



FSBO

A Guide to **For Sale By Owner**

Learn about the process of selling real estate without the representation of a real estate broker or real estate agent.

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Introduction

For Sale By Owner, or FSBO, is the process of selling real estate without the representation of a real estate broker or real estate agent. Homeowners may employ the services of marketing or online listing companies or market their own property, but they do not pay a commission, and they represent themselves throughout the sale.

One of the most popular reasons why homeowners choose to sell their home without the assistance of an agent is to avoid paying an agent's commission. Depending on where you live and taking into consideration current market conditions, an agent's fee typically makes up 3% to 7% of the selling price of the property. In most cases, the incentive for a seller to list a home FSBO is to pocket this additional money. This could mean extra proceeds from \$3,000 to \$7,000 for every \$100,000 of the sales price, and to some that could be a substantial incentive for trying to go it alone.

If a buyer who is represented by an agent is interested in a FSBO home, that buyer's agent may request the owner pay him or her a commission or finder's fee for bringing the buyer. The seller may choose to either pay the fee or refuse. The seller is not legally obligated to pay any commission. If no agreement is in place with either the homebuyer or the owner of the FSBO property, the buyer's agent may not necessarily be compensated in the transaction, or they may be compensated by the buyer.

Buying a home is often one of the biggest investments people make and one of the most stressful situations we can find ourselves in. Selling a home can be just as significant and stressful. If you're considering selling your home as a FSBO, LandCastle Title Company encourages you to prepare yourself by learning as much about the process as possible. The following pages provide important information on what you'll need to know to sell your home.

Factors to Consider

- You've decided to sell a house, not your home
- Understand the marketplace
- Timing is everything
- Cleanliness is crucial
- Additional factors to consider

Like any important venture in life, there are some important factors to consider prior to embarking. Here are some key concepts to keep in mind when buying or selling a house. For those owners considering a FSBO, these factors prove even more vital to a successful real estate transaction.

YOU'VE DECIDED TO SELL A HOUSE, NOT YOUR HOME

The first major obstacle you must overcome is the notion that you are selling your “home sweet home.” You must put aside your personal feelings about the house. Of course, this is easier said than done. Perhaps this is the first home you have ever owned or the one where you grew up as a child. There may be countless memories associated with the property. Of course, it is perfectly normal to have these sentimental feelings about where you have been living. However, these feelings are not what are going to sell your house. No potential buyer is looking to purchase your home. On the contrary, they are looking for a house that they can make their home. Consider advertising, preparing, and presenting your house to look and feel like a house that anybody can easily move into and create into their own “home sweet home.”

UNDERSTAND THE MARKETPLACE

Just as with any product that a person may market and sell to the general public, it is critical to know what is going on in the surrounding marketplace. Conduct research on the town and state where the property is located. Most importantly, consider your neighborhood and what sets it apart from the others. It is a general rule that the successful sale of any product is dependent on and directly related to the quality of the market research conducted. Real estate is no different.

Speak with others who may be able to lend some insight about important factors affecting the sale of your home. Find out what their experiences have been. Also try contacting some agents to discuss the general climate of the current market. You will be astounded at all of the free information available at your fingertips if you only bother to ask.

TIMING IS EVERYTHING

One of the most important questions to ask yourself at this point is “How much time do I have to sell?” The answer to this all-important question will dictate much of your course of action, including the asking price and how aggressively you need to market the house. Timing and current market conditions are probably the two most critical factors to consider.

The faster you need to sell your house, the more flexible you have to be. After all, you don't have the time to wait around for your asking price. Conversely, if you have an ample amount of time you can sit back and wait for that perfect buyer to come along. Also, the simple rules of supply and demand apply here. If the market is tight and demand exceeds supply, prices go up and you're in good shape.

However, if a lot of people are selling and supply exceeds demand, prices will go down and there is some negotiating to be done.

The real estate market works in a cyclical fashion. Slow periods are usually immediately followed by faster sales and higher prices. If the current market is especially slow and you are in no rush to sell, it is probably a good idea to ride it out and wait for an upswing.

CLEANLINESS IS CRUCIAL

In today's competitive real estate market, there are few things that will set a house apart from all the others like neatness and cleanliness. It is a well-established fact in the real estate world that the appearance of a well-kept home adds value and enables a house to be sold quickly and at a higher profit.

ADDITIONAL FACTORS TO CONSIDER

Some additional factors/questions to ask yourself when selling your home are:

1. How do I determine a realistic price for my home?
Where do I obtain information to assist in pricing my home at market value?
2. Do I have all the necessary legal documents (contract, disclosures, etc.) needed to complete a sale? What paperwork is legally required to sell my home?
3. What is the best way to market the property (Internet, ads, open houses, flyers, etc.)?
4. How can I screen a potential buyer to determine if they are a serious qualified buyer versus a "looker"?
5. Once I have an executed contract, how long does it take to complete all the steps to the final closing?

This guide will touch on some of the topics listed to provide some direction.

Prepare the Property For Sale

- A good first impression can help sell your home
- Your home's exterior creates the prospective buyer's first impression
- A spotless interior will reinforce your home's first impression
- Over improving doesn't pay
- Tips for showing your property

A GOOD FIRST IMPRESSION CAN HELP SELL YOUR HOME

When you are showing your home to prospective buyers, first impressions are often the most lasting and the most important to its sale. Your major role as a seller will be to make your home as attractive as possible to potential buyers. The time, effort, and limited financial investment involved can give you the competitive edge needed to sell your home when you want and at the price you want.

