Home Buyer's Guide

Vista

Sotheby's

INTERNATIONAL REALTY

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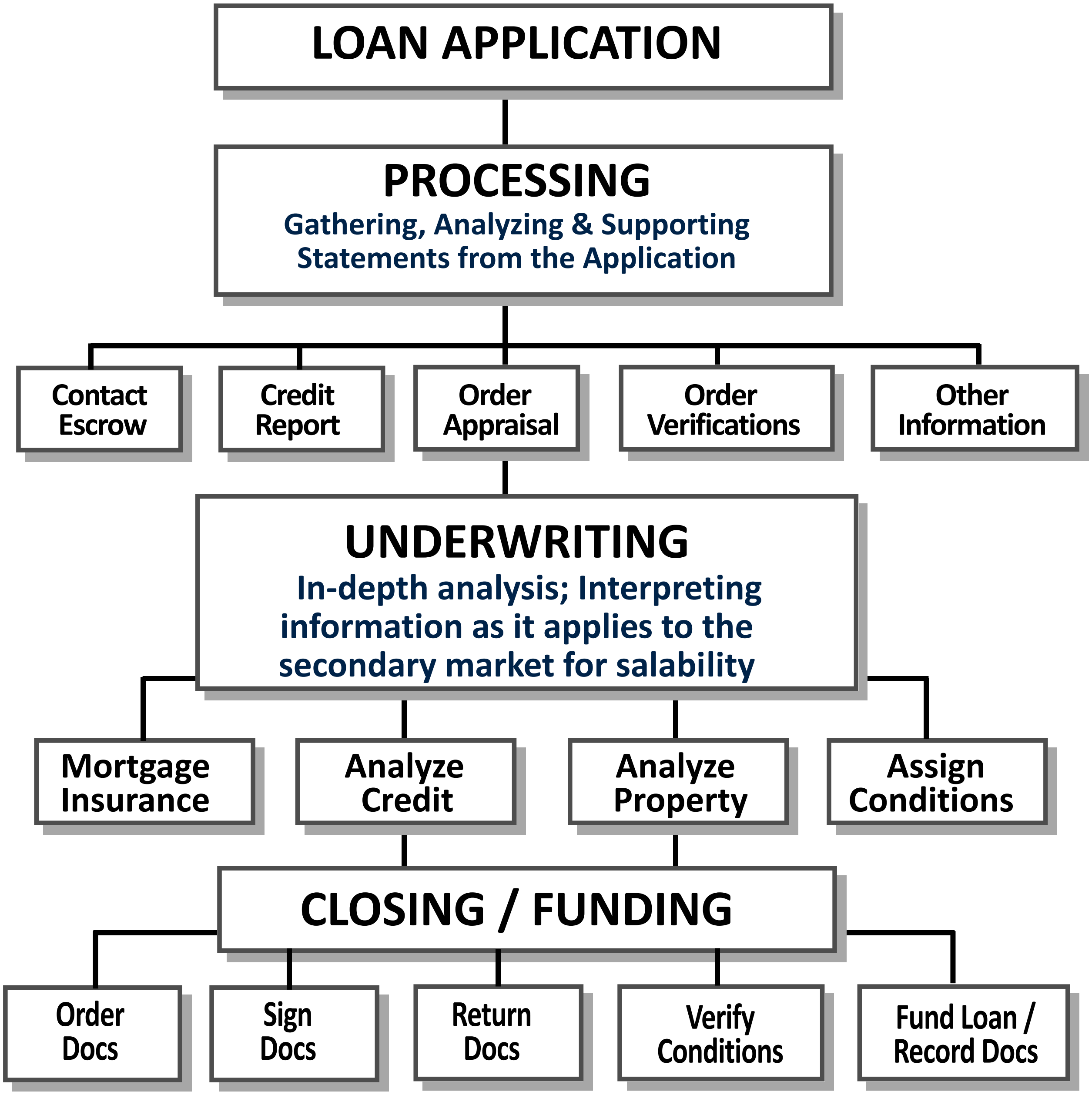
Steps for Buying a Home

1. **Select a REALTOR® and Establish a Relationship** Find a full-time, professional REALTOR® with extensive market knowledge. He/she will work closely together with you to find the right home.
2. **Initial Consultation with Your REALTOR® to Evaluate Your Needs and Resources** Once your needs are established, your REALTOR® will provide guidance to financial institutions where you can obtain information in
3. **Identify Property to Buy** You will be shown homes based upon the criteria that you establish. The more precise and direct you are with your REALTOR®, the more successful your search will be.
4. **Determine Seller's Motivation** Once you have found the home that you wish to purchase, your REALTOR® will do the necesssary research to help you structure an effective offer.
5. **Write Offer to Purchase** Your REALTOR® will draft the Purchase Agreement for you, advising you on protective contingencies, customary practices, and local regulations. At this time you will need to provide an "earnest money" deposit, usually from 3% of the purchase price (the deposit is not cashed until your offer has been accepted by the Seller).
6. **Presentation of Offer** Your REALTOR® will present your offer to the Seller and the Seller's agent. The Seller has three options: he/she can accept your offer, counter your offer or reject your offer. Your REALTOR's ® personal knowledge of your needs and qualifications will enable them to represent you in the best way possible.
7. **Seller's Response** Your REALTOR® will review the Seller's response with you. His/her negotiating skills and knowledge will benefit you in reaching a final agreement.
8. **Open Escrow** When the Purchase Agreement is accepted and signed by all parties, your REALTOR® will open escrow for you. At this time your earnest money will be deposited. The escrow or title company will receive, hold and disburse all funds associated with your transaction.
9. **Contingency Period** This is the time allowed per your Purchase Agreement to obtain financing, perform inspections, and satisfy any other contingencies to which your purchase is subject. Typical contingencies include:
   - Approval of the Seller's Transfer
   - Approval of the Preliminary Report from the Title Company
   - Loan approval, including an appraisal of the property
   - Physical inspections of the property
   - Pest inspection and certification
10. **Homeowner's Insurance** Your REALTOR® will coordinate between your Insurance Agent and the Escrow Officer to make sure your policy is in effect at close of escrow.
11. **Down Payment Funds** You will need a Cashier's Check or money transfer several days prior to the closing date of escrow.
12. **Close Escrow** When all of the conditions of the Purchase Agreement have been met, you will sign your loan documents and closing papers. You will deposit the balance of your down payment and closing costs to escrow and your lender will deposit the balance of the purchase price. The Deed will then be recorded at the County Recorder's office and you will take ownership of your home.

The Loan Process



What is Title Insurance?

A title insurance policy protects buyers, real estate owners or lenders against any loss or damage they might experience because of liens, encumbrances, defects in the title to said property or the fallacy of the related search.

HOW DOES TITLE INSURANCE DIFFER FROM CASUALTY INSURANCE?

Casualty Insurers (car, life, health, etc.) assume risk for *future* events by collecting monthly or annual premiums. A title policy insures the *past* of the real property and the people who owned it, for a one-time premium paid at the close of escrow.

WHAT DOES TITLE INSURANCE COVER?

