Preparing to Buy

A STEP-BY-STEP GUIDE TO PURCHASING A HOME

REALTOR®

mike harcarik

Bringing Real Life to Real Estate

About My Business

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Preparing to Buy

A Step by Step Guide

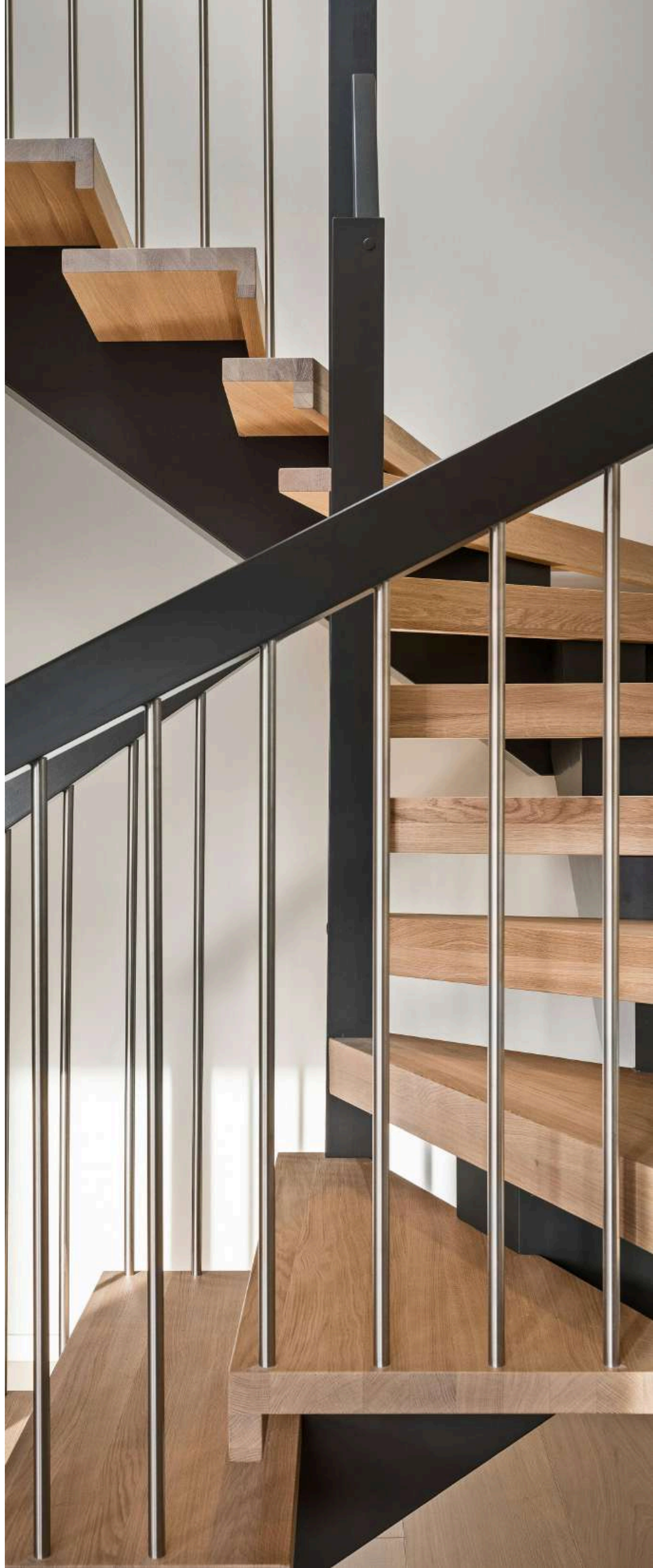
Buying a home is exciting, but the steps involved are complex and can be tough to navigate—especially if you're new to the process and not sure where to start. There's paperwork, decisions, deadlines, and a lot of emotions that can come up along the way.

Whether you're a first-time home buyer or an experienced homeowner, this guide will walk you through the key steps—from understanding your finances to getting the keys in hand. The goal is to keep you on track, avoid common mistakes, and make sure you're informed and ready to make decisions with clarity, not confusion.

So let's take it one step at a time—because buying a home should be a rewarding journey, not a stressful one.

