



HOW TO DOWNSIZE WITHOUT BECOMING HOMELESS OR HAVING TWO MORTGAGES TO PAY

AN EDUCATIONAL RESOURCE



**“Just A Quick Letter To Introduce Myself,
And Explain Why I’ve Put Together This
FREE Report To Help Families Thinking
About Downsizing Get All The
Information They Need...
For FREE”**

Dear Home Seller,

Most Real Estate professionals would undoubtedly agree that our Industry devotes more attention towards encouraging and guiding first time buyers, and those ‘moving up’ to larger homes than it does in effectively addressing the needs of those seeking to ‘right-size’ or downsize their home-related lifestyle.

The lack of appropriate focus on this pronounced North American downsizing trend, one significantly influenced by the maturation of Baby Boomers, is puzzling.

Specifically when one considers how – according to research from the Demand Institute – there are three times as many Real Estate consumers seeking to downsize than move up.

It is due to this Industry-wide oversight that I am pleased to make on-going assistance available to those in our community contemplating such an important move, ensuring that such a move is ‘by design’ and results in a distinctive lifestyle and is done with dignity.

If you would be interested in finding out if now is the time for you to take that step to downsize and would like to explore the opportunities available please contact me at (517) 204-5999 today to arrange your private consultation.

Thank you for your kind attention.

Warmly,

Rob Buffington
Associate Broker
Berkshire Hathaway HomeServices
Tomie Raines REALTORS®
Luxury Collection Specialist
Buffington Real Estate Group

Why is Our Guide Called “How To Downsize Without Becoming Homeless Or Having Two Mortgages To Pay”?

In decades past, the downsizing of one’s residence was often viewed as a negative event. This is no longer the case. Many homeowners are choosing to opt out of a large home in a traditional neighborhood and instead are embracing the chance to have a new adventure by purchasing a smaller property, offering the opportunity to escape the maintenance of their current home and enlarge their lifestyle. Downsizing to a sexy high rise apartment in an eclectic urban chic location is hardly what downsizing in your parents’ or grandparents’ day used to be.

In fact, many downsizers are able to sell their home and purchase a smaller home in their current location to be near family as well as a vacation home or second home in a new and exciting destination! This enlarges not only their own lifestyle but also that of the entire family.

As you make plans to downsize with distinction there will be, of course, many emotional decisions to make and lifestyle preferences to consider. And we can’t neglect to examine the financial ramifications of your decision, in fact, for downsizers the financial side of the move is often the most important to sort through before moving on to the needs and wants in their next home.

As you begin this process you will want to examine:

- Are you looking to lower your monthly obligations and maintenance?
- What will the capital gain tax ramifications be?
- What will it cost to purchase your next home?
- Moving costs, staging and repairs on your current home
- The timeline needed to make it all happen
- How to accomplish all of this with minimal stress

And perhaps the biggest question of all... “Do I buy first or sell first?”

The answer to this question will largely depend on whether or not you can afford to purchase your next home without selling, by either paying cash or by carrying two mortgages until your current home sells and closes.

Many downsizers would find owning two residences to be very stressful, and this is why most prefer to sell first before buying or closing on their next home. Some who have large sums of cash on hand may choose to pay cash, and move many if not all of their possessions to the new home before listing their current residence.

To make a decision that is right for you, it might be best to discuss all of the options with a professional real estate agent, talk to a lender if financing will be needed, and consult with your CPA or tax attorney.

Once you have all of the answers you need to make the financial choices that are right for you, you can then create a transition plan that is comfortable and practical.

Because this is a big move it can be emotionally taxing and to make it less stressful you may want to begin the de-cluttering and staging of your present home well in advance.

If you feel repairs or upgrades are needed, the advice of a professional real estate agent will once again be helpful. A professional real estate agent knows exactly what should be done to a property to help maximize its value and will help you avoid potentially spending money unnecessarily. Most real estate

agents can provide you with referrals to stagers and other services that you may need as you give your home a tune up.

Tips to Consider:

- Contact the professionals you need to assist you in this process well in advance of your move.
- Do your research on your next destination. If leaving the area, your local agent of choice can connect you through their referral network with a high quality agent to assist you on your next purchase.
- You may want to consider an extended visit or at least commit to spending some quality time in your future neighborhood or town to determine where exactly in that area you feel most comfortable.
- You may want to do a preliminary de-clutter by offering family the items you are not interested in moving, so that you can pare down your possessions prior to a garage sale or estate sale.
- If you are moving to a condo or retirement community make sure you carefully review all association fees, documents, and any other details about the complex or building.
- An out of the box tip: close off rooms in your current home and practice living in the reduced space to determine if a smaller property will really work for you.