Title insurance protects against claims from various defects such as another person claiming an ownership interest, improperly recorded property, fraud, forgery, liens, encroachments, easements and other items that are specified in the actual policy.

WHO NEEDS TITLE INSURANCE?

Purchasers and lenders need title insurance to know the property they are involved with is insured against various possible title defects. Whether it is a sale, refinance, construction loan, etc., the seller, buyer and lender all benefit.

HOW IS A TITLE POLICY CREATED?

After the escrow officer or lender opens the *Title Order*, Progressive begins a search of the public records including the County Recorder, Federal & State Agencies and County & City Offices. A *Preliminary Report* is issued to the customer for review and approval. All closing documents are recorded upon escrow's instructions. When recording has been confirmed, demands are paid, funds are disbursed and the actual title policy is issued and sent to the insured.

WHAT TYPES OF POLICIES ARE AVAILABLE?

A standard CLTA "*Owner's*" policy insures the new owner, the home buyer and an ALTA or CLTA "*Lender's*" policy insures the priority of the lender's security interest. An extended coverage ALTA-R (residential) policy to owners of 1-4 unit property is also offered. The ALTA "*Homeowner's*" policy is for owners of 1-4 unit properties as well and expands the number of covered title risks to 29, including certain specified risks that may arise in the future. Progressive Title issues this extended coverage automatically on qualifying properties. *Special Binders, Guarantees* and *Endorsements* are also available.

20 Reasons for Title Insurance:

1. Title Insurance will protect you against a loss on your home or land due to a title defect.
2. A deed or mortgage in the chain of title may be a forgery.
3. Claims constantly arise due to marital status and validity of divorces.
4. A deed or mortgage may have been made by an incompetent or under-aged person.
5. A deed or mortgage made under an expired power of attorney may be void.
6. A deed or mortgage may have been made by a person with the same name as the owner.
7. A child born after the execution of a will may have interest in the property.
8. Title transferred by an heir may be subject to a federal estate tax lien.
9. An heir or other person presumed dead may appear and recover the property or an interest.
10. A judgment regarding the title may be voidable because of some defect in the proceeding.
11. By insuring the title, you can eliminate delays when passing your title on to someone else.
12. Title Insurance reimburses you for the amount of your covered loss.
13. Title Insurance helps speed negotiations when you're ready to sell or obtain a loan.
14. A deed or mortgage may be voidable if signed while the grantor was in bankruptcy.
15. Claims have risen dramatically over the last 30 years.
16. There may be a defect in the recording of a document upon which your title is dependent.
17. Title Insurance covers attorney fees and court costs.
18. Many lawyers protect their clients as well as themselves by procuring Title Insurance.
19. A deed or mortgage may have been procured by fraud or duress.
20. A title policy is paid in full by the first premium for as long as you own the property.

See how the ALTA / CLTA Homeowner's policy compares . . .

1) Someone else owns an interest in your title.

2) A document upon which your title is based is not properly, signed, sealed, acknowledged, delivered or recorded.

3) Your title is affected by forgery, fraud, duress, incompetency, incapacity or impersonation.

4) You have no legal right of access to and from your land.

5) Restrictive covenants limit your use of the land.

6) There is a lien on your title, which includes: (a) a mortgage or deed of trust, (b) judgment, tax, or special assessment, or (c) a charge by a homeowner's or condominium association.

7) Your title is unmarketable, which allows someone to refuse to purchase, lease or make a mortgage loan on the land.

8) Other defects, liens or encumbrances.

9) Mechanics liens for labor or material furnished before the policy date.

10) Someone else has rights affecting your title arising out of leases, contract, or options.

11) Someone has an unrecorded easement on your land.

12) Cannot use the property as a single family residence (1 - 4 units) because the use violates an existing zoning law.

13) Forced removal of existing structures (other than boundary walls or fences) because they: (a) extend onto other land or an easement, (b) violate a restriction shown in Schedule B, or (c) violate an existing zoning law.
X - a deductible may apply (but only to the ALTA / CLTA Homeowner's Policy). See note below.

14) Forced removal of existing boundary walls or fences because they: (a) extend onto other land, an easement or a building setback line, (b) violate a restriction shown in Schedule B, or (c) violate an existing zoning law or zoning regulation. ***X - a deductible may apply. See note below.***

15) No actual vehicular and / or pedestrian access to the land.

16) You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the land, even if the CC&R is excepted in Schedule B.

17) Your title is lost or taken because of a violation of any covenant, condition or restriction affecting the land, which occurred before you acquired title, even if the CC&R is excepted in Schedule B.

18) Because of an existing violation of a subdivision law: (a) you are unable to obtain a building permit, (b) you are forced to correct or remove the violation, or (c) someone refuses, based on a legal right, to purchase or make a mortgage loan on the land. ***X - a deductible may apply. See note below.***

19) You are forced to correct or remove your existing structures (other than boundary walls or fences) because they were built without a building permit. ***X - a deductible may apply. See note below.***

20) Your existing structures are damaged through the exercise of a right to use an easement affecting the land, even if the easement is excepted in Schedule B.

21) Forgery, impersonation or other defect affecting your title which occurs *after* the policy date.

22) Prescriptive easement or adverse possession against your title occurring *after* the policy date.

23) Your existing improvements (or a replacement or modification of them *after* the policy date) are damaged because of the future exercise of a right to use the land for extraction or development of water, minerals or other substance, even if those rights are excepted in Schedule B and the damage occurs *after* the policy date.

24) Your neighbor builds a structure (other than boundary walls or fences) on your property *after* the policy date.

25) The residence with the address shown in Schedule A is not located on the land at the policy date.

26) The failure of the map, if any, attached to the policy to show the correct location of the land according to the public records.

27) Title can be transferred to a Living Trust *after* the policy date; extends to heirs and trust beneficiaries.

28) Automatic increase in coverage up to 150% (at 10% annually for 5 years).

CLTA Standard

ALTA Residential Policy

ALTA / CLTA Homeowner's Policy

__NOTE:__ The ALTA / CLTA Homeowner's Policy is intended for one-to-four family residences. Not all coverage afforded by the policy is reflected in this comparison table. The foregoing table is only intended to highlight some of the important aspects of coverage under the ALTA / CLTA Homeowner's Policy and shall not be construed as an expansion of coverage otherwise afforded by the policy. All coverage is subject to any applicable exclusions, conditions or exceptions set forth in the policy. Because of the nature or location of certain properties, an inspection of the property may be necessary to determine if additional exceptions from coverage need to be shown in Schedule B of the policy, which will be noted in the preliminary report. Copies of these policies are available upon request. All areas above marked with an '__X__' designates that one or more of the applicable covered risks are subject to a deductible and a maximum limit of liability that is less than the full extent of liability under the policy.