ADDITIONAL RESOURCES:

- Common Mistakes to Avoid
- Understanding the Market
- Understanding the Contract
- Understanding the Settlement
- Community Connection
- Preparing for Your Move
- Real Estate Glossary
- Frequently Asked Questions



Find a Realtor®

Benefits of choosing a Realtor®

Only members of the NATIONAL ASSOCIATION OF REALTORS® (NAR) can call themselves REALTORS®.

NAR is America's largest professional association and is involved in all aspects of the real estate industry.

As a REALTOR® I pledge to abide by the NAR's strict Code of Ethics.

As a Windermere associate and a REALTOR®, I am committed to providing you with the highest standard of service and integrity.

REALTORS® work to protect property rights and keep excise taxes as low as possible.

REALTORS® have been instrumental in the implementation of many tax incentives for home buyers over the years.

REALTORS® have access to legal counsel to help answer questions that put your mind at ease, all at no extra cost to you!

REALTORS® have consistently worked to increase FHA and VA loan limits to make sure you're not paying higher fees to purchase an average home in your market.

REALTORS® have access to the latest legal and legislative issues to best represent your real estate needs.

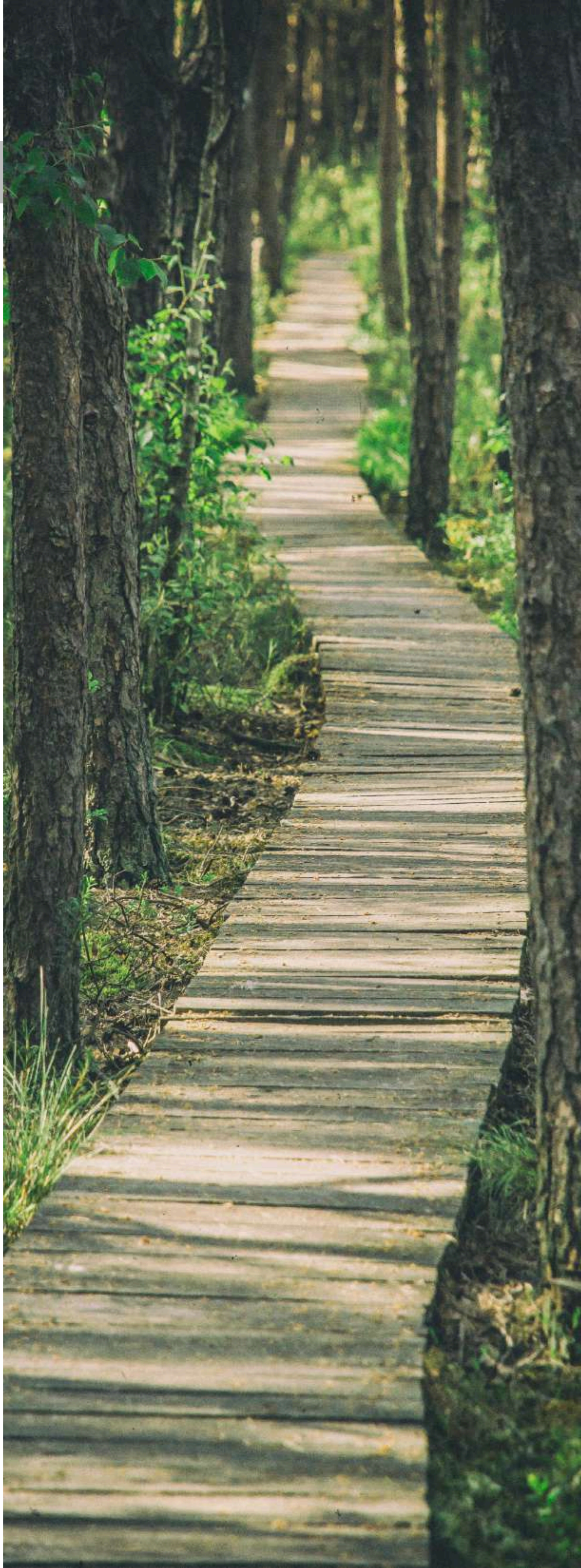
REALTORS® take extra classes and earn designations to prove excellence in various areas of real estate.

REALTORS® fight hard to keep the mortgage deduction credit unchanged.

With all the moving parts around buying a home—financing, contract negotiations, finding the right place, and packing for your eventual move, you've got a lot on your plate. You should have someone in your corner who not only understands the process but actively drives it forward, anticipating challenges, taking the pressure off and helping you feel informed, confident, and supported every step of the way.