When is the ‘Right time’ to Downsize?

Only you will know... as everyone’s housing needs are different.

Questions that might help you decide – Please take a few minutes to answer the following downsizing- related questions from Not Important to Very Important.

I want:	Not Important	Somewhat Important	Very Important
To lower my maintenance	[]	[]	[]
To lower my maintenance cost	[]	[]	[]
To cash in my/our equity	[]	[]	[]
To create greater family intimacy	[]	[]	[]
To increase walking ability within community	[]	[]	[]
To increase transportation efficiency	[]	[]	[]
To improve my/our ecological footprint	[]	[]	[]
To reduce cleaning time and effort	[]	[]	[]
To respond to health reasons (live on one level etc.)	[]	[]	[]
To live closer to children	[]	[]	[]
To live closer to grandchildren	[]	[]	[]
To respond to a divorce	[]	[]	[]
To prepare for retirement	[]	[]	[]
To travel more	[]	[]	[]
To live more responsibly	[]	[]	[]
To reduce taxes.	[]	[]	[]
To de-clutter	[]	[]	[]
To experience change	[]	[]	[]
To join an active community	[]	[]	[]
To join a community surrounding with recreational services such as a community pool, golfing, etc.	[]	[]	[]
Other:	[]	[]	[]

While there’s no such thing as a ‘final score’ when deciding whether this is the time to downsize – given the importance of such a decision – the aforementioned questions are meant for either one’s rigorous introspection or as discussion points for a couple or family.

Moreover, by taking this quiz, it can help you (and possibly me) to better understand what is most important when you rent or buy your next home.

How Difficult Will it be to Sell My Home?

If you are like most downsizers this will be a top of mind concern. To answer, you will need to speak with an agent who is not just an expert in the data, because let's face it, data is everywhere. Instead you need an agent who is an expert at helping you interpret the data and trends and can help you time your move to catch that next window of opportunity.

As you consider how saleable your home is, it may be helpful to review why homes sell.

The only satisfactory and professional explanation for why homes either sell (or don't) can be traced back to the Four P's of Marketing – a universally accepted principle in the world of selling and marketing.

The Four P's Of Marketing

Price, Product, Placement and Promotion combined determine the outcome of whether a property sells or doesn't sell.

Most professional real estate agents are very familiar with the Four P's, and the agent you choose should be dedicated not only to getting the home sold, but also to sell the home for more!

The agent you select should incorporate into the marketing strategy for your home four more P's:

- Portability – mobile marketing
- Personal – finding just the right buyer for your home
- Proximity – tapping into the local buyer prospects that are already sold on the area, while at the same time reaching out to global buyers to maximize exposure
- Presence – ensuring that the lifestyle benefits that the home and area offer are properly showcased on the web and throughout all promotional marketing material

While you may often hear that price is the only factor in selling a home, the reality is that proper marketing sells the home and pricing is only one piece of the overall marketing strategy.

How to Choose the Right Agent

When selecting an agent to help you create your Downsize with Distinction plan, you, of course, need to find someone that you trust and feel has the experience and expertise needed to see you safely through to closing.

To consider:

- Is the agent full time?
- Their background and experience
- Their references
- Track record
- Marketing proposal
- Reach within and outside of the community

As you interview the agent(s) you are interested in hiring, there are a few key questions you may want to ask to help you determine who is right for you.

Frequently Asked Questions... Answered

How can I maximize my profits from the sale of my current residence?

You're going to want to sit with a qualified real estate agent and you're going to want to look at the trends, the seasons, and the salability of your property.

Now, to maximize the profit you might want to consider, under the advice of your real estate professional, should you hire someone who can stage the property? Should you do repairs or upgrades? And any other changes or clean up that might make the property more modern or more attractive to a buyer. But you definitely will want to talk with your real estate professional before you do this, because you could risk investing in improvements that make little or no difference to the homebuyer.

What recommendations would you make to help my home be more attractive and more in demand to homebuyers?

