

**The Multiple Listing Service of Long Island, Inc.,**  
*a subsidiary of the Long Island Board of Realtors®*  
***presents:***

# **THE HOMEBUYERS' GUIDE**

**Pre-requisite reading for  
every homebuyer!**

# You've Decided to Buy a Home...

## ***Congratulations.***

This is an excellent time to buy a home. Interest rates are low and prices are reasonable! If you're a first-time buyer, you might also be interested to know that by becoming a homeowner, national statistics show that your life will be greatly enhanced.

Statistics show that homeownership offers a variety of benefits. In fact, homeowners have more successful family lives -- Their children do better in school -- Neighborhoods that are predominantly owner-occupied are more attractive -- have less crime -- and better resale values! Pride of ownership can have far-reaching effects! I bet you had no idea how much better your life was going to be... See, Homeownership agrees with you already!

These chapters will help you become well prepared as you begin your search. As you already know, buying a home is an important step. There are many things to be considered. For most people, a move occurs only a few times in their entire life. And, since each purchase contains different circumstances, your buying experiences will differ. It's impossible to address every situation, but this booklet will be able to give you an overview of what to expect as you begin the home-buying process. And, of course, your local Realtor® is always prepared to assist you. Good luck!

## **Ten Steps to Your New Home**

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## Step 1:

# Where Do You Want to Live?

Before you can begin to do anything, you need to carefully consider where you would like to live.

Think about the following topics. Your feelings about each will impact the decision you make about where you want to live. Keep in mind, these are factors that cannot be changed once you purchase a home. So think about them now, before you start looking.

### **Employment:**

How far are you willing to commute to work daily? Does your employment hinge upon your location? Must you live near to other employment opportunities? How do these answers limit the locations where you can look for a home?

### **Schools:**

Is the school district a factor in your purchase? If so, you may want to find out what you can about districts' ratings, budget, recreation programs, and facilities like computer labs. If you have a child with special educational needs, consider what districts have programs that will meet those needs. Do you require transportation to school? Where are the schools located, and is the distance to school a factor in your decision? How do these answers limit the locations where you can look for a home?

### **Access:**

Do you commute by car, bus, train, plane or some other mode of transportation? What roadways must you have access to? What is the distance to major thoroughfares? How do these answers impact on your location possibilities?

### **Areas of interest:**

For some homebuyers, areas of interest are simply a nice complement to the location finally chosen. However, for others, these elements may play a crucial role in pre-selecting potential neighborhoods. Consider the proximity and accessibility to beaches, shopping, recreational facilities, historical sites, and parks. For some, being close to these places may be highly desirable, even a necessity. For others, closeness to these kinds of areas may be looked upon as a detriment. You may be surprised at your own feelings. How do these answers limit the locations where you can look for a home?

Now you're ready...

Once you've listed a range of towns, or areas, that will meet most of your needs you're ready to begin. Keep in mind things can change. You may, after investigating an area decide you want something else. Certainly, how much home you can afford and the kinds of houses available for your money will have a definite effect on where you decide to purchase. So, don't place too much emphasis on an absolute location, just try to have a range of areas to start with.

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## Step 2:

# Selecting a REALTOR<sup>®</sup>

*8 out of 10 home sales involve the assistance of a real estate professional.*

-National Association of REALTORS

Most buyers seek out the assistance of a professional. In fact, according to the National Association of REALTORS<sup>®</sup>, 8 out of 10 home sales involve the assistance of a real estate professional. Using a Realtor will help expedite the search, and give you a source for answers to many of your questions.

You've probably used the term "Realtor<sup>®</sup>" many times. It's often used incorrectly to mean real estate salesperson. Companies like Xerox, Kleenex, and Formica have been fighting the same battle for many years. When you hear the brand Xerox used to refer to a copier machine or Kleenex used in place of tissue, you can quickly see how frequently trademarks are misused.

The term Realtor should only be used to define real estate professionals who are members of the National Association of REALTORS<sup>®</sup>. You might find it interesting to know that not all real estate salespeople are Realtors. And, there's a big difference between the two!

Realtors are required to adhere to a strict Code of Ethics and Standards of Practice. This means they have rules to abide by, and have pledged to conduct themselves professionally. On Long Island, most Realtors are members of The Long Island Board of REALTORS<sup>®</sup> (LIBOR). Through their LIBOR membership, they are also members of the New York State Association of REALTORS<sup>®</sup>, and the National Association of REALTORS<sup>®</sup>.

When selecting a Realtor, it's also important to choose someone who is a participant in The Multiple Listing Service. You may have also heard the terms "Multiple Listing" or "MLS." And while you will not directly interact with the Multiple Listing Service, it may play an important role in finding the home you decide to buy. There are Multiple Listing Services across the country. On Long Island, the largest is The Multiple Listing Service of Long Island. It is, in fact, one of the largest MLS's in the country, with a computerized network of over 1,550 real estate offices located throughout Nassau, Suffolk, Queens and Brooklyn. Within this network of real estate offices, there are

more than 12,000 licensed real estate brokers and agents who work cooperatively, sharing their listings, and agreeing to conduct themselves and their businesses according to the rules of the MLS, and The REALTOR<sup>®</sup> Code of Ethics.

When you see the Blue MLS sign in the window, that means that not only is this office a part of the computerized network I just spoke about, but that the agents in MLS participating offices are all Realtors.

By now, you've probably surmised, selecting a professional MLS REALTOR<sup>®</sup> is very important!

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## Step 3:

# At the REALTOR®'s Office

The Realtor plays an important role in the home hunting and purchasing process. They are responsible for coordinating many of the elements essential to a smooth sale. So selecting the right Realtor to assist you throughout this process is important. You will be working very closely with this person to find the home that's just right for you. In preparation of your first visit at the Realtor's office, you should take a little time to review the following information, so that you'll be better prepared to make the most of your time together.

### **The Disclosure Form:**

Before you begin to look at properties, your Realtor will ask you to sign a Disclosure Form. This form is required by New York's Department of State; the licensing authority for the real estate industry. The form's purpose is to advise you about the relationship you have with the Realtor you have chosen. In most instances, the Realtor will be acting as a "Sellers' Agent." This is the most common practice on Long Island. It means that the Realtor is being paid by the seller to find a buyer for the home. Sellers' Agents are obligated to represent the sellers' best interests. "Sellers' Agents" have a "fiduciary," which means a legal responsibility to work in the best interests of the seller. Their job is to try to get the best price and terms they can for the seller. However, this doesn't mean they won't work hard to find a house for you. Sellers' Agents must be fair and honest with the buyers they work with.