My Path to Success

- Scheduling regular check-ins and updates so you're never left wondering what's next
- Detailing info about every stage of the buying process
- Explaining what "agency" means and how it shows up in your transaction
- Giving honest, strategic advice and feedback—even if it's not what you want to hear
- Completing sales and price-based analyses of the home you want
- Proactively searching and flagging properties from the MLS including ones you might have missed (off-market, coming soon, new construction, expired, FSBO)
- Referring you to the professionals you need (lenders, inspectors, service providers)
- Answering questions you don't know you have.
- Joining you for inspections and final walkthroughs so you're not going it alone
- Strategizing offers and breaking down contracts in advance so you're not overwhelmed or making last-minute decisions
- Previewing homes before touring with you
- Taking home tour notes and sending you a recap
- Providing market updates and neighborhood reviews
- Providing a detailed HomeBook once your offer is accepted
- Staying connected after closing if you need a contractor, home advice, maintenance tips and reminders, home value updates, etc
- Sharing info to encourage community connection (local events, recreation, food & drink, local businesses)



Find a Lender

and get Pre-Approved

Unless you're a cash buyer, you'll need a mortgage loan to complete your purchase. The process should begin before you start looking by meeting a lender to determine your credit score, loan details, pre-approval status, and ultimately how much home you can afford.

Local Lenders

Local lenders can give your offer a competitive edge. They tend to be more responsive, know the nuances of the market, and have established relationships with area professionals. Sellers are more likely to feel confident in a buyer backed by a lender they know and trust, versus a national bank or online lender that may be slower or harder to reach during time-sensitive moments.

Credit Report

Checking your credit report before you see your lender:

- Allows you to correct mistakes before the lender sees it
- Creates an opportunity for you to explain any blemishes on your report that aren't errors

Down Payment

Putting 20% down often unlocks better loan terms, but if you're not able to do so, that's okay. Many buyers put down less and still get great financing—it might just mean paying private mortgage insurance and a slightly higher interest rate.

Pre-Approval

A letter of pre-approval from a lender shows that they have checked all your documentation and qualified you for a loan. Getting pre-approved saves you time by:

- Keeping you focused on homes within your budget
- Helping you obtain quick financing once ready
- Strengthening your offer

What to Avoid

Doing these before closing could jeopardize your mortgage.

- Changing or quitting your job or becoming self-employed
- Making large purchases or using credit cards excessively
- Applying for new credit or become delinquent on bills
- Changing bank accounts or make large cash deposits
- Changing marital status
- Co-signing another loan

Mortgage Application Checklist

Every lender requires documents as part of the process of approving a mortgage loan. Here are the documents you're generally required to provide.

- [ ] **W-2 Tax Returns -** or business tax returns if you're self-employed - for the last two or three years for each person signing the loan.
- [ ] **At least one pay stub** for each person signing the loan.
- [ ] **Account numbers** of all your credit cards and the amounts for any outstanding balances.
- [ ] **Two to four months of bank or credit union statements** for both checking and savings accounts.
- [ ] **Lender, loan number, and amount owed** on installment loans, such as student loans and car loans.
- [ ] **Addresses** where you've lived for the last five to seven years with names of landlords if appropriate.
- [ ] **Brokerage account statements** for two to four months, as well as a list of any major assets of value, such as a boat, RV, or stocks or bonds not held in a brokerage account.
- [ ] **Your most recent 401(k)** or other retirement account statement.
- [ ] **Documentation to verify additional income,** such as child support or a pension.

Identify Your Priorities

Rank the following 50 home features from 1-5 (1 = most important, 5 = least important)

Home Feature	Rank	Home Feature	Rank
Neighborhood (specific)		Type of Home	
Neighborhood (amenities)		Architectural Style	
Neighborhood (traffic/noise)		# of Levels	
City Services (water/sewer)		Lot Size	
Location (highway access)		House Size	
Location (near recreation)		Room Size	
Location (near shopping)		Garage Size	
School District		Age of Home	
HOA		Views	
Floor Plan / Layout		Sun Exposure	
Family Room		Interior Quality	
# of Bedrooms		Interior Design	
# of Bathrooms		Landscaping	
Master bedroom		Patio or Deck Space	
Bathrooms (style)		Fenced Yard	
Kitchen (style)		Irrigation / Sprinklers	
Formal Dining Room		Heating/Cooling Type	
Laundry Room		Smart Features	
Extra rooms (den, office)		Energy Saving Features	
Closets		Furnace (age, type)	
Type of Flooring		Water Heater (age, size)	
Basement (finished)		Utilities Type (gas/electric)	
Fireplace		WIllingness to Renovate	
Ceilings (style, height)		Parking/Driveway	
Ceiling Fans		Storage / Shed	