When you're choosing your next real estate agent, what I would suggest is that you start out in front of the home and you try, as objectively as possible, to do a curb to curb. So walk through your home, interior to exterior, and make a big list. This is a wish list of all of the ideal things that could be done. And then sit down with your agent and choose those items that are the most important to the sale of the home, and then from that list you can select the items that you are willing to do. You will need to pay your vendors, but most likely your agent will help you coordinate the repairs and staging services at no additional costs.

What should I be looking for in terms of unique marketing?

Put the burden on your agent and ask him or her to provide a custom marketing proposal. Agents will often tell you that price is the only thing that sells a home. While price is certainly part of it, the way that an agent presents your home to the market and the aggressive manner in which they contact other agents, buyers and the public to expose that home to those potential prospects can make a world of difference in the price that you achieve.

Exposure equals demand and a greater demand equals a higher price. So have them present their custom proposal. If you feel there are things that the proposal does not cover but you would like to have done, you can simply let them know what your request might be. Now, if your requests are a little above and beyond the normal, or they're a little out of the box in terms of expense, remember the agent is not earning anything upfront. So in a sense, they are taking on the risk and the expense of marketing the home. Therefore, it is not uncommon that when there are unusual things that you would like to have done, that the seller potentially could front the cost for those items and the agent will pay you back all or a portion at the closing.

What questions should I be asking my CPA?

The most important thing that you should do is inform your CPA or tax attorney and let them know what your plans are. With their help you can assess your capital gains. Also, choose a real estate agent that has knowledge and experience to help you determine what questions you should be asking, and who is willing to work with your CPA and tax attorney closely to make sure you maximize any possible tax savings.

What retirement communities should I consider and how would I weigh the pros and cons?

When you look at a retirement community you really want to ask yourself what lifestyle benefits you are looking for. How active do you plan to be? What type of community location are you interested in? Is it something that you can transition into more care as you might need it in the future? Retirement communities are certainly not for everyone. Some people don't find that living among retirees is as invigorating as living out in a typical neighborhood or in some other type of luxury high-rise. Some prefer to be in the mix of the population. However, some people find the services and benefits that retirement communities offer to be very easy and stress free living with very low maintenance. So you really need to ask yourself: what is the lifestyle that you're looking to achieve?

What databases, networks, or sources of quality prospects should my agent have access to?

Most seasoned veterans are going to have a database of peers, professional connections, past clients, of course friends and family, and they'll probably be involved in professional network groups. So simply ask them – what is your reach into the community? And see what they say. And I think based on the answer, you're going to know right away how well connected they are.

Should I sell first, rent, and then purchase to give myself more freedom and flexibility?

That's probably a really ideal method to do if you're looking to maximize the price of your home, because there's no stress or pressure and you have the chance to hold out for a bit higher price. Then when you go rent, you may want to consider renting in the community in the location that you're interested in, and that will give you a chance to really distill down your preferences and the features, benefits and location that's going to be ideal for you. Now of course, it is going to require the expense of a double move. However, you potentially could make up the cost of that double move by having a lot of negotiating power because you have money in the bank and you have nothing to sell when you are ready to buy. And of course you will want to consider the trends in your market because if you sell, and properties are rapidly escalating in price, it might not be wise to rent for a long period of time.

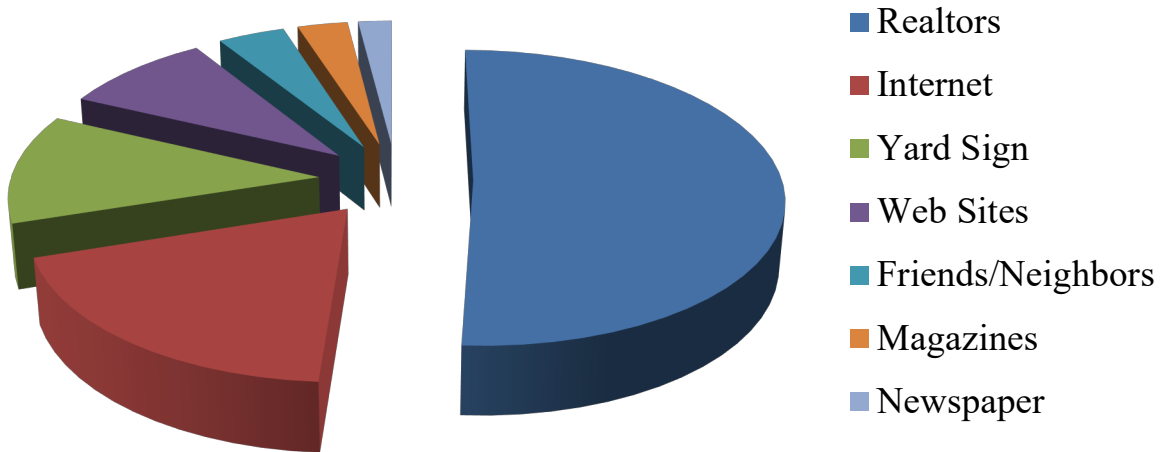
Do most real estate agents actively prospect to bring buyers to my home and should they?