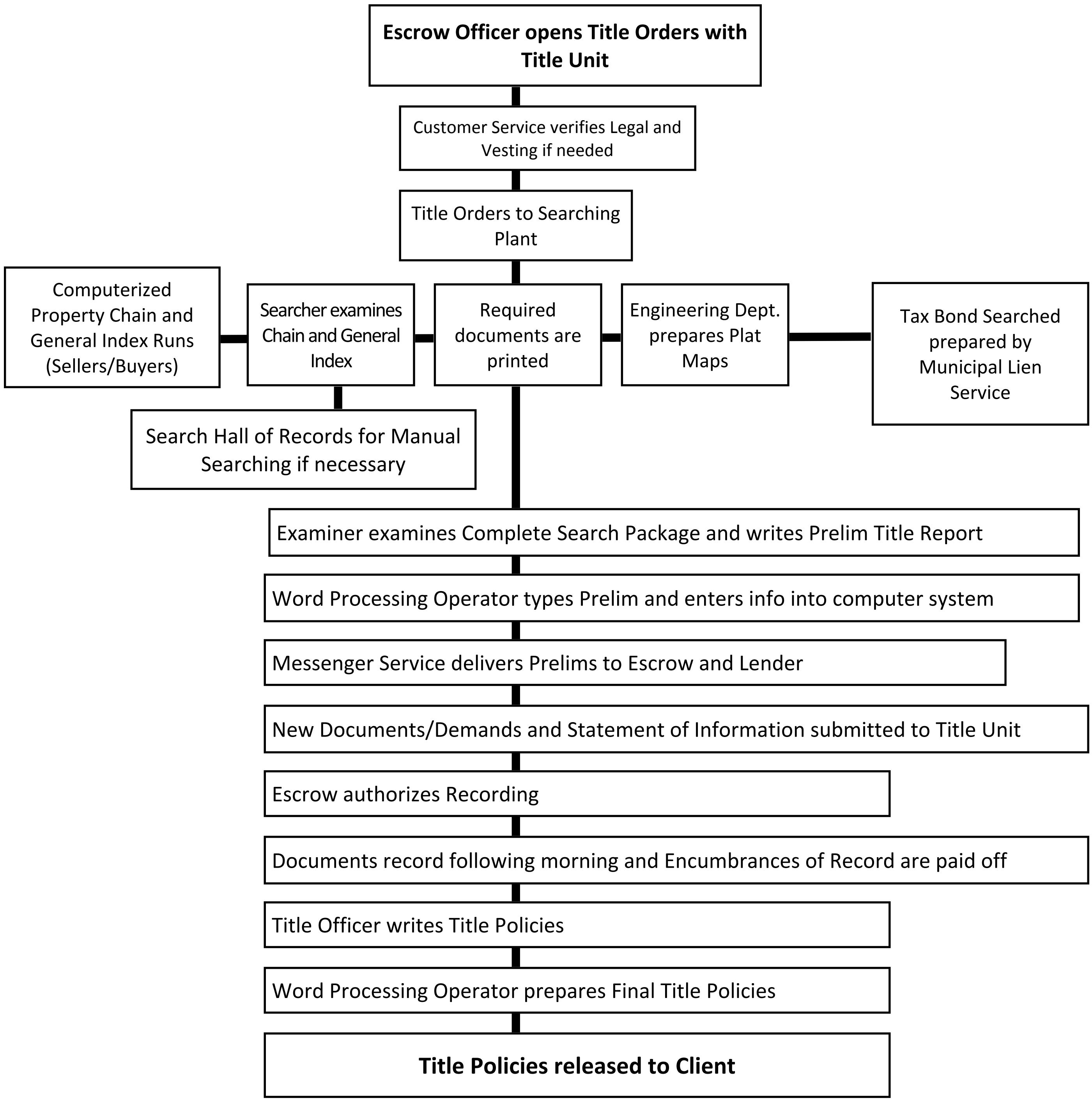
All Policies Revised 2006

Common Ways to Hold Title

	COMMUNITY PROPERTY	COMMUNITY PROPERTY WITH RIGHT OF SURVIVORSHIP	JOINT TENANCY	TENANCY IN COMMON	PARTNERSHIP	TRUST
PARTIES	Husband and Wife OR Domestic Partners	Husband and Wife OR Domestic Partners	Any number of persons (can be husband and wife or domestic partners)	Any number of Persons.	Any number of Partners.	Any number of beneficiaries of the trust.
DIVISION OF INTERESTS	Equal	Equal	Equal	Any number of interests equal or Unequal.	Partnership interests may be equal or Unequal.	Beneficial interests under trust may be equal or Unequal.
TITLE	In the names of the individual owners.	In the names of the individual owners.	In the names of the individual owners.	In the names of the individual owners.	In the names of the partnership.	In the name of the trustee, "as trustee."
POSSESSION	Equal right of Possession.	Equal right of possession.	Equal right of Possession.	Equal right of Possession.	According to partnership agreement.	According to trust Agreement.
CONVEYANCE	Both parties must join in a conveyance.	Both parties must join in a conveyance.	Conveyance by one co-owner breaks the joint tenancy.	Each co-owner's interest may be conveyed separately.	Any general partner authorized by the partnership agreement may convey	Trustee may convey in accordance with the trust agreement.
DEATH	Decedent's 1/2 interest passes to survivor unless devised by will.	Decedent's 1/2 interest passes to survivor.	Decedent's interest passes to the survivor (s).	Decedent's interest passes to decedent's estate.	Partnership agreement provides for either termination or continuance of the partnership	Trust agreement usually provides for distribution upon death of the settler.
SUCCESSOR'S STATUS	Tenancy in common between devisee and survivor results.	Survivor owns entire interest.	Last survivor owns entire interest.	Devisees or heirs become tenants in Common.	Heirs or devisee have rights in partnership interest but not in specific property.	Trust agreement usually provides for distribution upon death of the settler.
CREDITOR'S RIGHTS	Community property is liable for the debts of either party incurred before or during marriage or domestic partnership.	Community property is liable for the debts of either party incurred before or during marriage or domestic partnership.	Co-owner's interest may be sold at an execution sale to satisfy the co-owner's judgment creditor.	Co-owner's interest may be sold at an execution sale to satisfy the co-owner's judgment creditor.	Only a partner's right to receive profits can be executed upon by the partner's judgment creditor.	Usually, a creditor cannot execute on a beneficiary's interest.