YOUR HOME'S EXTERIOR CREATES THE PROSPECTIVE BUYER'S FIRST IMPRESSION

Since the exterior of your home is the first thing a prospective buyers sees, a little time and effort can make a big difference in the impression your home creates and pay big dividends when the sale is made.

Here are some of the things to look for to make sure your home's exterior looks its best:

- Lawn is well-cut and neatly trimmed around the walks and drive.
- Flower garden is weeded.
- Shrubs are trimmed and dead trees and branches are removed.
- All debris is disposed of and toys and lawn equipment are neatly stored.
- Fences and gates are repaired and repainted, if necessary.
- The roof, gutters and downspouts are in good repair.
- Cracked windows and torn screens are replaced.
- Screens, windows and window sills are washed.
- Doorknobs are polished.
- Doorbell and front lights are in good working order.

If you would have planned to paint the house within the coming year, consider painting the house before showing it. A new paint job, well done, will normally enhance the sale value a good deal more than the cost of the paint.

Remember, if your home's exterior looks clean, orderly and in good repair, that's the impression your house will first convey.

cont'd

A SPOTLESS INTERIOR WILL REINFORCE YOUR HOME'S GOOD FIRST IMPRESSION

Interior dirt and clutter can obscure your home's good points, so start with a full housecleaning from top to bottom. Store unused or unnecessary items in closets and storage areas or hold a garage sale. Eliminate clutter and your home will look more spacious - an important selling point.

Take an inspection tour of your home, observing it as a potential buyer would. Here are some of the things to look for to make sure it's ready to show:

- Walls are clean and free of smudges, fingerprints and dents.
- Woodwork and wallpaper are inspected for problem areas; wallpaper is cleaned and woodwork waxed.
- Badly worn furniture is temporarily stored in a family's or neighbor's attic or basement.
- Curtains and drapes are freshly laundered.
- Rugs and carpets are shampooed. Floors are waxed.
- Loose doorknobs, sticking doors, windows and warped drawers are repaired.
- Leaky faucets are fixed. Water discoloration in sink is eliminated.
- Loose stair banisters are tightened and steps are free of objects.
- Light fixtures are in good working order. Discolored or cracked switch plates are replaced.
- Closets, shelves and drawers are organized to display spaciousness.
- Clothing is hung neatly and shoes and other objects are neatly arranged.
- Bathrooms are sparkling clean. Tub and shower caulking is repaired.
- Bedrooms are neat. Bedspreads and curtains are attractive.
- The kitchen is clean and tidy, including cupboards, stove and oven.
- The basement, attic and garage are clean and well-organized.
- Mirrors, picture frames and glass covering pictures are clean.
- Mirrors are strategically placed to create an impression of added space in problem areas.
- Lamp shades are in good condition.
- Electrical connections are plugged in.
- Consider painting walls and replacing carpeting if cleaning doesn't do the trick.
- Good lighting will make your home seem more cheery and spacious.

OVER IMPROVING DOESN'T PAY

Don't plan major improvements on your home. Most home-buyers want to make their own major changes. You are usually wiser to sell them the potential at a price they can afford.

TIPS FOR SHOWING YOUR PROPERTY

Showing your home is all important to its sale, and there are many ways you can help show your home successfully. Here are some last-minute details that will maximize your home's selling potential:

- The television and radio are turned off or low enough to allow buyer(s) to talk, free of disturbances.
- Children and pets are sent outdoors to play or otherwise entertained to eliminate confusion and to keep the prospect's attention focused positively on your house.
- Bad odors are eliminated. Air freshener is used before the potential buyer arrives, especially if you have pets or the house has been closed up for some time.
- The house has adequate lighting (during daytime, drapes are open; at night plenty of lights are on, including the porch light).
- Wood is stored next to the fireplace. In winter, a fire is lit.
- Plants have been watered and look healthy.
- Fresh flowers are arranged tastefully around the house.
- Neatness makes a room look bigger. Avoid clutter.
- If possible, leave furnishings in the house during showings.
- Avoid having dirty dishes in the sink or on counters.
- Keep any toys in the children's rooms. Bikes, wagons and skateboards should be made as inconspicuous as possible.
- If a REALTOR® is showing your home or conducting an open house, take your family away.

Determine the Sale Price

Determining the best asking price for a home is one of the most challenging and important aspects of selling a home. Below are some things to keep in mind when it comes to pricing:

- Realistic pricing will achieve a maximum price in the most reasonable period of time.
- The market determines the final sale price (your desired proceeds are irrelevant).
- Generally improvement costs are greater than the value they add.
- Houses that remain on the market an extended period of time don't get shown.
- Pricing it right from the start yields the highest proceeds.

To determine a proper asking price it's important to educate yourself on the local real estate market. Research what homes are currently listed for sale and also what homes have recently sold. Information is available through a number of resources. Consider the following sources to assist in determining your sale price:

- Get a property valuation or CMA (comparative market analysis) for your home. These can be obtained via online services or by a licensed real estate professional. Keep in mind online services are electronic, they don't factor in some of the personal charm or appeal of living in certain areas. Real estate professionals can adequately adjust pricing for "hot spots" or popular areas.
- Consider hiring a licensed appraiser to determine the value. Most prospective buyers obtain financing to purchase a home. An appraisal is required by a financing lender to determine a value for the home strictly based on comparable sales. An appraisal is considered to be an objective opinion as to what the market deems to be an acceptable "value" for the property.
- Consider what, if any, major improvements you have done that could positively impact the value of your home (i.e. adding a garage, remodeling a kitchen, replacing all the windows).
- Review and analyze all the research you have completed and set an asking price.