It is a good practice that many top producers aggressively market the homes that they list, not only to the real estate community, but also to their database, their leads, and the areas where they think the move up buyers may be coming from. And this is really the definition of a strong marketing agent. They don't list your home and then go to Starbucks to wait for someone else to sell it. They are an active participant in adding value by maximizing the exposure, because additional exposure equals a greater demand, which will often net you a greater price.

What is your post listing service plan? How should I expect my next agent to keep me informed in all that they are doing?

My suggestion would be to first of all ask them what their standard service plan is. Make sure that it meets with your standard, and if it does not, ask them for the additional service items and updates that you feel you need. Most quality agents will stay in touch with you weekly by phone, will be very responsive to your emails and texts, and will provide periodic reports about market activity showings, feedback and also internet traffic. So you decide what is the service that will make you feel like you have all you need to be comfortable, that all you are expecting is being done to sell the home.

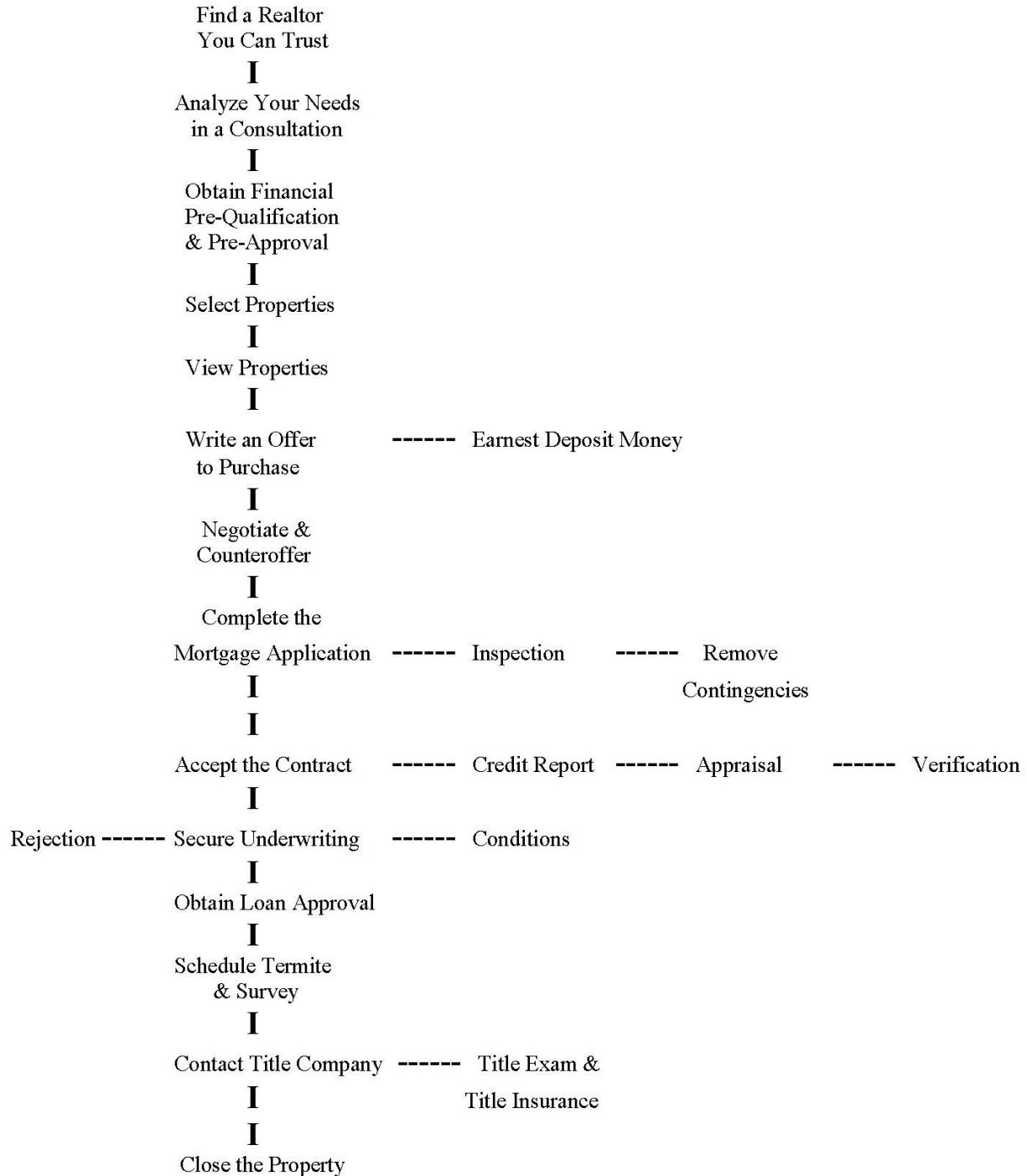
Where Do Buyers Come From?