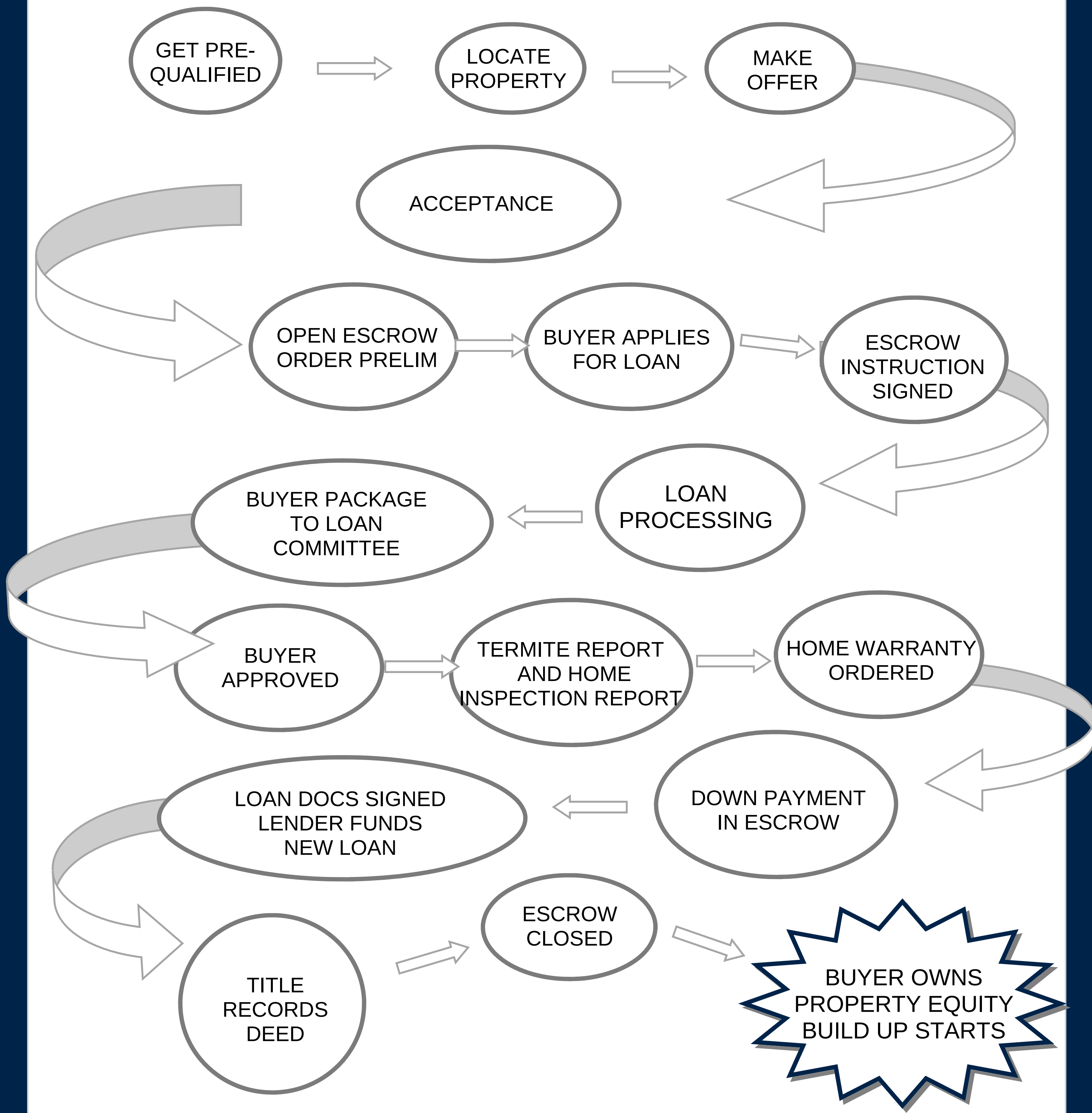
This chart is for reference purposes only. How title is vested has important legal consequences, and this chart should not be relied upon to make that decision. You should consult an attorney to determine the most advantageous form of ownership for your particular situation. Someone who is not an attorney cannot give advice regarding how to hold title because doing so would constitute the unlawful practice of law.

The Process



Escrow Officer opens Title Orders with Title Unit
Customer Service verifies Legal and Vesting if needed
Title Orders to Searching Plant
Computerized Property Chain and General Index Runs (Sellers/Buyers)
Searcher examines Chain and General Index
Required documents are printed
Engineering Dept. prepares Plat Maps
Tax Bond Searched prepared by Municipal Lien Service
Search Hall of Records for Manual Searching if necessary
Examiner examines Complete Search Package and writes Prelim Title Report
Word Processing Operator types Prelim and enters info into computer system
Messenger Service delivers Prelims to Escrow and Lender
New Documents/Demands and Statement of Information submitted to Title Unit
Escrow authorizes Recording
Documents record following morning and Encumbrances of Record are paid off
Title Officer writes Title Policies
Word Processing Operator prepares Final Title Policies
Title Policies released to Client

Listing to Completion of Sale Transactions



Supplemental Property Taxes

They have been with us since July of 1983, but you and your neighbors still may not know what they are, what they do, and how they affect you and your property.

To help you better understand this confusing subject, the California Land Title Association has answered some of the questions most commonly asked about supplemental real property taxes.

Q. When did this tax come into effect?
A. The supplemental Real Property Tax Law was signed by the Governor in July of 1983 and is part of an ambitious drive to aid California's schools. This property tax revision is expected to produce over $300 million per year in revenue for schools.

Q. How will Supplemental Property Tax effect me?
A. If you don't plan on buying new property or undertaking new construction, this new tax will not effect you at all. But if you do wish to do either of the two, you will be required to pay a supplemental property tax which will become a lien against your property as of the date of ownership change or the date of completion of new construction.

Q. When and How will I be billed?
A. "When" is not easy to predict. You could be billed in as few as three weeks, or it could take over six months. "When" will depend on the individual county and the workload of the County Assessor, the County Controller/Auditor and the County Tax Collector. The assessor will appraise your property and advise you of the new supplemental assessment amount. At that time you will have the opportunity to discuss your valuation, apply for a Homeowner's Exemption and be informed of your right to file an Assessment Appeal. The County will calculate the amount of the supplemental tax bill. The supplemental tax bill will identify, among other things, the following information: the amount of the supplemental tax and the date on which the taxes will become delinquent.

Q. How will the amount of my bill be determined?
A. There is a formula used to determine your tax bill. The total supplemental assessment will be prorated based on the number of months remaining until the end of the tax year. June 30.

Q. Can I pay my Supplemental Tax Bill in installments?
A. All supplemental taxes on the secured roll are payable in two equal installments. The taxes are due on the date the bill is mailed and are delinquent on specified dates depending on the month the bill is mailed as follows:

(1) If the bill is mailed within the months of July through October, the first installment shall become delinquent on December 10 of the same year. The second installment shall become delinquent on April 10 of the next year.

(2) If the bill is mailed within the months of November through June, the first installment shall become delinquent on the last day of the month following the month in which the bill is mailed. The second installment shall become delinquent on the last day of the fourth calendar month following the date the first installment is delinquent.

Q. Can you give me an idea of how the proration factor works?
A. The supplemental tax becomes effective on the first day of the month following the month in which the change of ownership or completion of new construction actually occurred. If the effective date is July 1, then there will be no supplemental assessment on the current tax roll and the entire supplemental assessment will be made to the tax roll being prepared which will then reflect the full cash value. In the event the effective date is not on July 1, then the table of factors represented on the following panel is used to compute the supplemental assessment on the current tax roll.

If the effective date is:	The proration factor is:
August 1	.92
September 1	.83
October 1	.75
November 1	.67
December 1	.58
January 1	.50
February 1	.42
March 1	.33
April 1	.25
May 1	.17
June 1	.08

Example: The County Auditor finds that the supplemental property taxes on your new home would be $1,000 for a full year. The change of ownership took place on September 15 with the effective date being October 1: the supplemental property taxes would, therefore, be subject to a proration factor of .75 and your supplemental tax would be $750.

Q. Will my taxes be prorated in escrow?
A. No, unlike your ordinary annual taxes, the supplemental tax is a one time tax which dates from the date you take ownership of your property or complete the construction until the end of the year on June 30. The obligation for this tax is entirely that of the property owner.

