-4231
Midtown Ward 6	(520) 791-4601

### **PIMA COUNTY**

[www.pima.gov](http://www.pima.gov)

All Departments	(520) 724-9999
Assessor	(520) 724-8172
Health Department	(520) 243-7770
Parks & Recreation	(520) 877-6000
Planning and Zoning	(520) 724-9000
Recorder's Office	(520) 298-3888
Septic Certification	(520) 724-7400
Sheriff's Department	(520) 351-4600
Tax Codes	(520) 724-8341
Treasurer	(520) 724-8341

### **STATE AGENCIES**

Information	(520) 628-6300
Corporation Commission	(520) 628-6560
Auto/Drivers	(520) 629-9808
Insurance Department	(520) 628-6370
Land Department	(520) 628-5480
Registrar of Contractors	(520) 628-6345
Secretary of State	(520) 628-6583
Senate & House Bills	(800) 352-8404
Water Resources Dept.	(800) 352-8488

### **FEDERAL GOVERNMENT**

HUD-FHA	(520) 308-3007
<a href="http://www.hud.gov">www.hud.gov</a>	
US Forest Service	(800) 832-1355
Internal Revenue	(520) 205-5008
VA Administration	(520) 792-1450

## ABOUT SUTTON ERICKSON REAL ESTATE GROUP

Located in Tucson, Arizona, the Sutton Erickson Real Estate Group consists of Arizona licensed REALTORS® with nearly 50 years experience.

### Mission, Values, Vision & Goals

**Purpose** - Offer specialized knowledge in research, marketing, and negotiations to help clients meet their goals.

**Mission** - Create a delightful real estate experience that people will recommend to family and friends.

**Values** - Honesty, Friendship, Loyalty, and Decency

**Honesty** - Being honest with our clients.

**Friendship** - Being friends with our clients.

**Loyalty** - Being loyal to our clients.

**Decency** - Having behavior that conforms to accepted standards of morality and respectability.

**Vision** - Most determined and dedicated real estate team in Arizona.

### We Believe

*"Owning a home is the cornerstone of wealth - both financial affluence and emotional security." ~Suze Orman*

*"Owning a home is the culmination of many years of hard work and the realization of the American Dream." ~Solomon Ortiz*

*"Home ownership is the cornerstone of a strong community." ~Rick Renzi*

*"A comfortable house is a great source of happiness." ~Sydney Smith*



Del Sutton, CRS, GRI  
Real Estate Consultant



Michael Erickson  
REALTOR®

## GLOSSARY

**Adjustable Rate Mortgage (ARM):** A mortgage with an interest rate that changes over time in line with movements in a financial index. ARMs can also be referred to as AMLs (adjustable mortgage loans) or VRMs (variable rate mortgages).

**Adjustment Period:** The length of time between interest rate changes on an ARM. For example, a loan with an adjustment period of one year is called a one-year ARM, meaning that the interest rate can change once a year.

**Amortization:** Repayment of a loan in installments of principal and interest, rather than interest-only payments.

**Appraisal:** An estimate of the property's value.

**Assessed Value:** The value placed on a property for purposes of taxation.

**Assumption of Mortgage:** A buyer's agreement to assume the liability under an existing note that is secured by a mortgage or deed of trust. The lender must approve the buyer in order to release the original borrower (typically the seller) from liability.

**Balloon Payment:** A lump sum principal payment due at the end of some mortgages or other long term loans.

**Buydown:** A permanent buydown is pre-paid interest that brings the note rate on the loan down to a lower, permanent rate. A temporary buydown is pre-paid interest that lowers the note rate temporarily on the loan, allowing the buyer to more readily qualify and increase payments as income grows.

**Cap:** The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of a mortgage.

**Cash Reserves:** The amount of the buyer's liquid cash remaining after making the down payment and paying all closing costs.

**CC&Rs or Covenants, Conditions and Restrictions:** A recorded document that controls the use, requirements and restrictions of a property.