NOTE:

The statistics above are from the National Association of Realtors and reflect the national picture.

Home Buying Process



Needs & Wants

Name _____

Address _____

Telephone: Home _____ Work _____ Cell _____

Children (names/ages) _____

Pets _____

Hobbies/special interests _____

Best time/days to look at homes _____

Reason for move/purchase _____

Current home: Purchase (Date/Price) _____ Estimated Equity _____

Other _____

Like about present home

Dislike about present home

Needs

Type of home (number of stories) _____

Style of home _____

Size of garage needed _____

Exterior desired _____

Lot size/yard features _____

Number of bedrooms needed _____ Number of baths needed

Special rooms needed _____

Distance to:

Employment _____ Public transportation _____ Church

School _____ Shopping _____ Other _____

Other special needs _____

Wants

Include features the buyer would like to have such as a family room, dining room, patio, porch, fireplace, heating/cooling systems, built-ins, recreation, sauna, hot tub, swimming pool, etc.

Estimated Purchase Price:

Downsizing Cost Analysis

Estimated sales price of my current home: \$ _____

Mortgage / loan / lien payoffs: - \$ _____

Estimated cost of repairs to maximize the sales price: - \$ _____

Estimated costs of sale: - \$ _____

Estimated net from sale: = \$ _____

Estimated capital gains I may pay on the profit: \$ _____

Estimated purchase price on new home: \$ _____
Down payment needed: \$ _____
Closing costs on purchase: \$ _____
Moving costs: \$ _____
Estimated improvement or upgrade costs to new property: \$ _____
New mortgage amount: \$ _____
New monthly payment: \$ _____
Annual property taxes: \$ _____

What Are Capital Gains and Losses?

Almost everything you own and use for personal or investment purposes is a capital asset. Examples include a home, personal-use items like household furnishings, and stocks or bonds held as investments. When you sell a capital asset, the difference between the adjusted basis in the asset and the amount you realized from the sale is a capital gain or a capital loss. Generally, an asset's basis is its cost to the owner, but if you received the asset as a gift or inheritance, refer to [Topic 703](#) for information about your basis. For information on calculating adjusted basis, refer to [Publication 551](#), *Basis of Assets*. You have a capital gain if you sell the asset for more than your adjusted basis. You have a capital loss if you sell the asset for less than your adjusted basis. Losses from the sale of personal-use property, such as your home or car, are not tax deductible.

Capital gains and losses are classified as long-term or short-term. If you hold the asset for more than one year before you dispose of it, your capital gain or loss is long-term. If you hold it one year or less, your

capital gain or loss is short-term. To determine how long you held the asset, count from the day after the day you acquired the asset up to and including the day you disposed of the asset.