Some Realtors work as "Buyers' Agents, or Buyers' Brokers. As a "Buyers' Agent," the Realtor is paid by, and is legally required to represent the best interests of, the buyer. However, likewise Buyers' Agents must be fair and honest with the seller.

It is also possible, but not common, to have a Realtor act as a "Dual Agent." This means that the Realtor is representing both parties, and must operate in the best interests of the buyer and seller. Most often this type of arrangement is made when the Realtor is the listing agent and selling agent for a property, or he or she has a personal interest in the sale that might not fit appropriately in a Buyers' or Sellers' Agent agreement.

It is important that you know whom the Realtor is working for in advance. This is why the "Disclosure Form" exists. If you have any questions, ask the Realtor to clarify whom

they work for, before you begin looking at homes or engage in negotiations for the purchase of a home. Your understanding of the nature of your relationship with your selected sales professional will help avoid any misunderstandings down the road.

The Department of State requires that both you and the agent sign this agreement, before proceeding further.

## **Determining Your Criteria:**

When you sit down with your Realtor, he or she can search for properties that meet your needs by entering your criteria into their computer. Before you arrive at a real estate office, do your homework. Sit down with all family members and determine the answers to the following questions:

- *How many bedrooms do I need - How many would I like versus how many must I have.*
- *How many baths do I need? Is one enough, or must I begin with more. Am I able to tolerate one bath, if there is room to add others?*
- *What other necessities are there? Must the home have a basement? A garage? A large yard?*

## **Start with a list:**

At the top of a pad, draw two columns. At the top of the first column, write, "**NEED.**" This is a list of the items the house must absolutely have in order for a house to be considered for purchase. For example, you may say that you "need" 3 bedrooms as a minimum, or that you need at least 2 baths to accommodate your family. Whatever you do put in the "Need" column, make sure it is something that you absolutely cannot live without. You will probably find that if you are a first-time buyer, the list may be very short. If this is your second or third home, you may be adding a few things that were not on the list the first time you bought. Think through these carefully, the salesperson you work with will refer to this list repeatedly to ensure that your bottom-line "Needs" are met before considering showing a property to you. Mistakes here could mean you might miss out on a really good house, so write your "Needs" sparingly.

At the top of the second column, write, "**WANT.**" These are the items you would really like to have. For example, you may want a fireplace or a pool, or a finished basement. However, you're willing to consider homes that do not offer all of these items. Every home is different. Keep in mind that while it may not have everything you want; often you will find something that may have several of the items you've identified as being desirable and a few surprises that really appeal to you. For instance, you may not list a Jacuzzi as a want, but your Realtor may show you a home with one and you find it very appealing. This happens often. Treat the experience as an adventure. Try not to place too many expectations outside of your core requirements and then look at each property individually, weighing its individual assets and drawbacks.

After you have your *criteria* (“Wants” and “Needs”) lists, your Realtor will need to know what price range you qualify to purchase within. You will need to consider how much of your savings can be allocated for the purchase of a home. You’ll also need to provide information about your annual earnings, as well as additional financial responsibilities like loans and other monthly payments.

If you have a bank or financial institution that you already have decided will be your mortgage lender, you can sit down with a loan counselor there and they can perform a pre-qualification report for you. This will enable you to have a clear understanding of how much mortgage you are able to qualify for. Coupled with your downpayment, this will establish the total amount you could look to pay for a home. Once you have been pre-qualified by a mortgage lender, you will receive a printed mortgage pre-qualification certificate that you can take with you to the Realtor. This certificate is helpful in establishing a price range of homes to look at, and can be very helpful when you are ready to make an offer.

If you haven’t selected a mortgage lender, your Realtor can also help you arrive at a comfortable price range if given some financial information. In fact, the MLS computer system has a program through which your Realtor can simply input your personal information and the program will tabulate a price range for you. Realtors offer a myriad of services that will help you throughout the homebuying process, as you’ll see described throughout these chapters.

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## Hot Topic:

# "Saving the Commission"

When buyers or sellers are surveyed about the reasons why they would attempt to buy or sell a home without the assistance of a Realtor, their answers are always the same; "to save the commission." Time and again, this is the response, regardless of market conditions or trends. This can be a decision wrought with pitfalls.

### **Who saves the commission?**

First, the problem: there is only one commission to be saved, and two entities seeking the same savings. The fact is, the real estate commission or fee is not so easy to put a finger on anyway because it is a negotiable provision of the agency relationship established between the seller and his Realtor at the time a listing agreement is signed. (Whew!) What that means is that, the seller establishes the commission amount at the time the listing is created. Where a listing exists, the seller has already agreed to pay the commission. Most often it is based on a percentage of the sales price. And, since the seller traditionally is the one who actually pays the broker, it would seem that the seller would be the one to "save."

### **Why buy direct from the seller?**

As a buyer, purchasing directly from the seller offers NO benefit. It merely means more work for you. With today's competition, you'll need all the professional assistance you can get. A Realtor can show you the best properties for sale, in accordance with your wants, needs, and price range, anywhere you want to look. If you're like most businesspeople, your personal time is precious, why wouldn't you seek to maximize your potential by engaging the services of a professional? Realtors drive you in their cars, use their own gas, and spend hours of their time prescreening homes for you, mapping out directions, and scheduling appointments at your convenience. When the right home is found, they handle the negotiations, prepare necessary forms and paperwork, aide in the trafficking of documents and look to make the process as stress-free for you as possible. Why would any buyer look to take on all of these tasks in order for the seller to "save the commission?"

What appeal does selling "By owner" hold for the seller? Only the hope that somehow it will save them money. Now you understand the reasons for sellers trying to sell privately. With a Realtor, you have nothing to lose and everything to gain.

With both buyer and seller motivated by the thought that they are going to save the fee, serious problems arise. As we mentioned in our chapter on negotiation, it can get very stressful. The seller thinks they will get more, and the buyer thinks he will pay less the result – neither party ends up satisfied. Often these tense negotiations result in no sale, because neither side is able to negotiate objectively. The truth is; real estate professionals are adept at getting the job done, and handling all of the details – that's where everyone wins.

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## Step 4:

# Viewing Homes

With your criteria and an established price range, your Realtor can then search the Multiple Listing Service of Long Island's database (MLS) for available properties that meet your needs. By having access to the MLS, your Realtor can offer the maximum amount of available homes to you. Realtors who work within the MLS share their listings with other participating real estate offices. As a result, the Realtor's computer takes your requirements and compares them to homes listed for sale on the MLS. An average inventory of more than 20,000 homes are searched through to find only the ones that meet your needs. A report of homes matching your criteria is ready within minutes.