**Commission:** An amount paid by the seller to the listing and selling Agent for handling the real estate transaction.

**Commitment Period:** The period of time during which a loan approval is valid.

**Condominium:** A form of real estate ownership in which the owner receives exclusive title to a particular unit and shares ownership in certain common areas with other unit owners. The unit itself is generally a separately owned space whose interior surface (walls, floors and ceiling) serve as its boundaries.

**Contingency:** A condition that must be satisfied before a contract is binding. For example, a sales agreement or offer may be contingent upon the buyer obtaining financing.

**Conversion Clause:** A provision in some ARMs that enables home buyers to change an ARM to a fixed rate mortgage, usually after the first adjustment period. The new fixed rate is generally set at the prevailing interest rate for fixed rate mortgages. This conversion feature may involve an extra charge.

**Cooperative:** A form of multiple ownership in which a corporation or business trust entity holds title to a property and grants occupancy rights to shareholders by means of proprietary leases or similar arrangements.

**CRB or Certified Residential Broker:** To be certified, a broker must be a member of the National Association of REALTORS®, have five years of experience as a licensed broker and have completed required Residential Division courses.

**Debt Ratios:** The comparison of a buyer's housing costs to his or her gross or net effective income and the comparison of a buyer's total long-term debt to his or her gross or net effective income. The first ratio is the housing ratio and the second is the total debt ratio.

**Deed:** A document which, when properly executed and delivered, conveys title of real property.

**Disclosure:** To make known or public. By law, a seller of real property must disclose facts which affect the value

## GLOSSARY CONTINUED

---

or desirability of the property.

**Discount Points:** A negotiable fee paid to the lender to secure financing to the buyer. Discount points are interest charges paid up-front to reduce the interest rate on the loan over the life or a portion of the term.

**Due-on-Sale Clause:** A clause that requires a full payment of a mortgage or deed of trust when the secured property changes ownership.

**Earnest Money:** The portion of the down payment delivered to the seller or escrow Agent by the purchaser with a written offer as evidence of good faith.

**Easement:** A right to use all or part of the land owned by another for a specific purpose. For example, an easement may entitle the holder to install and maintain sewer or utility lines.

**Encumbrance:** Anything that affects or limits the ownership of real property, such as mortgages, liens, easements or restrictions of any kind.

**Escrow:** A procedure in which a third party acts as a stakeholder for both the buyer and the seller, carrying out both parties' instructions and assuming responsibility for handling all of the paperwork and distribution of funds. An escrow fee, typically paid by the buyer, is charged by the title company to service the transaction and to escrow money and documents.

**Equity:** The difference between what is owed and the amount for which the property could be sold.

**FHA Loan:** A loan insured by the Federal Housing Administration (of the Department of Housing and Urban Development).

**Federal Home Loan Mortgage Corporation (FHLMC):** Often referred to as "Freddie Mac," they purchase loans from savings and loan lenders within the Federal Home Loan Bank Board.

**Federal National Mortgage Association (FNMA):** Popularly known as "Fannie Mae," they purchase and sell residential mortgages insured by FHA or

guaranteed by the VA, as well as conventional home mortgages.

**Fee Simple:** An estate in which the owner has unrestricted power to dispose of the property as he or she wishes, including leaving by will or inheritance.

**Fixed Rate Mortgage:** A conventional loan with the same interest rate for the life of the loan.

**Fixtures:** Personal property that is attached to real property and is legally treated as real property while it is attached - such as light fixtures, window treatments and medicine cabinets.

**Foreclosure:** The legal process in which mortgaged property is sold to pay the loan of the defaulting borrower.

**Fully Indexed Rate:** The maximum interest rate on an ARM that can be reached at the first adjustment.

**Gift Letter:** A letter from a relative stating that an amount will be gifted to the buyer and that said amount is not to be repaid.

**Government National Mortgage Association (GNMA):** Known as "Ginnie Mae," a governmental part of the secondary market that deals primarily with recycling VA and FHA mortgages, particularly those that are highly leveraged.

**Graduated Payment Mortgage:** A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

**Home Warranty Plan:** Protection against failure of mechanical systems within the property and usually includes plumbing, electrical, heating and cooling systems and installed appliances.

**Index:** A measure of interest rate changes used to determine changes in an ARM's interest rate over the term of the loan.