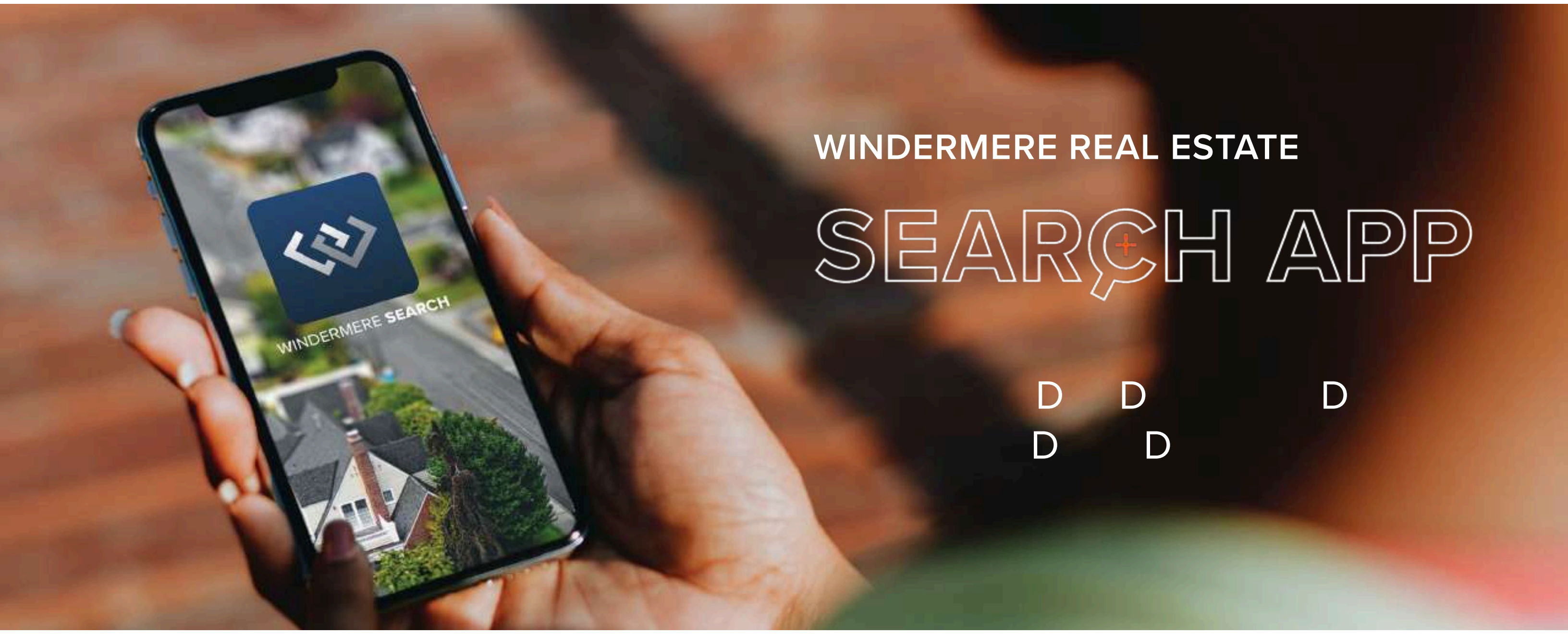
Now record your top ten home features beginning with the most important and briefly describe the reasoning behind your ranking.

Rank	Home Feature	Reasoning / Why

Start Your Search

Online

No doubt you're already searching online using Zillow, Trulia or another popular site. While these are great, they're not the only way to search, or necessarily the best.