Once you have determined the value for your home it is best not to set an asking price that exceeds more than 5% of its value. You should expect that you will get an offer less than your asking price. Most homes that are reasonably priced sell within 10% of the asking price. If your home is in excellent condition compared to other homes in the same price point and the market is fast, set your asking price at the higher end of the range. If your home needs work, doesn't show as well or the market is slow, price it on the lower end of the reasonable range.

Market the Property

Consider the following avenues to bring as much exposure as possible to your home:

INTERNET TOOLS

Current research indicates that a majority of home buyers are first shopping online to view prospective homes. There are a number of on-line services available from basic advertising options at little or no cost to more extensive options at a greater cost.

SIGNAGE

Put a “FOR SALE” sign in the front yard. These can be purchased online or at your local home improvement store.

MARKETING PIECES

Create a feature sheet or brochure outlining all the amenities of the home. These can be placed in a flyer box near your “FOR SALE” sign or left in the home for prospective buyers that are touring the home.

If you are offering a REALTOR® incentive to bring a buyer, deliver flyers to local real estate offices.

Consider running an ad in your local newspaper. Often your ad will be available for viewing online as well as in print.

HOLD AN OPEN HOUSE

An open house is a great way to expose your property to multiple prospective buyers at one time. Allow viewers to tour the home at their own pace, while always being available to answer questions when they arise. Encourage prospective buyers to take a property flyer home with them, as well as one for a friend and/or relative.

WORD OF MOUTH

Tell your friends, relatives and co-workers. Word of mouth is still the least expensive option to get the word out.

INTERNET ADVERTISING TIP

Use the right Website to syndicate your property ad to multiple other sites can save you several hours of work.

These are some Websites to consider using for syndicating your ad because they are not tied to one specific Website vendor:

- Postlets.com
- vFlyer.com
- Reallyo.com
- Realbird.com

Qualify Your Buyer & Negotiate the Contract

TIPS TO KEEP IN MIND

First and most important is being accessible to receive phone calls and responding quickly to inquiries about your home.

When scheduling appointments with prospective buyers to tour your home, be certain to get contact information (name, home and work phone numbers). Safety comes first, and if someone is unwilling to provide any contact information it's unlikely they are a serious buyer. Some level of screening should take place.

If a prospective buyer is interested in making an offer it's important that the offer to purchase is submitted to you in writing. You should also request a "pre-approval" letter from their mortgage lender. This letter indicates that the prospective buyer has contacted a mortgage lender to determine what price home they can afford. A "pre-approval letter" does not guarantee the mortgage lender will provide the final financing. A number of factors could impact the final approval of a mortgage loan (i.e. a low appraisal, job loss, job change, additional debt incurred, etc.). You don't want to lose valuable time out of the market with a prospective buyer that is not qualified to purchase your home.

If a buyer is paying cash (obtaining no financing), request they provide a letter from their bank/financial institution indicating they have sufficient funds (the sales price) to purchase the home.

Offers to purchase/purchase agreements can be found online or at your local office supply store. Most provisions of a purchase agreement are negotiable, however keep in mind with some financing programs there are required expenses that a seller must pay. FHA or VA financing may include mandatory fees that you (the seller) will be required to pay at closing. If your buyer indicates either of these types of financing, consider contacting their loan officer to inquire if there are any fees that will be charged to you. On the following page is a closing cost guide to give you an overview of which party customarily pays for each cost associated with an insured home closing. An earnest money deposit is generally given upon the acceptance of the final signed and agreed upon purchase agreement. This deposit is a "good faith" token of the buyer's intent to purchase the real estate. It is credited toward the sale price at the time of closing. The earnest money deposit can be made payable directly to the seller or can be made payable to the title company that is handling the final closing (i.e. LandCastle Title Company).

Always keep in mind that either party has the right to seek legal counsel for advice when entering into a legal contract and if you have any questions or concerns you should seek out a professional for assistance.

So, Who Pays What?

The SELLER can generally expect to pay for:

- Payoff all loans in seller's name
- Termite treatment / work (according to contract)
- Home warranty (according to contract)
- Any judgments, tax liens, etc. against the seller
- Tax proration (any unpaid taxes at the time of transfer of title)
- Any unpaid Homeowner's Association dues
- All delinquent taxes
- Premium for owner's policy 50% of the title insurance (according to contract)
- Seller closing fee
- Repairs (according to contract)
- Seller-paid closing costs (according to contract)
- Realtor commission (if applicable)
- Other liens or encumbrances that affect the property
- Seller title examination
- Seller deed preparation
- Transfer / conveyance tax to the county

The BUYER can generally expect to pay for:

- Title insurance premium for lender's policy
- Buyer closing fee
- Recording charges for the deed
- Termite Inspection (according to contract)
- Homeowner's association transfer fee
- All loan charges / closing costs
- Inspection fees (property, roof, septic, geological, foundation, etc.)
- Home Warranty (according to contract)
- Homeowner's insurance premium for 1st year
- Title commitment / binder
- 50% of the owner's policy (as noted above)