Report most sales and other capital transactions and calculate capital gain or loss on Form 8949, Sales and Other Dispositions of Capital Assets, then summarize capital gains and deductible capital losses on Form 1040, Schedule D, Capital Gains and Losses. If you have a net capital gain, a lower tax rate may apply to the gain than the tax rate that applies to your ordinary income. The term "net capital gain" means the amount by which your net long-term capital gain for the year is more than your net short-term capital loss for the year. The term "net long-term capital gain" means long-term capital gains reduced by long-term capital losses including any unused long-term capital loss carried over from previous years. The tax rate on most net capital gain is no higher than 15% for most taxpayers. Some or all net capital gain may be taxed at 0% if you are in the 10% or 15% ordinary income tax brackets. However, a 20% tax rate on net capital gain applies to the extent that a taxpayer's taxable income exceeds the thresholds set for the 39.6% ordinary tax rate (\$413,200 for single; \$464,850 for married filing jointly or qualifying widow(er); \$439,000 for head of household, and \$232,425 for married filing separately).



<https://www.irs.gov/taxtopics/tc409.html>

Key Features To Showcase When Marketing My Home

Note: This worksheet will give your real estate agent valuable information to help them showcase your home and highlight key features and benefits in the marketing campaigns. Supply as much detail and you can as they will know which items are best to use to add value and create excitement.

1) What I have enjoyed most about living in this community:

2) The most recent upgrades and improvements:

3) The features about the home we utilize most:

4) What we will miss most about living here:

5) The order I believe the photos should be taken to give the buyer the best sense of the homes style:

Upgrades That Boost Your Property Value:

- 1) Curb appeal is critical. You don't have to spend a fortune to give your home a facelift!
- 2) Kitchens and bathrooms can be a turn on or turn off. A complete remodel usually is not necessary and may not be a wise use of funds. Anything you can do to update on a budget in these rooms can make a significant difference. Replace an old appliance, changing an old toilet or upgrading the counter tops can be affordable and do make a big difference.
- 3) De-clutter and then de-clutter some more. Make your home decor as lean and clean as a model home. In fact, taking a walk through a few model homes could give you some simple staging ideas that you can implement easily in your own home.
- 4) Remove wallpaper and brighten up especially dark rooms with lighter colored paint. A neutral palette is best to allow the buyers' imaginations to run free.
- 5) Fix obvious defects: broken tile, torn screen, cracked driveway, etc. Buyers may feel these minor flaws are hiding bigger issues, or they may ask for significant discounts for repairs that won't actually cost you much to do.

- 6) Clean or replace carpet and remember to keep the color neutral. If your carpet is bad and there are hardwood floors underneath, you may be able to get away with stripping the carpet and cleaning up the floors. Even if they aren't perfect the buyer may prefer it to dirty carpet.
- 7) Ask your realtor to begin at the front curb and complete a curb to curb check up with you. They will be able to best advise you for your market conditions and price point what improvements are a must do and what improvements would be an over do.

Outdoors

- Keep lawn mowed, trim hedges
- Store hoses neatly; be sure sprinklers don't water walkways
- Repair gates, fences and sidewalks
- Remove or replace dead/dying plants
- Add color with blooming flowers
- Clear yard of all debris
- Sweep front walkway
- Paint, fix, or wash railings, storm drains, screens and doors

Garage

- Keep the floors clean and swept
- Store or neatly arrange all items
- Show maximum storage space

Bathrooms

- Polish the floor, mirror and fixtures
- Repair grout and caulking
- Repair running toilet or faulty plumping

Closets

- Replace burned out light bulbs
- Hang clothes neatly; store shoes in boxes
- Not overcrowded, suggest inadequate storage space

Kitchen

- Clean appliances, cabinets and floors
- Organize cabinets
- Sink should be spotless
- Clear and clean countertops
- Repair faucets and appliances

Overall

- Wash windows
- Quick once-over with vacuum
- Flowers in main rooms
- Play soft music and add air fresheners
- Keep pets out of the way
- Oil hinges, tighten knobs and faucets

5 Steps to “Downsizing Without Becoming Homeless Or Having Two Mortgages To Pay”:

Step 1: Make a Commitment to Act.

Funny as this may sound, I can't tell you how many times people have requested this report and then said to me, “If I would have known what to ask the agent before I hired them to sell my home, I would have avoided so many problems!”

I've shared just a few simple ideas in this report. Ideas that if acted upon could prove to be worth thousands of dollars when selling your home. But these ideas are only as good as the action put into them. Decide to act right now.

Step 2: List Your Objectives.

Jot down what your goals are in downsizing. What is your ultimate goal? Selling quickly? Getting top dollar? Not selling before you have an accepted home offer on your next home?