Your Realtor will arrange appointments to show the homes that fit your needs and interest you. They will usually drive you, in their car, to these homes. When you arrive, the Realtor will guide you through the home pointing out its features. Ask questions as you go through the home. It's also a good idea to take notes about each property as you view it.

### **Take Notes.**

Take along a pad and make notations for the areas outlined in our notepad at right. An excellent way of remembering individual properties is to keep notes about things that will trigger memories, such as blue rugs, striped wallpaper in living room, big dog in yard. By the day's end, these houses have a tendency to blend together. This "association method" is one that many Realtors use, and can help you keep facts and figures straight when you go home to review what you've seen.

**Keep in mind, no home will be perfect. Some things you should consider when viewing are:**

- *If the rooms aren't exactly what I need, can the home be modified?*
- *Is there room for expansion up, down, or out?*
- *If the condition is not good, does the price leave room for enough enhancements to make it a good deal?*

- *Location, Location, Location: Ask yourself, is this a nice spot? Location means a great deal. The house may be smaller, or not as nice, but if the location is ideal – this house might be worthy of serious consideration. However, if the house is great, but the location is not, you may want to think twice about this house. Optimally, you want to find a balance between the two – one that you can live with.*

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# Hot Topic:

## Buyer Safety

*Do you know whose home you're going into?*

Unfortunately, chances are, you don't. Nationally, there have been many incidents ranging from minor theft to tragic violence and even murder. It is critical that you obtain as much information as possible before entering a stranger's home. The Long Island Board of REALTORS® periodically conducts Realtor safety seminars and publishes articles in its trade publication to give Realtors tips on safety. The following excerpts from their seminars can be useful to Realtors and buyers:

### **Get information and verify it.**

Before entering a stranger's home, get their full name, address, and phone number. Tell them you'll need to call back to verify the time of the appointment. Then call back the number later to make sure they are there, and have them re-state their name and address, and make sure it matches the original information before going to the house.

### **Does it sound like a real seller?**

If the seller is overly anxious to have you come over before discussing any of the facts, that should make you suspicious. Most sellers will want to ensure that you are interested in what their home has to offer before you come over and waste your time and theirs. If a seller is reluctant to answer questions about the home, or doesn't ask you the typical questions that are associated with selling a home, get their information and call them back. If you think something is not right, it probably isn't. Trust your intuition. Make sure there is a give and take in the information that is being conveyed during your call.

### **Quick Tips:**

- ❑ Have a Buddy – Never go to look at homes alone. If you're looking alone, ask a friend or relative to come along for a second opinion.
- ❑ Be aware of windows and exits.

- ❑ Don't wear expensive jewelry or carry valuables. Leave them at home.
- ❑ Appearance means nothing – obviously you wouldn't enter the home of someone who "looked sinister."
- ❑ If you feel insecure make a cell phone call or carry a fake phone and pretend to make a call.
- ❑ If your intuition tells you something isn't right, get out of there. Remember and important appointment and excuse yourself to make a call.
- ❑ In the event of an attack – your best bet is to run.
- ❑ If trapped scream "FIRE" and throw something through a window.

While some of these precautions may sound unnecessary, they are not. Unfortunately, there have been numerous incidents here on Long Island and across the country where these tips could have helped avert a crime or even saved a life. Always use safety precautions. The sale of a home can be a perfect opportunity for a complete stranger to invite you into their home, where you will be at a disadvantage. Be alert, and hopefully, you'll never need to utilize any of these tips. Don't be too anxious to make the sale that you forget to protect yourself and your family. Using a real estate professional can help eliminate much of the risk.

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## Step 5:

# This is It!

Congratulations! You've found a house you think could be the one. Great, but there are still some things to consider:

### Should I have a Home Inspection done?

Are you qualified to make the best observation of this home, or should you consult the advice of a professional home inspector, engineer, or contractor? Older homes may require additional attention. Look carefully. In addition to the usual array of concerns, there are other issues you should be aware of.

### Lead-based paint

All owners of homes built prior to 1978 are required to disclose anything they know about the presence of lead in the home. Also required is that they provide buyers with the EPA booklet entitled, "Protect Your Family From Lead in Your Home." If a Realtor is handling the sale, they can provide the booklet.

Sellers are legally obligated to sign a lead disclosure statement. This disclosure reveals to the buyer any knowledge that the seller has regarding the presence of lead. The seller must also make a 10-day window of opportunity available to the buyer for a lead test to be done, at the buyer's expense, if the buyer wishes to have one. Lead, if not handled properly, can be hazardous especially to young children. However, it was a common practice to use lead-based paint, and if properly maintained, no risk may be present.

To find out more information about lead in the home:

Call the National Lead Information Center: 1-800-LEAD-FYI, or 1-800424-LEAD;

For the hearing impaired TDD: 1-800-526-5456. The EPA's Safe Drinking Water Hotline: 1-800-426-4791. ***For additional information, see Hot Topics: More on Lead.***

## **Asbestos**

Asbestos can present health problems, and some lenders will require that treatment be performed; either removal or encapsulation prior to closing. This could be costly, and should be identified prior to making an offer to purchase. Keep in mind, however, that asbestos was frequently used as to insulate, and its presence alone should not preclude you from making a decision to purchase. It's best to get an expert opinion.

## **Megan's Law**

The tragic death of 7-year old Megan Kanka of New Jersey, was the catalyst for new legislation pertaining to the disclosure of those convicted of crimes against children. New York State is just one of 43 states that now has its own version of Megan's Law. While no specific federal guidelines exist with regard to disclosure. New York State's Megan's Law requires the disclosure of sexual offenders if they are currently living in "close proximity" to the home for sale. Sellers may ultimately be required to disclose this information to any buyer who asks. Information can be obtained by dialing 1-900-288-3838, Monday through Friday, between 8 am and 5pm. Callers will reach the Division of Criminal Justice Services (DCJS), who will provide information regarding those listed on the State's Sex Offender Registry. The cost of the call is \$5.00, and callers are required to provide correct name, and wither an exact street address, social security number, birth date, or driver's license number of the person in question. As of March 31, 1998, there are 7,128 cases on the Registry.

## **Equal Housing Opportunities**

Federal law prohibits homeowners, landlords, real estate agents, or lenders from refusing to rent or sell to any person on the basis of their race, religion, color, sex, national origin, handicap, or children/familial status.