Prepare for the Closing

SOME KEY STAGES INCLUDE:

- Placing an order for the title commitment upon receipt of a fully executed purchase agreement by all parties. A Home Seller's Checklist / order form outlining all the pertinent information required is included in this guide.
- Ordering or arranging for access to your home for inspections to be completed as outlined by your purchase agreement (i.e. home inspection, termite, well & septic).
- Appraisal is ordered / completed. (This is ordered by the buyer's mortgage lender.)
- Loan is submitted for final underwriting.
- Final loan approval is obtained.
- Upon final loan approval, contact the title company to schedule the final closing – please allow at least 5 business days notice to schedule the final closing. This allows adequate time for the mortgage lender to prepare the final closing documents as well as allows the title company to request any other applicable items needed for closing (i.e. payoff statements, final sewer letters, homeowner's association dues, if applicable).
- Upon receipt of the final loan package from the financing lender along with the applicable items above, the title company will then complete the settlement statement outlining all the costs associated with closing the transaction.
- All parties signing documents are required to bring a valid, U.S. Government issued photo ID. An expired ID card or driver's license cannot be accepted and will delay your closing. Please contact LandCastle Title Company immediately if you have any questions regarding the identification requirement or any other questions. Funds for closing are required to be in the form of a cashier's or certified check payable to LandCastle Title Company or a wire transfer. Wire instructions will be provided with the final closing figures. Cash cannot be accepted.

How to Get Started

Simply contact the manager at LandCastle Title Company, and we will instruct you on the next steps.

Nicole Zele
Manager
nicole.zele@fnf.com

LandCastle Title Company Ohio
4860 Robinhood Drive
Willoughby, OH 44094

Phone: 440-942-5168

Fax: 440-201-7628

Hours of Operation: 8:30AM - 5:00PM

www.landcastle.com

Benefits of Working with a Realtor®

STILL CONSIDERING GOING IT ALONE?

As you may have gathered from reviewing the previous pages, there is a considerable amount of time, know-how and legal expertise needed to sell your home. Any questions you may have now and those that will come up all along the way demonstrate the value of a real estate professional. Let's consider just a few of the many services a REALTOR® can provide.

A REALTOR® provides information on local market conditions to help you price your home realistically and fairly and keeps you abreast of changes in the market which may affect your property. And let's face it; buying or selling a home means paperwork, lots of it.

When it comes to closing, a REALTOR® can be invaluable, leading you through the paper trail with a steady hand and familiarizing you with closing, insurance, property disclosures, inspection procedures, etc.

Your REALTOR® can list your property in the Multiple Listing Service (MLS), providing your home with incomparable exposure and ensuring you have as many REALTORS® as possible helping to find a buyer. But that's not all a REALTOR® does to market your home. He or she knows how to target specific advertising to reach buyers for your home and uses all the marketing tools available to ensure your home is sold expeditiously.

Additionally, a REALTOR® conducts a variety of other marketing efforts on your behalf, from holding open houses and handling phone inquiries to showing your home to prospective buyers.

Like finding any good professional, the best way to locate a REALTOR® is through the recommendations from friends or those who have bought or sold homes recently. If you don't have a referral source, interview a few REALTORS® and ask for references.

WHAT'S THE DIFFERENCE BETWEEN A REAL ESTATE PROFESSIONAL AND A REALTOR®?

"A real estate agent is a REALTOR® when he or she becomes a member of the NATIONAL ASSOCIATION OF REALTORS®, The Voice for Real Estate®, the world's largest professional association. The term 'REALTOR®' is a registered collective membership mark that identifies a real estate professional who is a member of the NATIONAL ASSOCIATION OF REALTORS® and abides by its strict Code of Ethics" (www.realtor.org).

The ABC's of Why You Should Work with a Realtor®

- **Advertising** - Your agent handles all advertising.
- **Bargain** - Research shows 77% of all sellers felt their commission was well spent.
- **Contracts** - Your agent can supply standard forms to expedite your transaction.
- **Details** - Your agent frees you from handling many details of selling your home.
- **Experience and Expertise** - In marketing, financing, negotiations, and more.
- **Financial "Know-how"** - Your agent is aware of many financing options.
- **Glossary** - A real estate professional understands, and can explain, real estate lingo.
- **Homework** - Your agent will do the homework to determine your ideal marketing plan.
- **Information** - Your agent has the resources to answer all of your real estate questions.
- **Juggle Showings** - Your agent will coordinate all of your showings.
- **Keeping your best interest in mind** - It's your agent's job!
- **Laws & Regulations** - Your agent is "up-to-date" on real estate laws that affect you.
- **Multiple Listings Service** - The most effective way of bringing sellers and buyers together.
- **Negotiation** - Your agent will assist you in negotiating your offers.
- **Open Houses** - A great way to enhance your home's exposure in the marketplace.
- **Prospecting** - Your agent has a network of contacts that assist in producing a buyer.
- **Qualifying** - Avoid opening your home to "looky-loos".
- **Realtor®** - An agent who belongs to the National Association of Realtors® and adheres to the organization's strict Code of Ethics.
- **Suggested Price** - Your agent will perform a market analysis to establish fair market price.
- **Time** - Your agent will save you tremendous amounts of valuable time.
- **Unbiased Opinion** - A homeowner's emotions can affect his / her objectiveness.
- **VIP** - Your agent will treat you as their one and only customer.
- **Wisdom** - A knowledgeable agent offers wisdom that comes from years of experience.
- **X marks the spot** - Your agent is with you all the way, even through the signing of your final paperwork.
- **Yard Signs** - Your agent provides professional signage, which encourages serious buyers.
- **Zero Stress** - Selling your home is an emotional experience. Your agent can help.