What do you expect from the agent you hire? How and how often do you want them to communicate with you? Do you want an open house done? If so, how often do you expect it?

Step 3: Contact an agent that knows how to market your home effectively.

Of course, I'd love to be the agent you choose to work with, but let's face it: I'm not right for everyone. That's why I've given you the questions to ask your potential agent.

If you would like additional information, please reach out to me at (517) 204-5999 or via email at rbuffington@tomieraines.com.

Step 4: If you are leaving the area, ask your agent for a reference for an agent to the community you are moving to.

Step 5: Act.

Do I need to say anything more? Reach out to me and let's talk about how to get your home sold for top dollar. Let's work together!

Referral Request

(if applicable)

I am leaving the area and need a referral agent to provide preliminary information to me.

My destination: _____

When I would like to be contacted by the agent: _____

Best method of contact: _____

When I expect to be in town to view homes: _____

(Please complete the enclosed needs and wants list so that I can forward it to the agent in your new destination so he or she can begin the search.)

Glossary of Terms

A

Acceptance – The time at which an offer to purchase is accepted. The fact that it was accepted must be relayed to the person that made an offer in order for all parties to be bound to the contract.

Amortization – The repayment of a loan over time. With each payment, there is a reduction of both principal (the original amount borrowed), plus the interest.

Appraisal – A professional determination of value. Mortgage companies usually require an appraisal of the property by a licensed, disinterested party before agreeing to loan money on the property. Methods of determining value may be based on many things, such as comparable sales in the area, the cost approach, the income approach, or the highest and best use of the property.

As Is Condition – Disclaiming any warranties or representations regarding the condition of the property.

B

Back-Up Contract – A contract or offer that is in a secondary position to an already existing contract. This contract shall be elevated to the first position if some condition in the first contract is not met. If the first position contract is consummated, then the second contract is no longer in effect.

Bridge Loan, also called a **swing loan** - A short term loan used to transition in between the paying off of an old loan, and the inception of permanent financing. This is often used to build or purchase a new home,

when the previous home is still owned, but is up for sale. Once the previous home is sold, and the owner receives the proceeds from that sale, permanent financing is usually obtained.

C

Certificate of Title - A statement verifying who has the rights and responsibilities of ownership in a property. This may be ascertained by a public record search but does not guarantee that any other parties may not stake a claim to the property. Title insurance protects against claims that may arise against the title.

Clear Title - Ownership that is free of liens, defects and encumbrances, beyond those which the the owner agrees to accept.

Closing - The transaction where title passes from seller to buyer and the seller is paid. A settlement statement shows all costs incurred and gained by both parties.

Closing Costs – The expenses incurred in obtaining the property and transferring title to the new owner. This may include, but is not limited to attorney’s fees, points, title charges, credit report fee, document preparation fee, mortgage insurance premium, inspections, survey, appraisals, prepayments for property taxes, deed recording fee, and homeowners insurance.

Commitment Letter, also known as a **loan commitment** - A written offer by a lender to make a loan by a particular date under certain conditions. A buyer has more clout with a seller if he submits a letter of loan commitment from his lender to the seller at the same time that he submits his offer to purchase to the seller than a buyer who has not even applied for the loan yet.

Contingency - A condition that must be met before a contract is legally binding, or before a sale is to be completed. The contingency provides an out or an escape from performing if the condition is not met.

Conventional loan or **conventional mortgage** - A real estate loan, which is not insured by the government agency FHA nor guaranteed by the Veterans Administration. Typically subject to the terms of their particular institution, the conditions may be more flexible, as the lender is not required to follow federal guidelines. The lender looks to the credit of the borrower and the security of the property to insure payment of the debt.

Counteroffer - If the receiver of an offer makes any changes to the original offer, it is considered a rejection of the initial offer and becomes a counteroffer.

D

Deed of Trust - Some states use a deed of trust to convey property being held as security for a loan. This document is then conveyed to a trustee and can be used to sell, mortgage or subdivide the property.

Deposit – (also called Earnest Money) - A good faith deposit of a sum of money offered by the prospective purchaser at the time of the offer to purchase. These funds are typically deposited into an escrow account and held until the real estate closing takes place. At the closing, the buyer is most often given credit for the earnest money that has already been paid, but in some cases it may be returned to the buyer at closing. These funds may also be returned to the buyer in some cases if the contract on real property doesn’t go through to a final sale.