The Fair Housing Act prohibits the making, printing or publishing of any statement, notice or advertisement in connection with the sale or rental of housing which expresses a preference, limitation, or discrimination based on race, color, religion, sex, handicap, familial status, or national origin.

These represent the most common concerns, but may not be the only elements to be concerned about. Discuss them with your Realtor and your attorney.

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# Hot Topic:

## *More on Lead*

### **Commonly Asked Questions:**

**Q. Does a Seller have to check their house for lead before selling it?**

**A.** No, but they do have to give buyers a 10-day opportunity to have a test done if desired.

**Q. Do buyers have to get a lead test?**

**A.** No. This law only gives them the right to have one if they want. If they get a test, they must pay for it (or negotiate with the seller on who will pay for it).

**Q. Can the 10-day inspection period be waived?**

**A.** Yes. The buyer and seller can choose any time period they want, as long as it is by mutual consent or the buyer may waive the 10-day opportunity altogether.

**Q. If I am renting, do I also have the right to test for lead?**

**A.** No. The 10-day inspection period is limited to sales transactions, but nothing in the law prevents the renter from negotiating an inspection or risk assessment with the landlord or lessor before rental.

**Q. Does the owner have to correct any lead hazards that are found?**

**A.** No. Nothing in the law requires an owner to remove lead paint or correct hazards.

**Q. Who should perform the testing?**

**A.** According to David Harvey, vice president of technical development for Trade Winds Environmental, "Although currently there is no licensing for inspectors, there is an EPA approved course for lead inspectors." Harvey stated that this course is the most "state-of-the-art course offered in the field of lead inspection at this time." He added that, in addition to asking whether or not your inspector has attended this course, it is also recommended that you seek the help of an inspector who is a member of the National Association of Lead Inspectors. Harvey suggested that those seeking lead testing should ask if the laboratory that is testing the samples is approved by the National Lead Laboratory Program (NLLAP). There are two accrediting bodies that are accepted by the NLLAP, they are: the American Association for Laboratory Accreditation (A<sub>2</sub>LA).

Changes appear to be on the horizon, however. It is likely that within the next year, Federal guidelines may be in place for those who test for lead. Ask your Realtor for more details, or call the lead hotline.

**Q. How can I find out more information?**

**A.** Call The National Lead Information Center: 1-800-LEAD-FYI, or for other information about lead hazards, call: 1-800-424-LEAD; for the hearing impaired TDD: 1-800-526-5456. The EPA's Safe Drinking Water Hotline: 1-800-426-4791.

To request information on lead in consumer products, or to report an unsafe product, call the Consumer Product Safety Commission: 1-800-638-2772; for the hearing impaired call TDD: 1-800-638-8270. For more information from State Health and Environmental Agencies, call (800) 458-1158.

Your Regional EPA Office can provide regulations and lead protection programs. Contact them at The Environmental Protection Agency, Building 5, 2890 Woodbridge Ave. Edison, NJ 08837-3679, or call: (908) 321-6671.

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## Step 6:

# Making the Offer

The negotiation process can be the most stressful time for a homebuyer. There's the excitement of finding the house that could be your new home, as well as probably the largest single investment you have. Now is the time when most buyers say they are glad to have expertise of a Realtor to help them through the process.

The key to a successful offer can rely on your knowledge of market trends and conditions. The amount of your offer can be as critical as the terms you present with it. Here are some tips and terms you'll need to know:

### **How much should I offer?**

Offering the right price is critical. Offer too little, and you may lose the sale to another interested buyer. Bid too high, and you might find yourself paying more than you should. Many of today's sellers are taking care in pricing their home properly. With fewer properties currently for sale, the current climate favors the seller. So if you want the house, you've got to make a good offer.

So what do you do? To do the job the right way, you'll need to locate "comparables." "Comps" are homes that have recently *sold* that "compare" to the home you're looking at, the "subject" home, in features like style, location, condition, rooms, and other amenities. Find out what comparable homes sold for, and then factor in for the differences. Is the "subject home" (the one you're looking to buy) bigger, smaller, in better or worse condition, and what unique features does it offer? Take these into consideration.

If the home is a "development house," where there are others exactly like it? It may be easier to find other comparable sales. If it is more unique, or is "spot built," custom, historical, or distinctly different in some way, locating comparables will be much more difficult.

### **Do your homework.**

First, start by keeping an eye open in the neighborhood. Ask friends and neighbors if they know of any recent sales. Get the addresses, and then follow up to find out the particulars. Your local municipal offices may have information about the sales price if you come in with the full address and are willing to look it up. You'll also need to follow your local newspapers' real estate sections. Often they print recent sales in your area

that are reported by the Multiple Listing Service. It will take some time. If you are engaging the service of a Realtor, they can help by giving you valuable information about recent sales that can save you weeks of work on your own.

If you are working with a Realtor, you can more quickly understand what homes are selling for and arrive at the right offer before another buyer who is more seasoned to today's market conditions moves in ahead of you. Realtors can explain today's trends because selling homes is their profession. By comparing what is currently for sale today, you can better identify the right house when it comes along.

If you engage the services of a "Buyers Broker," your Realtor can be of even greater assistance in helping you determine what fair market value is for any home you are interested in purchasing. Be sure to ask your Realtor about the services they can provide.

## **The Binder**

The Binder is a form used as an outline for the contract of sale. The binder contains all of the elements of a contract, including: price and terms, including when you will go to contract, the estimated date when you want to close, what items are to be included in the sale; the down-payment, and what kind of financing you will seek. It also calls for the name of the attorney who will be representing you. Once the binder is completed you will be required to sign it, before your offer can be presented to the seller. You should have the binder reviewed by your attorney before signing it. As a measure of "good faith," you will be asked to give a deposit check, this can be in the amount of \$100.00 to several hundred dollars. This is usually made payable to the seller, and is deducted from the total purchase price, and is also reflected in the binder. If you change your mind, you may be able to get your deposit money back, but you're not entitled to it.

## **Negotiation**

The Realtor will make arrangements to present your offer to the owner, in coordination with the listing Realtor. This is done as soon as possible. The Realtor will contact you with the seller's answer. Several responses are possible: the owner may accept, reject, or make a counter offer. In the event that a counter-offer is made, you can agree to pay the revised price the seller has offered, or you can make another offer.

Keep in mind, your first offer may have to be your best offer! With many homes having multiple offers, your first chance may be your only one. As these offers are presented to the owners, the particulars of each are considered, including: the total purchase price, the downpayment, type of financing, estimated closing and possession dates and items included in the sale. Consider all of these so that you'll be able to make your offer as appealing as possible. You may be competing on many fronts in addition to price.