* Further information about appeals process can be obtained by calling (213) 974-1371 or writing to: Assessment Appeals Board, B-4 Hall of Administration, 500 West Temple Street, Los Angeles, CA 90012.

The Basics of Private Mortgage Insurance

The Basics

If your down payment on a home is less than 20 percent of the appraised value or sale price, you must obtain private mortgage insurance, known as PMI, with your lender. This will enable you to obtain a mortgage with a lower down payment because your lender is now protected against any default on the loan.

PMI charges vary depending on the size of the down payment and the loan, but they typically amount to about one-half of 1 percent of the loan, according to the Mortgage Bankers Association of America. Mortgage insurance premiums are not tax deductible.

Example

Let's say you put down 10 percent or $10,000 on a $100,000 house. The lender multiplies the 90 percent loan, or $90,000, by .005. The result is an annual PMI of $450, which is divided into monthly payments of $37.50.

Most home buyers need PMI because 20 percent of the sale price on a home is a lot of money; for instance, that's $20,000 on a $100,000 home. Home buyers must maintain the PMI premiums until they cross that one-fifth-of-principal threshold, a process that can take years in longer-term mortgages.

Tip

Keep track of your payments on the principal of the mortgage. When you reach the point where the loan-to-value ratio hits 80 percent, notify the lender that it is time to discontinue the PMI premiums. The Homeowners Protection Act of 1998, which took effect in 1999, requires lenders to tell the buyer at closing how many years and months it will take for them to reach that 80 percent level and cancel PMI. Lenders must automatically cancel PMI when the balance hits 78 percent.

Note: The law does allow lenders to continue requiring PMI all the way down to 50 percent equity for so-called high-risk borrowers. Traditionally, those loans that are considered riskier include reduced documentation loans, in which customers provide less proof of income and other information during the approval process. Loans for people with spotty credit histories and higher debt-to-income ratios also fall into this category. Additionally, some FHA loans require payment of PMI throughout the entire life of the loan.

Ways to avoid PMI

In today's market, there are some new ways to avoid mortgage insurance even when you don't have the standard 20 percent down payment.

Pay more interest:

Some lenders will waive the mortgage insurance requirement if the buyer accepts a higher interest rate on the mortgage loan. The rate increases generally range from .75 percent to 1 percent, depending on the down payment. The advantage is that mortgage interest is tax deductible.

Using an "80-10-10" loan:

This program involves two loans and a 10 percent down payment. The 90 percent loan is financed with a first mortgage equal to 80 percent of the sale price, and a second mortgage for the remaining 10 percent of the sale price. The second mortgage has a higher interest rate but since it applies to only 10 percent of the total loan, the monthly payments on the two mortgages are still lower than paying one mortgage with mortgage insurance. Plus, again, there is the advantage of mortgage interest being tax deductible.

Example:

If we compare the purchase of a $100,000 home under the "80-10-10" plan with a standard fixed mortgage including PMI, we find that the former is $17.45 cheaper each month.

Here's how it works. Under the "80-10-10" plan, the 10 percent down payment on a $100,000 house is $10,000. The first mortgage is $80,000 at 7.50 percent, which comes to a monthly payment of $559. The second mortgage for $10,000 has a 9.50 percent interest rate, making a monthly payment of $84. Total monthly payments of the two loans: $643.

With a $10,000 down payment, one mortgage of $90,000 at 7.50 percent has a monthly payment of $629, plus PMI of $31.45, making a total payment of $660.45.

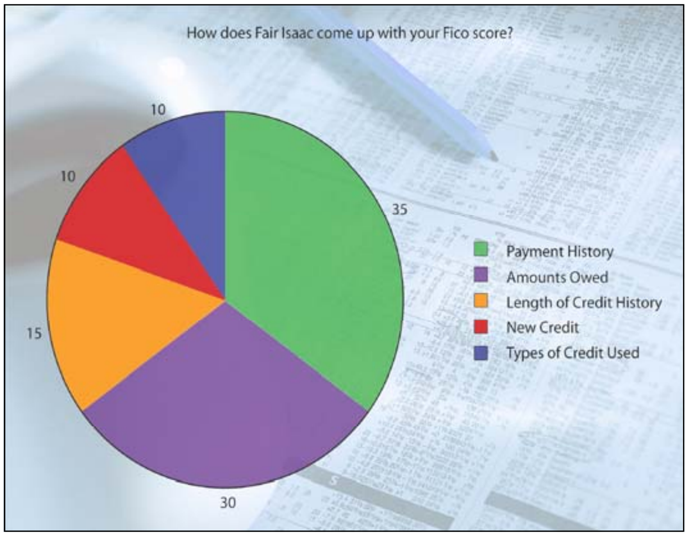
Source: Bankrate.com

How a Fico Score is Determined

The chart above details the scoring system used by Fair Isaac, the creator of the Fico score, one of the most widely used credit scoring methods employed by most banks and lenders in the United States.

The most important factor in determining your Fico score is payment history. This accounts for 35% of the overall scoring criteria, and can make or break your credit score. Payment history includes all revolving and installment accounts, including mortgages, auto loans, credit cards, and student loans. This section also takes into account public records and collections, bankruptcies, foreclosures, tax liens, judgments, and charge-offs.

Although late payments can drag down your fico score tremendously, this weight of each derogatory account is diminished as time goes by, especially if your credit history is robust. The opposite is true if you have a relatively thin credit profile and run into a late payment early on while trying to establish credit. In this case, your fico score can be affected quite dramatically as the creditors have little else to weigh your score.



The next most important factor in determining your credit score is the amount owed on accounts. This includes the total balances on each one of your lines of credit in proportion to the amount of total credit available. For example, if you've only got two lines of credit open, each with a $5,000 credit limit, and both lines of credit have a $4,000 balance, you'll be left with only 20% of your total credit available. This can seriously drag down your credit because you're viewed as possibly over-extended, and you have little credit leftover to leverage your high debts.

For this reason, it should be noted that closing credit cards or other credit lines will lower your total available credit, and thus will likely drop your fico score. That's why it is wise to periodically raise the credit lines on your credit cards as a means to increase your total available credit, without having to open new credit cards unnecessarily. Also note that having too many lines of credit open can be a detriment to your credit score.

Paying down installment loans is also a good way to solidify your credit history. And in some cases, carrying small balances on credit cards is better than having no balance at all because it shows an active use of credit, and the ability to control spending and make payments on time.

The third most important factor in determining your fico score is the length of credit history established. The first account ever opened determines the beginning of your credit history, and the latest account opened determines your newest credit account. A deep, clean credit history is very important, but if you've opened a large number of credit lines recently, or in a short period of time, it could be a signal of financial distress, and subsequently lower your fico score in the short term. Creditors may also shy away from offering additional financing if they feel you are in a cycle of overextension.

Fico scoring also takes into account the average length of time your credit accounts have been opened, and the last time you used your accounts. In addition to that, fico looks at how long specific types of accounts have been established. A consumer with a deep mortgage history will likely have a stronger credit history than a consumer with a long history of only credit card use.