E

Earnest Money (also called Deposit) – Funds given by the buyer and held in an escrow account until the real estate closing. In some cases, these funds are refundable if the loan fails to close, but if the loan does close, the purchaser is given credit at closing for the earnest money.

Escrow – A neutral third party holds other people’s funds in a secure account for future use. An earnest money deposit is held in a real estate broker’s *escrow* account. It is the broker’s account, but he is holding the buyer’s funds in the account for safekeeping until closing. In the case of a mortgage, the total monthly mortgage payment may include funds to pay for future taxes and insurance paid in addition to the principal and interest. This escrow is held by the lender until taxes and insurance are due, at which time the mortgage company pays the taxes and insurance on the borrower’s behalf. After the taxes and

insurance are paid, the lender may re-adjust the total monthly payment to insure sufficient funds for future escrowed items.

Exclusive Agency Listing – A written agreement between a property owner and a real estate broker giving the broker the exclusive right to sell the property for a specified period and at a specified fee. Agents whose licenses are held by a broker may sign on their broker's behalf.

F

First Right Of Refusal - A legal right by an individual giving that person the first opportunity to purchase or lease real property.

H

HUD -The U.S. Department of Housing and Urban Development. This is the agency responsible for enforcing the federal Fair Housing Act. Among HUD's many programs are urban renewal, public housing, rehabilitation loans, FHA subsidy programs, and water and sewer grants. The Office of Interstate Land Sales Registration, the Federal Housing Administration (FHA) and the National Mortgage Association (GNMA) are all under HUD.

L

Loan Commitment - A lender's written approval granting a specific loan amount, conditions, and a set time limit for closing the loan.

Loan Origination - The process of applying for a mortgage loan.

Loan Originator - The person who assists borrowers in obtaining their new loan.

Loan to Value - The ratio of the amount of the loan divided by the value or sales price of the home.

Lock In - An agreement in which the lender guarantees a specified interest rate for a certain amount of time at a particular cost.

N

Non Conforming Loans - Loan amounts that exceeds FNMA's \$417,000 (as of July 2006) maximum lending.

P

Possession - The buyer occupying the property that is purchased or a tenant occupying the property that is leased. In a real estate sale, possession is rarely granted prior to closing when the seller receives their funds.

Prequalification - Having a mortgage lender advise that debt ratios and credit report plus other factors show a borrower qualifies for a particular loan amount before signing a contract.

Purchase and Sale Agreement - The contract between the buyer and seller stating terms, conditions, sales price and other pertinent information about the property being purchased.

Q

Qualify - To meet the guidelines based on debt, income, and credit worthiness.

Qualifying Ratios - Comparing a borrower's income to their proposed monthly housing expense. Also comparing their income to monthly housing expense added to all of the borrower's other debt obligations.

Quit Claim Deed - A document by which one property owner releases his or her claims, rights and interest in a particular property.

R

Rate Lock -When the lender issues a written commitment to a borrower as to a specific interest rate for a specific period of time.

Real Estate Owned – (REO) - Real estate that is owned by a bank or financial group. Usually a result of their borrowers defaulting on the loan and the subsequent foreclosure of the property from that buyer.

Right of first refusal - The right to the first opportunity to lease or purchase real property. For example, apartment tenants might retain the right of first refusal when their units are being converted to condominiums.

S

Sweat Equity - The equity earned as a result of the owners' labor in upgrading and improving the property.

T

Tax Lien - A lien against a property for unpaid taxes.

Ten Thirty One Exchange – (1031 Exchange) – A means of deferring capital gains taxes on real estate exchanges for like kind properties. This is allowed under the U.S. Internal Revenue Code, Section 1031.

Term - The length of time it will take to pay the mortgage in full.

Time Limit of an Offer - An offer should include a specified time period during which the other party must decide to accept, reject, or counter the offer.

Title Company -The company that, for a fee, checks and insures the title against liens, ownership claims, and title problems.

Title Insurance - An insurance policy that may be purchased to protect the new owner from any liens or clouds against the title. In order to issue title insurance, the issuer will perform a title search in the county records. Since title is searched at the time of closing, title insurance is usually less expensive at the time of closing, rather than if a buyer called the title company at a later time, as an additional title search would have to be performed prior to issuing the insurance.

Title Search - A review done by the title company's representative of all records available to determine if the title is indeed clear of all liens and claims.