Resources

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Home Seller's Checklist

Congratulations! Selling your home is a very important process and sometimes it can seem a bit scary. LandCastle Title Company has developed this checklist to help take away some of those fears. If you have questions please do not hesitate to contact us. The following are items we need to begin the title and closing process.

Names & Contact Information

Sellers: _____

Address: _____

Phone: _____

Email: _____

Buyers: _____

Address: _____

Phone: _____

Email: _____

Purchase Agreement (provide to us along with this checklist)

Prior Title Insurance Policy (if not issued by LandCastle Title Company)

Seller's Mortgage Information

Lender: _____

Account#: _____

Last 5 digits of SSN: _____

Last 5 digits of SSN: _____

Buyer's Mortgage Information (if applicable)

Lender: _____

Contact Name: _____

Phone: _____

Email: _____

Homeowner's Association Information (if applicable)

Estimated Closing Date & Time

Earnest Money:

LandCastle Title Company can hold any earnest money in an escrow account. Checks must be payable to LandCastle Title Company. The earnest money check will be cashed and credited to the buyer at the time of closing.

Please return this completed form along with a copy of the purchase agreement to LandCastle Title Company via fax, email or regular mail. See page 12 for location & contact info.

Moving Checklist

BEFORE YOU MOVE

Address Change

- Post Office; give forwarding address
- Charge accounts, credit cards
- Subscriptions
- Friends & Relatives

Insurance

- Notify company of new location for coverages: life, health, fire & auto.

Utility Companies

- Gas, light, water, telephone, fuel and garbage
- Get refunds on any deposits made

Delivery Service

- Laundry, newspaper changeover of services

And Don't Forget To:

- Empty freezer; plan use of foods.
- Defrost freezer and clean refrigerator.
- Have appliances serviced for moving.
- Clean rugs or clothing before moving; have them wrapped for moving.
- Check with your moving counselor; insurance coverage, packing and un-packing labor, arrival day, various shipping papers, method and time of expected payment.
- Plan for special care needs of infants or pets.

On Moving Day:

- Carry enough cash or traveler's checks to cover costs of moving services and expenses until you make banking connections in new city.
- Carry jewelry and documents yourself.
- Plan for transporting of pets.
- Carry traveler's checks for quick, available funds.
- Let a close friend or relative know route and schedule you will travel.
- Double check closets, drawers and shelves to be sure they are empty.
- Give old keys to new owner.

Glossary

A

Add-On Interest:

A method of calculating interest by adding the interest payable to the full amount of the principal loan. The add-on interest is added to the original principal amount and becomes a part of the face amount of the promissory note.

Adjustable-Rate Mortgage (ARM):

A mortgage with a periodically changing interest rate.

Adverse Possession:

Open and exclusive occupation and use of someone else's real property without permission of the owner continuously for a period of years prescribed by law, thereafter giving title to the occupier-user.

Adverse Use:

The use of someone else's property without owner's consent.

Affidavit:

A written statement or declaration, sworn to before an officer who has authority to administer an oath.

Agent:

A person authorized to act on behalf of / represent the interests of another person.

Agreement of Sale:

A document that specifies the terms under which ownership of real estate property is conveyed from one owner to another.

Amortization:

Mortgage / loan payment through a series of periodic payments.

Annual Percentage Rate (APR):

The interest rate reflecting the total yearly cost of the interest on a loan, expressed as a percentage rate.

Appraisal:

An expert estimation / assessment of a home value.

Appraisal Report:

A document summarizing all the details of the home appraisal.

Appraised Value:

An overall price of a home as assessed by a professional appraiser.

Appreciation:

An increase or rise in the value of property over a certain time.

Arbitration:

The settling of differences between parties by a third-party person or persons chosen or agreed to by them.

Assessed Value:

The value of real estate property as determined by an assessor.

Assumable Mortgage:

A mortgage that is transferable from the home seller to the buyer.

Assumption Clause:

A part of the mortgage contract that lets a home buyer take on the seller's mortgage.

B

Back-to-Back Escrow:

Concurrent closing of escrow for the purchase of one property and sale of another by the same party.

Backup Offer:

A second offer for the property, used in case the sale using the first offer doesn't work out.

Balloon Mortgage:

A short-term mortgage in which small periodic payments are made until the completion of the term, at which time the balance is due as a single lump-sum payment.

Balloon Payment:

A final loan payment that is significantly larger than the payments preceding it.

Bill of Sale:

A document transferring title in personal property from seller to buyer.

Blanket Insurance Policy:

Insurance policy that covers a number of properties.

Blanket Mortgage:

A mortgage that covers a number of properties.

Breach of Contract:

Lack of fulfillment of a legal contract.

Brokerage:

A firm engaged in buying and selling real estate for clients.

Broker:

An agent who buys or sells real estate for a client on a commis-

sion basis without having title to the property.

Bundle of Rights:

Various rights of the owner associated with property ownership.

Buydown:

Allows borrowers with excess cash but low incomes to qualify for loans that would otherwise be out of their reach.