Remember that most banks and lenders who sell mortgages usually want at least three active credit lines with at least a two-year history. Those trade lines should also have fairly high balances to prove to the creditor that you can support large amounts of debt, as a mortgage is a very large loan.

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Remember that most banks and lenders who sell mortgages usually want at least three active credit lines with at least a two year history. Those trade lines should also have fairly high balances to prove to the creditor that you can support large amounts of debt, as a mortgage is a very large loan.

The fourth most important factor in determining your fico score is the amount of new credit in your credit profile. This includes all new credit inquiries and new accounts opened in the short term. If you're shopping for a loan and your credit report gets pulled by ten different lenders your fico score could suffer. Though in recent years the scoring model has been adjusted to allow for multiple inquiries in a short period in the same field. But if you have multiple, unrelated inquiries, your credit score will suffer. This is another sign of financial distress as it appears that you're looking for credit from several different avenues, and the amount of new credit can cause payment shock. Note that credit inquiries stay on your credit report for two years, but are only considered in your fico score for 12 months.

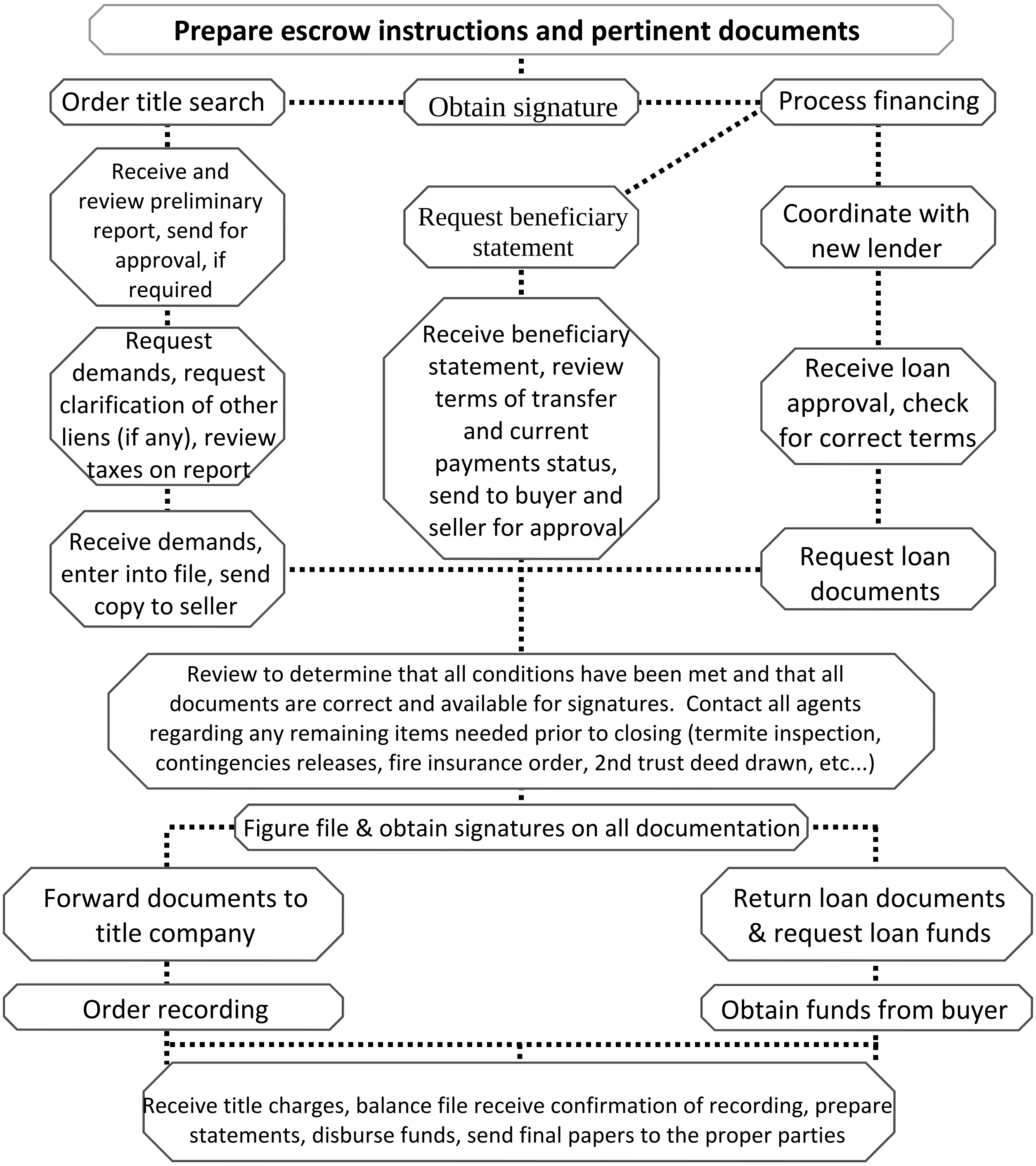
Don't be afraid to order a personal credit report. If you simply order a consumer credit report for personal use, your fico score should not be affected because credit reporting agencies know you're just monitoring your own credit. If you've opened a large number of accounts in a short period of time, your fico score will likely see a drop in the short term until things "normalize" and you build history on all the new accounts. Fico scoring also factors the proportion of new credit accounts versus old credit accounts, and a consumer with little credit history applying for a large amount of credit will be impacted more than a consumer with a long history of high credit.

The final factor affecting your fico score is the type of credit used. While this isn't critical, fico scoring does look at the mix of types of credit in use, and will score someone higher who has experience with different types of accounts such as mortgages, auto loans, credit cards, and more. If your credit profile is limited to just credit cards, your fico score may be lower than someone with a better mix. It also takes into account the total number of each type of credit account. So if you've got 10 credit cards, and no other types of accounts, your fico score could suffer, or be held back from A+ levels. But even if your credit mix doesn't affect your fico score, most lenders want to finance people with experience with a certain type of loan, so if you already have an auto loan or a mortgage, you'll probably have an easier time getting a second one.

Much of the above is common sense if you think about it. If you want to improve your credit score, you need to think like a lender. Who would you lend money to? People with a lot of history paying down large amounts of debt, or people who have paid a debt just once or twice? These important factors in determining your fico score should help you make informed credit choices in the future, and ensure you have the best scores when it comes time to get an auto loan or a mortgage. The savings could be huge if you manage your credit score wisely.

TheTruthAboutMortgage.com 06/08

The Escrow
Process Detailed



The Inspection Process

STRUCTURAL PEST CONTROL INSPECTION

The Structural Pest Control often known as a "Termite Report" is conducted by a licensed inspector.
The Termite Report will indicate any type of wood destroying organisms that may be present in addition to actual termite damage, including Fungi (also known as "dry rot"), that generally results from excessive moisture. Most Termite Reports classify conditions as Section I or Section II items.

Section I Conditions

Section 1 conditions are "active" or currently causing damage to the property. In many cases, Section 1 items need to be corrected before a lender will make a loan on a home.

Section II Conditions

Section II are those conditions that are not currently causing damage, but are likely to if left unattended. A typical Section II item is a plumbing leak where the moisture has not yet caused fungus decay.

Who Pays?