If further negotiation is needed, your Realtor can handle it for you until terms agreeable to both have been reached. Once an offer is accepted, the seller should sign the binder. The next step involves the attorneys for both parties.

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# Hot Topic:

## *The Legal Line*

**You may find these Frequently Asked Questions helpful.**

*By Howard W. Goldson, Esq.*

### **Q. When should I hire an attorney?**

When you decide to buy, it's a good time to start looking for an attorney to represent you in the sale. Look for an attorney who specializes in real estate, and has been doing so in your community for some time. This will help eliminate any problems or confusion that can delay the sale at crucial early stages. Don't wait until after you have found a house. At that time it's too late to look around and find someone you are comfortable with. If you wait too long, you'll simply be scrambling to get someone who can respond fast. Take your time. Get recommendations from friends who have recently purchased a home and had a fairly trouble-free experience. Talk to your counselor in advance. Ask him or her what you will need to know, and obtain any forms or information that you may need.

### **Q. What does my attorney do?**

Review the contract of sale, negotiate legal terms with the attorney for the seller, explain the contract to you, and modify its provisions if necessary to meet your special circumstances. Your attorney is your legal advisor throughout the transaction. He or she will review the record of title ownership and have the seller correct any problems. Your attorney will attend the closing and explain the many closing documents to you and will provide you with a closing statement, which will summarize the entire transaction.

### **Q. What happens if the seller doesn't move out on the closing date?**

If they do not vacate the house when required to, you can have them evicted and recover the damages caused by their failure to move.

### **Q. What happens if the house doesn't appraise?**

You may be able to cancel the contract and have your downpayment refunded. The purchase price may have to be reduced in order for the sale to go through. It is important to arrive at a mutually agreeable price, in accordance with market values, before beginning financing.

**Q. What happens if I can't get a mortgage?**

Usually, you have the right to cancel the deal if you do not get a mortgage. Your down payment is also usually refunded. However, many of today's sellers are requiring that buyers have pre-approval in order to avoid this occurrence. To save yourself the grief of losing the home you want, and the seller the misery of looking for another buyer, it is therefore extremely important for you to make sure you are qualified by getting a pre-approval for a loan before you enter into a Contract of Sale.

**Q. How do I coordinate the purchase of the new house with the sale of my current one?**

This is often a difficult task. If you commit to a new house before the sale of your present home is a sure thing, you could run the risk of owning and carrying two houses. If you wait until the sale of your home is firm, you must act quickly to find a new home. It is a real help to negotiate time for you to relocate as part of the purchase and sale negotiations.

**Q. When can I move in?**

Normally, the purchaser takes possession of a vacant and "broom clean" home at the closing. However, possession agreements are sometimes negotiated that allow the seller to move out shortly after the closing. You should make your needs very clear to your attorney at the time of contract.

***For answers to your legal questions, be sure to consult your attorney.***

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## Step 7:

# The Contract

The contract is the formal purchase agreement that the sellers' attorney will draw up to finalize the terms of the sale. Once the contract is drawn, it is sent over to the buyers' attorney for review. Usually, the buyers will make an appointment to meet with their attorney to review the contract, and if everything is acceptable, they will sign it at their attorney's office. The contract is then mailed back to the sellers' attorney for review of any changes that may have been made, and the sellers then meet with their attorney, and execute the contract. Sometimes, there will be a "sit down contract, " where all of the parties meet to discuss the details and sign the contract at one meeting.

### For the contract, you'll need:

- Your checkbook for the downpayment.** The downpayment can be a personal check, which is written to the seller's attorney and will be held in the attorney's escrow account until closing.
- A list of your questions.** Bring a list of any questions you may have concerning the purchase of the premises to the contract. This will be your last opportunity to obtain information that may be critical to the purchase before you enter into the formal agreement.

### Terms you'll need to know:

**Downpayment:** The portion of the purchase price, which is generally required to be paid at the time the Contract of Sale, is signed. The downpayment is generally paid by personal check and held by the seller's attorney in escrow, or by an escrow agent pending the closing. If the buyer defaults, the seller's remedy shall be to retain the downpayment as liquidated damages.

**Escrow Agent:** The individual who holds the downpayment, most commonly the seller's attorney.

**Mortgage Contingency:** The obligation of the buyer to purchase the premises is conditioned upon the buyer obtaining a written commitment from any lender within a specified time and other terms set forth in the Contract of Sale.

**As-is Condition:** Generally, the sellers or their representatives make no representation as to the physical condition, state of repair, use, cost of operation or other matter related to the premises or property included in the sale. However, there are exceptions for the plumbing, heating, electrical systems and appliances that they will be in working order on the day of closing or possession, whichever is later. Additionally, the seller generally makes a representation that the roof will be free of leaks on the day of closing or possession whichever is later.

**Adjustments:** At the time of closing certain adjustments or apportionments are made as of midnight of the day before the closing or possession whichever is later. The most common adjustments made are for real estate taxes, fuel, water, and interim interest on the buyer's mortgage.

**Title Insurance:** Insurance against loss or damage resulting from a later claim that someone else owns your house or has a claim against your property for an unpaid mortgage or judgement against the seller, or has a right to use part of your property. While title defects are rare, the cost of this insurance is relatively inexpensive as opposed to the cost of curing a problem. If you are borrowing money from a mortgage lender to purchase a house, the lender will require you to obtain title insurance.

**Deed:** The document, which, like a bill of sale, gives you ownership of the house.

**Closing:** The time and place where you pay for the house and the seller turns over ownership to you. The closing usually takes place at the lending institution on the lender's attorney's office.

## **What are your rights?**

The buyer and its authorized representatives shall have the right to inspect the premises before the Closing. This gives the buyer an opportunity to insure that the condition of the premises has not changed significantly, except for reasonable wear, tear and natural deterioration between the date of the Contract of Sale and the date of Closing or possession whichever is later. At this time, the buyer should re-inspect the plumbing, heating, electrical systems and appliances to insure that they are in working order, and that the roof is free of leaks. Remember, New York follows the maxim of "Caveat Emptor; Let the Buyer beware, for he ought not to be ignorant that he is purchasing the rights of another." This maxim summarizes the rule that a buyer must examine, judge and test for himself.

In most instances, the buyer shall have the right to have the house inspected for the purpose of determination of the existence of termites or other wood destroying insect infestation or damage. Unless the buyer executes a written waiver, the buyer has the right to have the premises inspected for presence of lead-based paint and/or lead-based paint hazard's at the buyer's expense.