Buyer's Market:

A market condition characterized by low prices and a supply of properties exceeding demand.

Bylaws:

A secondary law governing the internal affairs of an organization.

C

Cancellation Clause:

A condition in a contract that allows its termination prior to its expiration.

Capital Gains Tax:

The tax applicable to gains realized from the sale of capital assets.

Certificate of Occupancy:

A certificate issued by a local authority indicating that a building meets building-code requirements.

Certificate of Title:

A certificate of ownership stating that the title to the specified property is free and clear except for any encumbrance listed on it.

Chain of Title:

The succession of conveyances of the title to a particular parcel of real property.

Closing Disclosure:

Effective 10/3/2015, this form replaced the HUD-1 Settlement Statement. This is meant to be used side by side with the Loan Estimate to compare all costs at closing with what was initially disclosed.

Closing Statement:

A document commonly used in real estate transactions, detailing the fees, commissions, insurance, etc. that must be paid for a successful transfer of ownership to take place. This document is prepared by a closing agent and is also known as a “settlement sheet”.

Cloud on Title:

Interest in real property that if valid impairs the owner’s title.

Collateral:

A borrower’s pledge of specific property to a lender to secure repayment of a loan.

Commission:

A sum or percentage allowed to agents, sales representatives, etc., for their services.

Comparative Market Analysis (CMA):

The best method available to home sellers to learn their home’s current value so they can select the best sale price. CMA is the term real estate agents use when they conduct an in-depth analysis of a home’s worth in today’s market.

Conservator:

A responsible person appointed by a judge to protect and manage the financial affairs of a person who is unable to do so due to physical or mental limitations or old age.

Constructive Notice:

Notice given by publishing in a newspaper, recording, or another method which legally notifies the parties involved, but may not actually notify them.

Conveyance Tax:

A tax imposed on the transfer of real property.

Covenants, Conditions and Restrictions (CC&Rs):

The governing documents that dictate how the homeowners association operates and what rules the owners must obey.

Credit Rating:

A classification of credit risk based on the investigation of a customer’s financial resources, prior payment pattern, and personal history or degree of personal responsibility for debts incurred.

D**Deed of Trust:**

A three party security instrument conveying title to land as security for the performance of an obligation. Also called “trust deed.”

Defective Title:

Title to real property which lacks some of the elements necessary to transfer good title.

Delinquent Mortgage:

A mortgage for which the borrower has failed to make payments as required in the loan documents. If the borrower can’t bring the payments current within a certain time period, the lender may initialize foreclosure proceedings.

Down Payment:

An initial amount paid at the time of purchase.

Dual Agency:

Dual Agency is the process by which one real estate broker represents both the home seller and the buyer in a transaction.

Due-on-Sale Clause:

A provision in a mortgage or deed of trust that allows the lender to demand immediate payment of the balance of the mortgage if the mortgage holder transfers the home.

E**Earnest Money:**

A deposit towards the purchase of real estate made by a buyer to demonstrate that he / she is serious about wanting to complete the purchase.

End Loan:

A permanent, long-term loan used to pay off a short-term construction loan or other form of interim financing.

Endorsement:

A legal term that refers to the signing of a document which allows for the legal transfer of a negotiable instrument from one party to another or an addendum to an insurance policy detailing a change in coverage.

Escrow:

A contract, deed, bond, or other written agreement deposited with a third person by whom it is to be delivered to the grantee or promisee on the fulfillment of some condition.

Estate:

Comprises the houses and out-buildings and supporting farmland and woods that surround the gardens and grounds of a very large property, such as a country house or mansion. Also could be a reference to probate.

Examination of Title:

A close examination of all public records that affect the title to the real estate being purchased.

Exclusive Listing:

A written contract in which a licensed real estate agent is given the sole right to sell a property for a specified time.

Executor:

An individual appointed to administer the estate of a deceased person.

F**Fee Simple:**

An estate under which the owner is entitled to unrestricted powers to dispose of the property and which can be left by will or inherited. Commonly a synonym for ownership.

Fixed Installment:

The monthly payment due on a mortgage loan.

Fixed-Rate Mortgage:

A home mortgage for which equal monthly payments of interest and principal are paid over the life of the loan, usually for a term of 30 years.

Foreclosure:

A proceeding in which the financier of a mortgage seeks to regain property because the borrower has defaulted on payments.

Forfeiture:

The loss of an asset, or rights to an asset, as a result of defaulting on contractual obligations or conditions.

For Sale By Owner (FSBO):

A real estate term which describes the situation in which a property is offered for sale directly by its owner and without that owner having solicited the help of a real estate broker, implying that no real estate commission is associated with the sale.

G**Graduated-Payment Mortgage (GPM):**

A mortgage on which the payment starts low and rises over time.

Good Faith Estimate:

An estimate of the fees due at closing for a mortgage loan that must be provided by a lender to a borrower within three days of the lender taking a borrower's loan application.

Grantee:

One to whom a grant is made, generally the buyer.

Grantor:

One who grants property or property rights.

Guardian:

An individual who has been given the legal responsibility to care for a child or adult who does not have the capacity for self care.

H**Hazard Insurance:**

Real estate insurance protecting against loss caused by fire, some natural causes, vandalism, etc., depending upon the terms of the policy.

Home Equity Loan:

A loan secured by equity value in the borrower's home.