**Initial Interest Rate:** The introductory interest rate on a loan, which signals that there may be rate adjustments later in the loan.

## GLOSSARY CONTINUED

---

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

**Jumbo Loans:** Mortgage loans that exceed the loan amounts acceptable for sale in the secondary market. Jumbos are packaged and sold differently to investors and have separate underwriting guidelines.

**Lien:** A legal hold or claim on a property as security for a debt or charge.

**List-to-Sale Ratio:** The ratio between the price at what a property is listed and the amount for which it is actually sold.

**Loan Commitment:** A written promise to make a loan for a specified amount on specified terms.

**Loan-to-Value Ratio:** The relationship between the amount of the mortgage and the appraised value of the property, typically expressed as a percentage of the appraised value.

**Lock-in:** The fixing of an interest rate or points at a certain level, usually during the loan application process. It is typically fixed for a specified amount of time, such as 20 to 30 days or some other period of time determined by the lender.

**Margin:** The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

**Mortgage (Deed of Trust):** A legal document that provides security for repayment of a promissory note.

**Mortgage Insurance Premium (MIP):** The mortgage insurance required on FHA loans for the life of said loan. The MIP is either paid in cash at the time of closing or financed over the course of the loan.

**Multiple Listing Service:** The pooling in a central bureau of all properties for sale. The listings are held individually by members of a group of real estate

Brokers, with the agreement that any member of the group may sell the properties and the commission will be divided between the Broker that sold the property and the Broker who filed the listing.

**Negative Amortization:** Occurs when monthly payments fail to cover the cost of the interest on a loan. The interest that is not covered is added to the unpaid principal balance, meaning that even after making several payments the borrower could owe more than at the beginning of the loan. Negative amortization may occur when an ARM has a payment cap that results in monthly payments that are not high enough to cover the interest.

**Origination Fee:** A fee or charge for work involved in evaluating, preparing and submitting a proposed mortgage loan. The fee is limited to 1% for FHA and VA loans.

**PITI:** The term for a mortgage payment that includes principal (P), interest (I), taxes (T) and insurance (I).

**Planned Unit Development (PUD):** A zoning designation for property developed at the same or slightly greater overall density than conventional development, often with improvements clustered between open or common areas. Use may be residential, commercial or industrial.

**Point:** An amount equal to 1% of the principal amount of the investment or note.

**Pre-approval:** When a borrower has completed a loan application and provided debt, income and savings documentation which an underwriter has reviewed and approved. A pre-approval is usually done at a certain loan amount and making assumptions about what the interest rate will actually be at the time the loan is made, as well as estimates for the amount that will be paid for property taxes, insurance and others.

**Prepayment Penalty or Clause:** A fee charged to a borrower who pays a loan in full before the stated due date.

**Private Mortgage Insurance (PMI):** Insurance written by private companies to protect the lender against loss if



## GLOSSARY CONTINUED

---

the borrower defaults on the mortgage. PMI is often required on mortgage loans in which less than 20% has been put forth for the down payment. Depending on the conditions of the mortgage, the borrower may request cancellation of PMI when equity in the property reaches 20%.

**Purchase Agreement:** A written document in which the purchaser agrees to buy a certain real estate and the seller agrees to sell under stated terms and conditions. Also called a sales contract, earnest money contract or agreement for sale.

**Rate Gap:** The difference between the current rate and the rate to which it could adjust on an ARM.

**Realtor:** A real estate Broker or Sales Associate active in a local real estate board affiliated with the National Association of REALTORS.

**Recording Fee:** Charged by the County Clerk to record documents in the public records.

**Refinance:** A new loan with new terms, interest rates and monthly payments that completely replaces your current mortgage.

**Regulation Z:** The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.

**Short Sale:** The sale of a home for less than the balance remaining on the homeowner's mortgage.  
**Tenancy in Common:** A type of joint ownership of property by two or more persons with no right of survivorship.

**Title:** The rights of ownership recognized and protected by law. It is a combination of all elements that constitute the highest legal right to own, possess, use, control, enjoy, transfer and dispose of real estate.