In the event the seller defaults, or is otherwise unable to transfer title to the buyer in accordance with the terms and provisions of the Contract of Sale, the seller shall refund the down payment to the buyer, and reimburse the buyer for any title fees, including any appropriate charges related thereto.

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## Step 8:

# Financing & Other Considerations

### **The Loan:**

Now that the contract is signed, you are ready to pursue financing. You may want to shop around to make sure that your financing rate and conditions are competitive. You should already have met with a loan officer of a bank or lending institution, as we discussed before in “pre qualification.” If you have been prequalified, you’re ready to begin working on your loan with the loan officer you spoke with. Otherwise, you should speak with your Realtor, as well as friends or family members who have recently bought a home for feedback about their experience. Was the process smooth, or were there problems? Did the approval come when promised? Find out. The lender you select can be critical to the purchase.

Quite a bit of information is gathered before title to a property can be transferred from seller to buyer. You may find it of interest to know what transpires, as well as what you are paying for at the closing:

### **The Appraisal**

The bank will order an appraisal of the property to be done. The appraiser visits the property, takes measurements, inspects the condition, and makes an assessment of how much the house is worth, based on their inspection and closed sales of comparable properties. Lenders will determine how much mortgage they will allow on a given home based on the appraised value. How much mortgage you will qualify for will depend on your personal finances. The proper combination of appraised value, down payment, and necessary financial requirements is critical for the purchase of a home. Your Realtor can explain how this process works and help you balance all of these elements to find the home that suits you.

### **Title Search, Report & Insurance**

In order to ensure that the seller is not only the rightful owner, and that there are not other claims or liens on the property, a title search is conducted. Title searches reveal any encumbrances that could hold up the closing. The Title Company also insures their findings, in the event that any mistakes are made, so they do not become your problem.

## **Termite Inspection**

A certified termite inspector will perform an inspection for the presence of termites, and will treat if necessary if termites are found. The inspection then calls for a certificate insuring the property against termites for one year. If treated, a lengthier guarantee may be given.

## **Homeowners' Insurance**

Having homeowners' insurance is not an option. Your mortgage company or bank will require that you purchase an adequate policy – one that names them, and sufficiently covers the bank's and your investment in the event of fire or disaster. It is important to note that your homeowners' insurance policy must be renewed annually, and you should carefully review it at least upon renewal. Take care to make sure that you periodically increase your coverage as your home's value appreciates. It will not automatically increase in accordance without your attention. Be sure to discuss this matter with your insurance agent.

All of these elements must be completed before your financing can be approved. Once your loan approval is granted, closing can be scheduled.

## **Mortgage Life Insurance**

Mortgage Life Insurance is term life insurance for the balance due on the mortgage. If you die, the insurer pays the balance of the mortgage due at the date of your death. As the amount due on the mortgage decreases, with each mortgage payment, the amount of life insurance decreases correspondingly.

## **Home Warranty**

A home warranty is a contract with a private company in which they agree to repair or replace major systems in the house and appliances for an annual premium. The coverage is available for both buyers and sellers. Components of the house usually covered are plumbing, heating, electrical, ceiling and exhaust fans, garage door openers, central vacuums, kitchen appliances, a washer and dryer. Some companies offer the following optional coverage: central air conditioning, freezers, and sewer ejector pumps. Sometimes owners offer Home Warranties as an incentive to purchase their home.

# MORTGAGE WORKSHEET

PROPERTY ADDRESS: \_\_\_\_\_  
 \_\_\_\_\_

PURCHASE PRICE: ..... \_\_\_\_\_  
 ANNUAL PROPERTY TAXES: ..... \_\_\_\_\_  
 DOWN PAYMENT: ..... \_\_\_\_\_  
 MORTGAGE NEEDED: ..... \_\_\_\_\_

## Cost Comparison:

### Option 1:

Lender: \_\_\_\_\_  
 Rate 1: \_\_\_\_\_  
 Fixed or ARM: \_\_\_\_\_  
 # Years: \_\_\_\_\_  
 Payment & Interest: \_\_\_\_\_  
 Taxes (Monthly): \_\_\_\_\_  
 TOTAL PMT: \_\_\_\_\_

### Option 2:

Lender: \_\_\_\_\_  
 Rate 2: \_\_\_\_\_  
 Fixed or ARM : \_\_\_\_\_  
 # Years: \_\_\_\_\_  
 Payment & Interest: \_\_\_\_\_  
 Taxes (Monthly): \_\_\_\_\_  
 TOTAL PMT: \_\_\_\_\_

### Option 3:

Lender: \_\_\_\_\_  
 Rate 3: \_\_\_\_\_  
 Fixed or ARM : \_\_\_\_\_  
 # Years: \_\_\_\_\_  
 Payment & Interest: \_\_\_\_\_  
 Taxes (Monthly): \_\_\_\_\_  
 TOTAL PMT: \_\_\_\_\_

## MORTGAGE AMORTIZATION TABLE

Principal and Interest for a 30-year fixed rate loan

LOAN AMOUNT	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%
<b>\$ 5,000</b>	\$ 27	\$ 28	\$ 30	\$ 32	\$ 33	\$ 35	\$ 37	\$ 38	\$ 40	\$ 42	\$ 44
<b>10,000</b>	54	57	60	63	67	70	73	77	80	84	88
<b>15,000</b>	81	85	90	95	100	105	110	115	121	126	132
<b>20,000</b>	107	114	120	126	133	140	147	154	161	168	176
<b>25,000</b>	134	142	150	158	166	175	183	192	201	210	219
<b>30,000</b>	161	170	180	190	200	210	220	231	241	252	263
<b>35,000</b>	188	199	210	221	233	245	257	269	282	294	307
<b>40,000</b>	215	227	240	253	266	280	294	308	322	336	351
<b>45,000</b>	242	256	270	284	299	315	330	346	362	378	395
<b>50,000</b>	268	284	300	316	333	350	367	384	402	420	439
<b>55,000</b>	295	312	330	348	366	385	404	423	443	462	483
<b>60,000</b>	322	341	360	379	399	420	440	461	483	505	527
<b>65,000</b>	349	369	390	411	432	454	477	500	523	547	570
<b>70,000</b>	376	397	420	442	466	489	514	538	563	589	614
<b>75,000</b>	403	426	450	474	499	524	550	577	603	631	658
<b>80,000</b>	429	454	480	506	532	559	587	615	644	673	702
<b>85,000</b>	456	483	510	537	566	594	624	654	684	715	746
<b>90,000</b>	483	511	540	569	599	629	660	692	724	757	790