The Purchase Contract will specify who is responsible for the inspection and making these corrections. This is a negotiable item and should be considered carefully.

PHYSICAL INSPECTION

The physical Inspection clause in your Purchase Contract, allows the right to have the property thoroughly inspected. This is usually done through a General Home Inspection. While Home Inspectors are not currently required to have a license, many are, or have been General Contractors. The inspection and the resulting report provide an overall assessment of the present condition of the property.

What is Inspected

The Home Inspection covers items such as appliances, water heater, furnace, electrical service, plumbing and other visible features of the property. This is a general inspection and will call for additional inspections by specific trades, such as roof and furnace inspectors.

Further Inspections

If conditions warrant, the Home Inspector may recommend a Structural Engineers Report. Such a report would identify structural failures and detail recommended corrections.

Who Pays?

Typically, the inspection is paid by the Buyer.

GEOLOGICAL INSPECTION

You may also elect to have a Geological Inspection to educate yourselves as to the soil conditions at the home. This inspection is performed by a Geological Engineer and involves not only physically inspecting the property but also researching past geological activity in the area. The primary purpose of a Geological Inspection is to determine the stability of the ground under and around the home.

Who Pays?

Typically the Buyer pays, but as with other inspections, this is negotiable according to the contract.

HOME WARRANTY

Home Protection Plans are available for purchase by a Buyer or Seller. Such plans may provide additional protection of certain systems and appliances in the home.

Who Pays What?

The Seller Can Generally Be Expected To Pay For:

- Seller's title insurance policy premium
- Escrow fee
- Real estate commission
- Document preparation fee for deed
- Documentary transfer tax ($1.10 per $1000.00 of sales price)
- Any city transfer or conveyance tax
- Any loan fees required by buyer's lender (FHV,VA)
- Payoff all loans in seller's name (or existing loan balance if being assumed by buyer)
- Interest accrued to lender being paid off, statement fees, reconveyance fees and prepayment penalties
- Termite work (according to contract)
- Home warranty (according to contract)
- Any judgments, tax liens, etc., against the seller
- Tax proration (for any taxes unpaid at time of transfer of title)
- Any unpaid homeowner's dues
- Recording charges to clear all documents of record against seller
- Any bonds or assessments (according to contract)
- Any and all delinquent taxes
- Notary fees

The Buyer Can Generally Be Expected To Pay For:

- Buyer's title insurance policy premium
- Escrow fee
- Document preparation (if applicable)
- Notary fees
- Recording charges for all documents in buyer's name
- Termite inspection (according to contract)
- Tax proration (from date of acquisition)
- Homeowner's transfer fee
- All new loan charges (except those required by lender for seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Assumption or change of records fee for takeover of existing loan
- Beneficiary statement fee for assumption of existing loan
- Inspection fees (roofing, property inspection, geological, etc.)
- Home warranty (according to contract)
- City transfer or conveyance tax (according to contract)
- Fire insurance premium for the first year

YOURS OR THEIRS - The Personal vs. Real Property Dilemma

The distinction between personal property and real property can be the source of difficulties in a real estate transaction. The purchase contract is normally written to include all real property; that is, all aspects of the property that are fastened down or an integral part of the structure. For example, this would include light fixtures, drapery rods, attached mirrors, trees and shrubs in the ground. It would not include potted plants, free-standing refrigerators, washers and dryers, book cases, swag lamps, etc. If there is any uncertainty whether an item is included in the sale or not, it is best to be sure that the particular item is mentioned in the purchase contract as being included or excluded.

Making the Move

MAKING THE TRANSITION TO YOUR NEW HOME A SMOOTH ONE

Whether you're moving out of state or around the block, relocating a household is never easy—but it can be fun.

MANAGING THE MOVE

- To save time and eliminate confusion, draw a floor plan of your new home ahead of time. Sketch in and number your furnishings the way you want them arranged. Tag furniture pieces to correspond to the floor plan so the movers know where to place each piece.
- Be sure to be on hand during packing, pickup and delivery of your belongings. If you cannot be there, ask a friend or relative to be on hand. If utilizing a moving service, the mover should issue you an inventory of all items. Make sure the inventory is correct and legible before you sign it.
- If your friends are helping you move, have as much as possible packed ahead of time and ready to be loaded into the moving truck. Don't expect your friends to pack your belongings. Be sure to have plenty of soda and snacks, and send out for takeout food if the work goes into the lunch or dinner hour.
- Keep children and pets out of the way of movers.

MOVING OUT

- Confirm the arrival time with moving company.
- Keep important documents and keys handy.
- Make a final inspection to be sure nothing is forgotten.
- Look through closets, attic and garage.
- Turn off lights; close and lock windows and doors.
- Leave keys with real estate agent or landlord.
- Leave home only after the moving truck is on its way.

IN TRANSIT

- Keep important papers and documents with you.
- Make sure you allow enough time to get to your new home before the movers.
- If you are moving over a long distance, keep in touch with the moving company so they are able to notify you of any delays they may be having.
- If you drive to your new location and arrive late in the evening, spend the first night at a motel rather than trying to "settle in" when everyone's tired. Everything will seem much more manageable in the morning.

WHEN YOU ARRIVE

- If possible, hire a cleaning service to help you clean the house, either before the movers arrive or after they've left.
- Make sure all goods have been removed by the previous owner before you take possession of your new home.
- If you've hired a professional mover, make sure you have the payment ready when the truck arrives as specified in the agreement. On interstate moves, if the charges exceed the written estimate, you are responsible for the estimate plus ten percent of the balance when your goods are delivered. Any remaining amount is usually due within 30 days.
- Check your list of contents against the list of what is delivered, and inspect all boxes for damage.
- Unless you've hired the movers to help unpack, don't try to unpack everything at once. Sort your boxes so that you only have to unpack what is necessary. This gives you the time to organize your space as you go, instead of being forced to toss things randomly into cupboards and closet.

MOVING IN

- Meet the movers promptly.
- Supervise placement of boxes and furniture.
- Check circuit breaker or fuse box to be sure all power is on.
- Check the pilots on the stove.
- Install or check the batteries on smoke detectors.
- Make sure the telephones are working.
- Install new locks.
- Make an extra set of keys and leave a set with a friend, relative or neighbor.

MAKING THE TRANSITION

If you're moving to an unfamiliar location, obtain local maps as soon as possible. Contact the local Chamber of Commerce for information on shopping, dining & services in your new area. Contact your town's Department of Parks & Recreation for information on playground and community recreational activities.

Change your address on your driver's license or get a new license and get your car registered if you move to a new state.

Make it a point to get to know your new community. Get library cards and find out about community-sponsored activities. Subscribe to the local paper so that you get a feel for your new community.

If you're fortunate, your new neighbors will welcome you. If they don't, spend some time outside so they have the opportunity to approach you—or introduce yourself. Talk to the postal carriers, and let them know where you're from and who the members of your family are. Postal carriers often will let your neighbors know.

If your children are moving to a new school, try to find some time to volunteer for school activities. This will help you get to know the school and help you understand any problems your children experience as they get oriented to their new school.