Home Inspection:

A home inspection is an objective visual examination of the physical structure and systems of a house.

Homeowner's Association (HOA):

(1) An association of people who own homes in a given area formed for the purpose of improving or maintaining the quality of the area. (2) An association formed by the builder of condominiums or planned developments and required by statute in some states.

Homeowner's Insurance:

Insurance that provides coverage in the event of damage to your property, as well as liability for injuries and damage you cause to other people.

Homestead Exemption:

Laws designed to protect the value of a home from property taxes and creditors following the death of a homeowner spouse.

Home Warranty:

An insurance contract that covers the repair and replacement costs of home appliances.

Housing Expense Ratio:

This ratio compares the sum of monthly housing expenses to monthly gross income.

I**Implied Warranty of Habitability:**

A warranty implied by law that by leasing a residential property, the lessor is promising that it is suitable to be lived in, and will remain so for the duration of the lease.

Income Property:

Real estate that produces current income, typically from rental payments.

Interest-Only Loan:

A loan in which for a set term the borrower pays only the interest on the principal balance with the principal balance unchanged.

Interest Rate:

The percentage of a sum of money charged for its use.

J-L**Judgment:**

The decision of a court of law. Money judgments, when recorded, become a lien on real property of the defendant.

Land Contract:

An agreement between a buyer and seller of property in which the buyer makes payments toward full ownership, but the title or deed is held by the owner until the full payment is made.

Leasehold Estate:

An ownership interest in land in which a lessee or a tenant holds real property by some form of title from a lessor or landlord.

Lease Option (or Lease Purchase):

The abbreviated form of the appropriate term lease with option to purchase. It is a type of contract used in residential real estate.

Legal Description:

A method of geographically identifying a parcel of land which is acceptable in a court of law.

Lender's Policy:

Sometimes referred to as a loan policy, and it is issued to mortgage lenders. It follows the assignment of the mortgage loan, meaning that the policy benefits the purchaser of the loan if the loan is sold.

Letter of Intent:

A document outlining an agreement between two or more parties before the agreement is finalized.

Lien:

The legal claim of one person upon the property of another person to secure the payment of a debt or the satisfaction of an obligation.

Loan Estimate:

Effective 10/3/2015, this form replaced the Good Faith Estimate and Truth in Lending (TIL) forms.

M**Mechanic's Lien:**

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

Market Value:

Highest estimated price that a home buyer would pay and a home seller would accept for real property in an open and competitive market.

Median Price:

The threshold which divides the real estate market into two equal halves in reference to pricing. One half of all homes in the market were sold at a price above the median home price while the other half were sold below that price.

Mortgage:

A written instrument to secure an obligation such as a promissory note.

Mortgage Acceleration Clause:

A common provision of a mortgage or note providing the holder with the right to demand that the full outstanding balance is immediately due in the event of default.

Mortgage Broker:

The matchmaker between a homebuyer and a lender with the goal of them originating a mortgage loan. The broker draws from a pool of various lenders to find the right match.

Mortgagee:

An entity that lends money to a borrower for the purpose of purchasing a piece of real property.

Mortgage Exemption:

The Mortgage dollar amount that qualified property owners can subtract from the assessed value of their property before the tax bill is calculated.

Mortgagor:

An individual or company who borrows money to purchase a piece of real property.

Multiple Listing Service (MLS):

A group of private databases which allows real estate brokers representing sellers under a listing contract to widely share information about properties with real estate brokers who may represent potential buyers or wish to cooperate with a seller's broker in finding a buyer for the property.

N - O**Negative Amortization:**

The increase of the principal of a loan by the amount by which periodic loan payments fall short of the interest due, usually as a result of an increase in the interest rate after the loan has begun.

Net Cash Flow:

Income from an investment property after expenses such as principal, interest, taxes, and insurance are subtracted.

No Cash-Out Refinance:

The refinancing of an existing mortgage for an amount equal to or less than the existing outstanding loan balance plus an additional loan settlement cost. It is done primarily to lower the interest rate charge on the loan and/or to change the term of the mortgage.

Open Listing:

A property that is simultaneously marketed by multiple real estate agents.

Original Principal Balance:

The total amount of principal owed on a mortgage before any payments are made.

Origination Fee:

A fee, often a percentage of the total principal of a loan, charged by a lender to a borrower on initiation of the loan.

Owner's Policy:

Title insurance for the owner of the property rather than a lien holder.

P**Parcel:**

A lot or tract of land.

Per-diem Interest:

The amount of interest that is earned or that accrues on a daily basis.

Power of Attorney:

A legal document in which one person (the principal) gives another person (the attorney-in-fact) authority to act on the principal's behalf.

Pre-approval Letter:

A pre-qualification letter simply states that you are "qualified" to purchase a home in a certain price range.

Prepaid Interest:

The interest on a loan that has been paid but is not due until a following period.

Prepayment Penalty:

A provision of your contract with the lender that states that in the event you pay off the loan entirely, you will pay a penalty. Penalties are usually expressed as a percent of the outstanding balance at time of prepayment or a specified number of months of interest. Usually, prepayment penalties decline or disappear over time.

Probate Sale:

The sale of a property due to the death of the owner with the proceeds divided among creditors or legal heirs of the deceased.

Promissory Note:

A written, dated and signed two-party instrument containing an unconditional promise by the maker to pay a definite sum of money to a payee on demand or at a specified future date.