<b>95,000</b>	510	539	570	600	632	664	697	730	764	799	834
<b>100,000</b>	537	568	600	632	665	699	734	769	805	841	878

- *For mortgages over \$100,000, add the appropriate figures.*

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## Hot Topic:

# Money Matters

### Capital Gains Tax Revisions:

The Taxpayer Relief Act of 1997, signed into law in August of 1998, will provide \$91 billion in tax cuts over the next five years. A good share of these cuts are in the form of tax relief on real estate. Through the extensive efforts of the National Association of REALTORS®, significant benefits are now being offered to both homeowners and owners of investment properties. The new law increases to \$500,000, the amount of profit a home owning couple can receive tax-free on his or her principal residence, regardless of age. Single owners can exclude up to \$250,000 in tax-free profit. The provision is effective for sales on or after May 7, 1997. It replaces and improves the rollover and \$125,000 exclusion rules that were previously in place. Homeowners can use the new exclusion at any age and as often as every two years on their primary residence.

### **First-Time Buyers Get a Boost with New IRA Rules**

The 1997 Taxpayer Relief Act gives first-time buyers a provision to allow penalty-free withdrawals of up to \$10,000 from Individual Retirement Accounts for the downpayment and closing costs of a home purchase. Withdrawals can be made from current IRA's beginning January 1, 1998, and can be made from the IRAs of spouses, parents, children, grandchildren or ancestors, as long as they total no more than \$10,000.

### ***New York's STAR Offers Owners Relief***

Governor George Pataki's STAR (School Tax Relief) program will cut school taxes for the average homeowner by 27%. The STAR program, every homeowner will see school taxes decline.

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# Final Inspection Walkthrough

## Just prior to closing:

As close to the time of closing, you should go back to the home and conduct what is known as a “walkthrough.” The walkthrough is done to ensure that all of the major components of the home are still in working condition or are as were agreed in the contract. Be sure to take your time and note anything that is out of order, not present, or not operating. Use the following checklist as a guideline:

### Inside:

Heat	Electric	Alarm systems
Plumbing	Dishwasher	All drains are free-flowing
Refrigerator	Clothes washer	Clothes dryer
Microwave	Baths	Septic systems
Stovetop.....	<i>include all burners</i>	Oven
Central air conditioning	Air Conditioning units	Thermostats
Lighting fixtures	fans	Intercom/Central Vacuum

Notes: \_\_\_\_\_

—

### Outside:

garage door opener	sprinklers	water spigots
lighting fixtures	switches	outlets
<b>Roof:</b> free of leaks	No change in condition or appearance	

Notes: \_\_\_\_\_

—

***Be sure to report any findings to your attorney prior to closing.***

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## Step 9:

# The Closing

Bring your checkbook! Anyone that has purchased a home will tell you that there are many checks to be written. Be prepared to sign many bank documents, including the note and mortgage. The note is your promise to pay back the loan. The mortgage is a security instrument, which makes your home collateral for the loan.

While this can seem a little scary, if your loan officer, attorney, and Realtor have properly prepared you about what to expect, it will be a far less frightening experience. Be sure to ask your lender for a printed outline of what the costs will be at closing, so you will not be surprised. He or she can give you a complete rundown of everything you will be paying for, including the items you can write-off, such as pre-paid taxes. Make sure that you understand what kind of payment will be required. Some items require a bank check; others will accept a personal check. Find out in advance!

### **You'll be expected to pay some of the following items at closing:**

- *Insurance escrow*
- *Taxes in escrow*
- *Fuel: If your home is heated with oil, any fuel remaining in the tank will be assessed and a fair value will be reimbursed to the seller.*
- *Title Closer/ title fees*
- *Attorney's fees:*
- *Balance of downpayment:*
- *Bank fees*

### **Who will be at the closing:**

- *Your attorney*
- *The bank's attorney*
- *Title closer*
- *Seller's attorney*
- *Seller*

### **Don't Be Distressed**

Although it may seem like the process will never end, it does. And, the best part come when you receive the keys to your new home at the closing. Depending upon your agreement with the seller, you will be able to begin moving immediately after the closing or in many cases within a few days after the closing.

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## Step 10:

# Moving!

Sometimes we forget some of the key elements associated with our comfort at home. Worst of all, if preparations are not made in advance, you can be needlessly inconvenienced.

To avoid these problems, start preparing as soon as you know when you will be moving.

## Moving Checklist

- ✓ **Notify post office** of new address and when change goes into effect. Give several weeks notice to ensure the forwarding order is in place.
- ✓ **Select a Moving Company** that has a good reputation and one that you can get references from. Check with friends or relatives who have recently moved and find out if they were pleased with the company they used. Be sure to ask the movers about their rate schedule. Inquire about packaging and whether packing materials are charged separately. Make sure the company you choose is licensed and insured and verify the information. Be sure to have a complete understanding of what services will be performed as well as what the charges will be – in advance.
- ✓ **Make up postcards** that advise others that you are moving. Give your name, new address, and new phone number, as well as your former address. Give the date the new address will be effective. Place a card in with every bill you receive and send one to every person you correspond with, including magazines and other subscriptions, for the month prior to the move. Order plenty of cards, you'll be surprised how many you will go through! This will help ensure you don't lose any mail or delay any important correspondence after you've moved.
- ✓ **Notify schools** (if you have children) of when you anticipate the move will take place. Also of importance – meet with administrators at new school to arrange for an orientation and tour for you and your children. Try to arrange for your child to meet new teachers and classmates prior to their first day. This will help lessen some of their anxiety on the first day at their new school.
- ✓ **Arrange with a locksmith to have the locks changed** at your new home prior to moving in. You can schedule to meet the locksmith after the closing. The

changeover usually doesn't take more than an hour or so, and is a good security measure.

- ✓ **Electric:** Make arrangements for power to be turned on in your name, as of the possession date. Take care of turning off the old service too.
- ✓ **Telephone:** Make arrangements with the telephone company for your new service. If your move is not too far from your old residence, you may even be able to keep your old phone number. Otherwise, be sure to have them turn off the old number at the same time.
- ✓ **Cable TV:** Make the same arrangements for your cable television service.
- ✓ **Donate any unwanted clothing or nonperishable food** items and toiletries to your local charitable organization. Often these items are hastily thrown out, and would be gladly used by someone less fortunate. You may also be entitled to a receipt, which may offer a tax deduction. Ask for details.
- ✓ **Order new nametags for your pets** prior to the move, even if they are indoor pets. Be sure to include the animal's name, your address, and your business as well as residence phone numbers. Moving can frighten and disorient pets. Be sure they have complete identification before they make the move. In the event they become lost, you will have a better chance of recovering them.