MOVING WITH CHILDREN

Moving can be stressful. Be sure to monitor the effects of the move on your family. Children and adolescents rarely relish change—your attitude about the move and your willingness to let your children share in the experience will influence their feeling about the transition. Try the following to make the moves as anxiety-free as possible for everyone:

- Talk to your children about the move, and encourage them to express their feelings. Acknowledge their feelings about losing a friend and encourage your children to exchange addresses and phone numbers with their friends. A few long distance calls won't break the bank and will help your children make the transition easier. If your children are having trouble with the move, give them extra attention and don't become impatient. Let them call their old friends, and if possible, arrange for them to visit them.
- Sending preschoolers to a sitter or relative during the move may make it easier for you, but it could produce anxiety for the children. Try to involve children in packing and make sure that some of their belongings are with them on the trip.
- When leaving your previous home, empty the children's rooms last, and restructure their rooms first when you've arrived at your new home. This helps them adjust psychologically.
- Encourage your children to look up facts on your new location at the library, or let them help you plot most convenient route on a map. If you're moving only a short distance, let them examine the house and neighborhood before you move.
- Don't think you have to postpone your move until summer vacation. Some experts believe that summer is the worst time to move children, because they have to wait until school starts again to get involved socially. However, if your children aren't doing well in school, it may be advisable to let them finish out the school year in familiar surroundings.

MOVING WITH PETS

- Take pets to a veterinarian. Most states require health certificates and rabies inoculations.
- Most states have laws regarding the entry of animals. Hawaii, for example, requires that cats and dogs be quarantined for 120 days. Although most states do not quarantine, be sure to check on what is required.
- Border inspections of all animals being transported are conducted by some states, while others have random inspection. Be prepared to have current certificates for dogs and up-to-date rabies inoculations for dogs and cats.
- Make your pet feel at home by putting out its favorite toys, food dishes, blankets, etc. Don't allow your pet outdoors unleashed as they could become disoriented or stray away from your home.

Moving Check List

Give Address Change to:
- o Post Office
- o Charge Accounts, Credit Cards
- o Subscription: Notice requires several weeks
- o Friends and Relatives

Insurance:
- o Notify company of new location for coverage:
- o Life, o Health, o Fire & o Auto

Medical, Dental, Prescriptions Histories:
- o Ask Doctor & Dentist for referrals
- o Transfer needed prescriptions, eyeglasses, X-rays, etc.
- o Obtain birth records, medical records, etc.

Bank:
- o Transfer funds, arrange check-cashing in new city
- o Arrange credit references
- o Obtain cashiers check necessary for closing real estate transaction

Utility Companies:
- o Phone, o Gas, o Water & Power, o Fuel
- o Get refunds on any deposits made

Delivery Service:
- o Laundry, newspaper, changeover of services

AND DON'T FORGET TO:
- o Empty freezer
- o Defrost freezer and clean refrigerator, place charcoal to dispel odors
- o Have appliances serviced for moving
- o Clean rugs or clothing before moving, have them wrapped for moving
- o Check with your Moving Counselor: insurance coverage, packing & unpack labor, arrival day, various shipping papers, method and time of expected payment.
- o Plan for special car needs of infants

ON MOVING DAY:
- o Carry enough cash or travelers checks to cover cost of moving services and expenses until you make banking connections in the new city
- o Carry jewelry and documents yourself, or use registered mail
- o Plan for transporting pets; they are poor traveling companions if unhappy
- o Double-check closets, drawers & shelves to be sure they are empty
- o Leave all old keys needed by new tenant or owner with Realtor or neighbor

AT YOUR NEW ADDRESS:
- o Check on service of telephone, gas, electricity & water
- o Check pilot light on stove, water heater, incinerator & furnace
- o Have new address recorded on driver's license
- o Register car within five days after arrival in state or a penalty may have to be paid when getting new license plates
- o Apply for state driver's license
- o Register children in school
- o Arrange for medical services: Doctor, Dentist, etc.

The Interim Binder

As more and more people buy property for investment or speculation, the Interim binder becomes a more important tool for the Real Estate broker. By utilizing the Interim binder, principals to a transaction can realize a substantial savings in the cost of title insurance.

COST	=	110% of Basic Rate
TIME PARAMETERS	=	Must resell within a 2 year period or buy a one year extension for an additional 15% of the basic rate.
SELLERS PAYS	=	Normal Fee
BUYERS PAYS	=	10% Of Basic Rate

HERE'S HOW IT WORKS

EXAMPLE	Original price or liability $500,000 – Basic Rate	
	ALTA/HOP – paid by SELLER	$1,729
	BUYER pays an additional 10%	172
	Total fees for Interim Binder	$1,901
	Resale price within 2 years $550,000 -- Basic Rate	
	ALTA/HOP	$1,839
	Less the original rate on $500,000	1,729
	Binder resale rate	$ 110

The total cost to the investor is $282 derived by adding $172 (representing the original additional 10% of the basic rate), to the $110 (representing the premium for the increased liability at the date of re-sale). By contrast, the short term rate the investor would normally pay without utilizing the Interim Binder is $1,471.

TOTAL SAVINGS: $1,189 ($1,471 less $282)

Note: Progressive Title Company automatically issues the ALTA/HOP Policy for Single Family 1 to 4 unit properties.

House Hunter's Scorecard

Take me along — with you!

Nothing is quite as frustrating as forgetting why you liked two or three particular homes after weeks of looking. With this scorecard, you can keep a record for yourself

	Priority	House A	House B	House C
Asking Price				
Real Estate Taxes				
Water Bill				
Heating Bill				
Electric Bill				
Age of House				
One Story				
Garage				
Wood Frame				
Brick & Wood Frame				
Overall Exterior Condition				
Gas Heat				
Electric Heat				
Hot Water Heat				
Central Air Conditioning/Age				
Number of Bedrooms				
Living Room				
Separate Dining Room				
Kitchen Eating Area				
Number of Bathrooms				
Closets				
Refrigerator				
Cooking Stove				
Disposal				
Dishwasher				
Washer/Dryer				
Laundry Space				
Adequate Water Heater				
Basement Storage				
Attic Storage				
Finished Attic				
Number of Fireplaces				
Drapes				
Carpeting				
Modern Electrical Wiring				
Sump Pump/Drainage				
Overall Sewer System				
Backyard Patio				
Fence on Lot Lines				
Pleasing Landscaping				

About the Neighborhood

	Priority	House A	House B	House C
Street Clean				
Neighbors Property Well Kept				
Flooding (Check Local Govt.)				
Loud Noises, Bad Odors				
Nearby Train Tracks				
Open Drainage Ditch				
All Utilities Installed				
Area Zoned Residential				
Nearby Industry				
Proposed Special Assessment				
Garbage Collection				
Street Lights				
Streets & Alleys Maintained				
Heavy Airplane Traffic				
Newspaper Articles on Community or School Difficulties				
THE HOUSE IS NEAR				
Public Transportation Within Walking Distance				
Thoroughfares or Expressways (Short Driving Time)				
Convenience Shopping				
Schools the Children will Attend – Check with School Officials				
Parks				
HOUSE IS MINUTES FROM				
Work				
Downtown				
Convenience Shopping				
Elementary School				
High School				
Doctors				
Relatives				
House of Worship				

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