Property Tax:

A tax based on the market value of the property as assessed by the county assessor's office.

Proration:

The allocation of property taxes, interest, insurance premiums, rental income, etc., between buyer and seller proportionate to time of use.

Public Records:

Usually at a county level, the records of all documents which are necessary to give notice. The records are available to the public.

Purchase Agreement:

A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under stated terms and conditions.

Q - R**Qualifying Ratio:**

The ratio of the borrower's fixed monthly expenses to his gross monthly income.

Quit Claim Deed:

A document that releases a party from any interest in a piece of real estate.

Quiet Title:

A lawsuit filed to establish ownership of real estate when ownership is in question.

Rate Lock:

A lender's guarantee that the mortgage rate quoted will not change for a specific period.

Real Estate Agent:

A person licensed to negotiate and transact the sale of real estate on behalf of the property owner.

Real Estate Broker:

An agent employed to effect bargains and contracts, as a middleman or negotiator, between other persons, for compensation.

Real Estate Settlement Procedures Act (RESPA):

RESPA controls or prevents certain undisclosed amounts of money between various companies that were associated with the buying and selling of real estate such as lenders, realtors, and title insurance companies.

Real Property:

An estate or property consisting of lands and of all appurtenances to lands, as buildings, crops, or mineral rights.

REALTOR®:

A person who works in the real-estate business and is a member of the National Association of Realtors, and abides by its Code of Ethics.

Reconveyance:

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

Recording Fee:

The fee a government charges for recording documents.

Refinance:

Obtaining a new mortgage that replaces an existing mortgage.

Right of First Refusal:

A contractual right granted by the owner of property that gives the holder of the right an option to enter into a business transaction with the owner, according to specified terms, before the owner is entitled to enter that transaction.

S**Sale Leaseback:**

The disposal of a building, land, or other property to a buyer under special arrangements for simultaneously leasing it on a long-term basis to the original seller, usually with an option to renew the lease.

Sales Disclosure:

A state specific form, that may need to be filed, disclosing everything about the sale of the home.

Secured Loan:

A loan in which the borrower pledges some asset (e.g. a car or property) as collateral for the loan which then becomes a secured debt owed to the creditor who gives the loan.

Seller Broker:

A broker who has a fiduciary responsibility to the seller.

Seller's Market:

A market condition characterized by high prices and a supply of properties below demand.

Shared-Equity Transaction:

A transaction in which two buyers purchase a property, one as a resident co-owner and the other as an investor co-owner.

Simultaneous Issue:

A simultaneous issuance by a little insurance company of policies insuring both an owner and a lender. The Lender's policy is issued at a reduced rate.

Standard Payment Calculation:

The monthly payment required to repay the remaining balance of a mortgage in equal installments over the remaining term of the mortgage at the current interest rate.

Sub-Agent:

An agent who is appointed by another agent and for whom the principal agent is responsible or liable.

Subordination Agreement:

An agreement by which an encumbrance is made subject (junior) to a junior encumbrance. For example: A loan on vacant land is made subject to a subsequent construction loan.

Survey:

The process of using techniques and science to accurately show all easements, setback lines on the property.

T**Tax Deduction:**

An expenditure that is deducted from taxable income.

Tax Lien:

Lien imposed by law to secure the payment of taxes.

Tax Sale:

The sale of real property, usually at auction by a public authority, in order to pay delinquent taxes assessed upon its owner.

Teaser Rate:

The initial interest rate on an adjustable rate mortgage (ARM).

Third-Party Origination:

A process by which a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the mortgages it plans to deliver to the secondary mortgage market.

Title:

Legal right to the possession of real property.

Title Commitment:

A promise to issue an insurance policy on a piece of property.

Title Insurance:

Insurance that compensates for loss from title defects or encumbrances that were unknown but should have been discovered at the time the policy was issued.

Transfer of Ownership:

The means / procedure by which the ownership of a property changes hands.

Transfer Tax:

A tax imposed upon transfers of title to real property.

Trust Account:

An account opened with a trust company, such as a bank, under which a testamentary trust is set up (as for the escrow of funds).

Trustee:

A holder of property on behalf of a beneficiary.

Trustor:

A person who settles property on express trust for the benefit of beneficiaries.

U - Z**Underwriter:**

One who insures another. A small title insurance company may buy insurance from a larger one (the underwriter) for all or part of the liability of its policies. A larger title company may buy part of the insurance from another company on high liability policies.

Unrecorded Deed:

The transfer of a title from one party (grantor) to another party (grantee) without providing public notice of change in ownership.

Unsecured Loan:

A loan that is issued and supported only by the borrower's creditworthiness, rather than by some sort of collateral.

Variable Interest Rate:

An interest rate that moves up and down based on the changes of an underlying interest rate index.

Variable Rate Mortgage:

A mortgage loan where the interest rate varies to reflect market conditions.

Vested:

Present ownership rights, absolute and fixed. Modernly, ownership rights, even though on a land contract or subject to a mortgage or deed of trust.

Voluntary Lien:

A lien created (as by contract) with the consent of the debtor.

Warranty:

A stipulation, explicit or implied, in assurance of some particular in connection with a contract.

Warranty Deed:

A deed used in many states to convey fee title to real property. Until the widespread use of title insurance, the warranties by the grantor were very important to the grantee. When title insurance is purchased, the warranties become less important as practical means of recovery by the grantee for defective title.

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