⇒ *Be sure to give ample time for the transition. Often a week or more wait can be expected.*

Your Realtor may be able to help with some of these arrangements. Don't be afraid to ask what assistance is available.

The best thing you can do is be prepared. Ask questions. If you aren't sure about something, ask. Your Realtor is there to assist you.

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# GLOSSARY OF TERMS

The following is a selection of real estate terms clearly and briefly defined to help you better understand the homebuying and homeselling process.

**Adjustable Rate Mortgage (ARM)** - A mortgage on which the interest rate charged may change, up or down, according to a predetermined index.

**Amortization** - Reduction of debt in installments of principal and interest, rather than interest-only payments.

**Annual Percentage Rate (APR)** - Required to be furnished to the borrower by Federal law, the APR has no bearing upon the homebuyer's monthly payment and is typically somewhat higher than the stated mortgage rate.

**Appraised Value** - An opinion of the value of a property at a given time, based on facts regarding the location, improvements, etc..., of the property and surroundings.

**Appreciation** - An increased value of property.

**Assessed Value** - Value placed upon property for property tax purposes by the tax assessor.

**Assessment** - 1) The estimating of value of property for tax purposes. 2) A levy against property in addition to general taxes, usually for improvements such as streets, sewers, etc.

**Broker** - One who is licensed by the state to carry on the business of dealing in real estate. A broker may receive a commission for his or her part in bringing a buyer and seller, landlord and tenant, or parties to an exchange. (Compare REALTOR®.)

**Capital Gains** - Gains realized from the sale of capital assets, Generally, the difference between cost and selling price, less certain deductible expenses.

**Closing** - in real estate sales, the final procedure in which documents are executed and/or recorded, and the sale is completed.

**Closing Costs** - Expenses incidental to a sale of real estate, such as loan fees, title fees, appraisal fees, etc.

**Closing Statement** – The statement which lists the financial settlement between buyer and seller, and also the costs each must pay. A separate statement for buyer and seller is sometimes prepared.

**Commission** - An amount paid to a real estate broker as compensation for services; generally a negotiated percentage of the sale price or total rental.

**Condominium** - A structure of two or more units, the interior space of which are individually owned; the balance of the property (both land and building) is owned in common by the owners of the individual units.

**Conventional Loan** - A mortgage or deed of trust not obtained under a government-insured program.

**Credit Report** - A report on the past ability of a loan applicant to pay installment payments.

**Deed** - Generally a conveyancing instrument given to pass title to property upon sale.

**Deposit** - Money given by the buyer to the seller with an offer to purchase. Shows good faith. Also called earnest money.

**Equity** - The market value of real property, less the amount of outstanding loans secured by the property.

**Escrow Account** - An account set up by most lenders to which the borrower makes monthly payments for such obligations as real estate taxes, homeowner's insurance and special assessments. The lender disburses funds from these accounts for the borrower as bills come due.

**FHA (Federal Housing Administration)** - A federal agency that insures first Mortgages, enabling lenders to make loans or loan a higher percentage of the sales price than they otherwise might.

**Grace Period** - A period of time after the regular due date of a loan payment during which a late payment penalty is not charged.

**Index** - Any ARM adjustments must be based on the movement of an independent index that is beyond the control of the lender and that can be easily verified by the borrower.

**Interest** - 1) A share of right in some property. 2) Money charged for the use of money (principal).

**Interest Rate Cap** - A limit on the maximum interest rate that can be charged during the life of an ARM or on the maximum rise allowed from one adjustment period to the next.

**Land Contract** - An installment contract for the sale of land. The seller retains legal title until paid in full. The buyer has equitable title during the contract term.

**Lease With Option To Purchase** - A lease under which the lessee has the right to purchase the property. The price and terms of the purchase must be set forth for the option to be valid. The option may run for the length of the lease or only for a portion of the lease period.

**Leverage** - The use of financing to use a small amount of cash to make a large investment.

**Listing** - An agreement between an owner of real property and a real estate agent, whereby the agent agrees to market the property for sale and in consideration for the sale of the property will receive a fee or commission.

**Loan Processing** - The work done by a lender from the time a homebuyer applies for a mortgage to the time the loan is approved.

**Maintenance Fee** - As applied to condominiums and planned developments, the amount charged each unit owner to maintain the common area. Usually a monthly fee.

**Market Value** - The highest price a willing buyer would pay and a willing seller would accept, both being fully informed and the property offered for a reasonable period of time.

**Mortgage** - The instrument by which real estate is pledged as security for repayment of a loan.

**Mortgagee** - The party lending the money.

**Mortgagor** - The party who borrows the money.

**Multiple Listing Service** - A facility for making offers of cooperation to all other members of the service, offering each the opportunity to cooperate in the sale of property and thereby earn a commission.

**Note** - A unilateral agreement containing an express and absolute promise of the signer to pay to a named person, or order, or bearer, a definite sum of money at a specified date or on demand. Usually provides for interest and, concerning real property, is secured by a mortgage or trust deed.

**Payment Cap** - A limit on the amount the monthly principal and interest payment can change during the term of an ARM - or from one adjustment period to the next.

**Plat (Plat Map)** - A map dividing a parcel of land into lots, as in a subdivision.

**Point** - One percent. When referring to mortgages or deeds of trust, the term is used to describe the percentage of discount rather than interest (for which the word "percent" is used). The points are paid by either buyer or seller or both.

**Preliminary Title Report**- A report showing the condition of title before a sale or loan transaction. After completion of the transaction, a title insurance policy is issued.

**Principal** - Amount of debt, not including interest. The face value of a note, mortgage, etc.

**REALTOR®** - A registered collective membership mark which may be used only by real estate professionals who are members of the National Association of REALTORS® and subscribe to its strict Code of Ethics.

**Tax Rate** - Traditionally the ratio of dollars of tax per hundred or per thousand dollars of valuation.

**Tax Shelter**- A general term used to include any property or other investment which gives the owner certain income tax advantages, such as deductions for property taxes, mortgage interest or depreciation.

**Title**- The evidence one has of right to ownership and possession of land.

**Veterans Administration (VA) Loans**- Housing loans to veterans by banks, savings and loans or other lenders, which are guaranteed by the Veteran's Administration, enabling veterans to buy a residence with little or no down payment.

**Zoning** - The division of a city or county by legislative or administrative regulation into areas (zones), specifying the uses allowable for the real property in these areas.

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