The Windermere Real Estate search app makes it easy to find a home:

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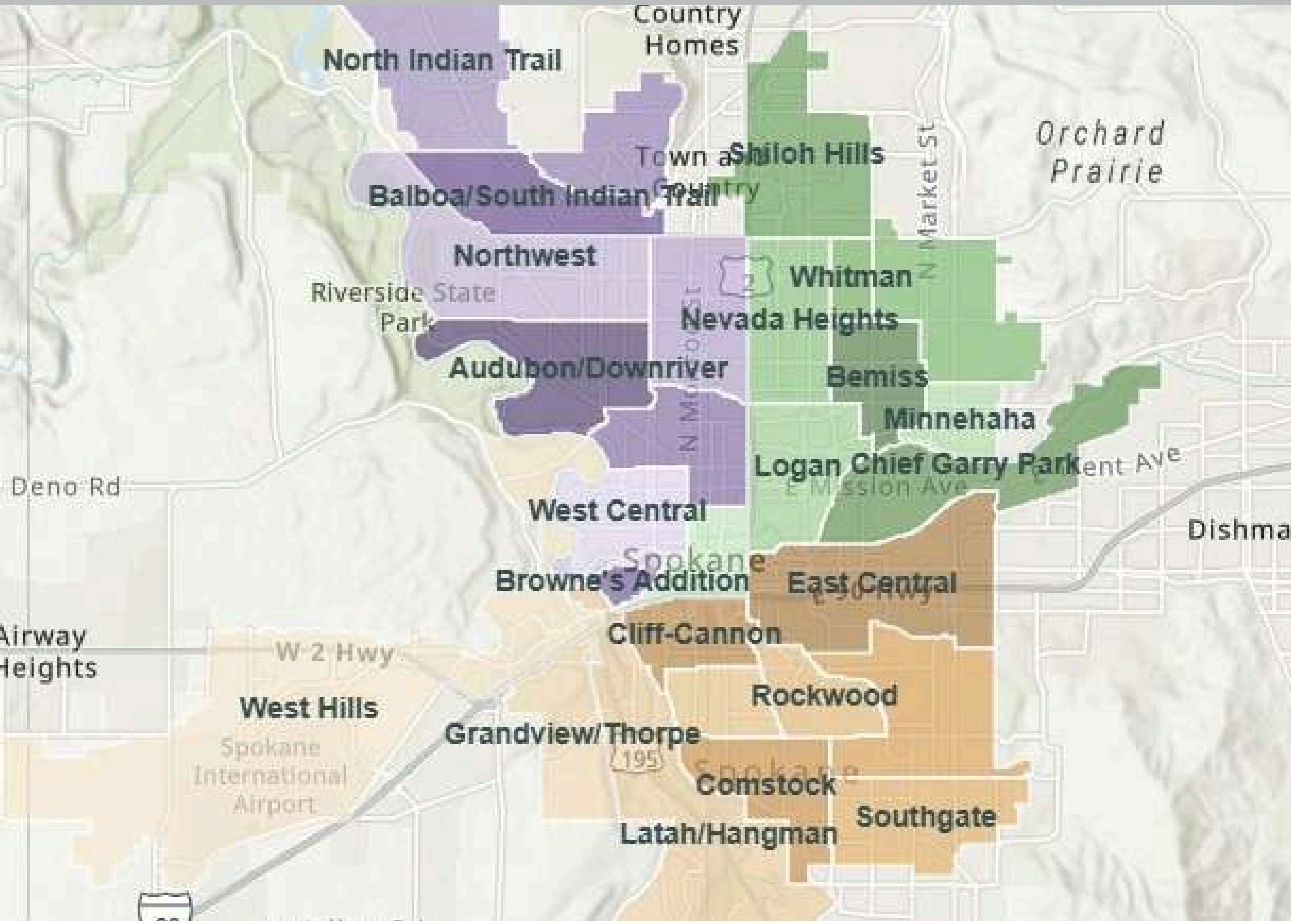
Neighborhoods & Homes



Once you start viewing homes, it's easy to get overwhelmed and forget important details. I'll provide an easy-to-use property review form for you to keep track. I'll also take my own notes and send you recaps of our visits. When you think you've found the right home, it's good to check off the following boxes before writing an offer.

- Talk to neighbors / people who live there.
- Drive or walk through the area at different times of the day, during the week and on weekends.
- Travel to and from places that you would typically frequent to be sure you're comfortable.
- Check with local civic, police, fire and school officials to find information about the area.
- Look at traffic patterns around the area during different times of the day and drive from the area to your place of work.
- Research neighborhood associations if applicable and review docs.

Offer & Negotiate

Writing a Clean Offer

Searching for a home is the fun part—making an offer and negotiating? Not as exciting. But it's a big part of the buying process, and the goal is simple: get the home you want under the best possible terms.

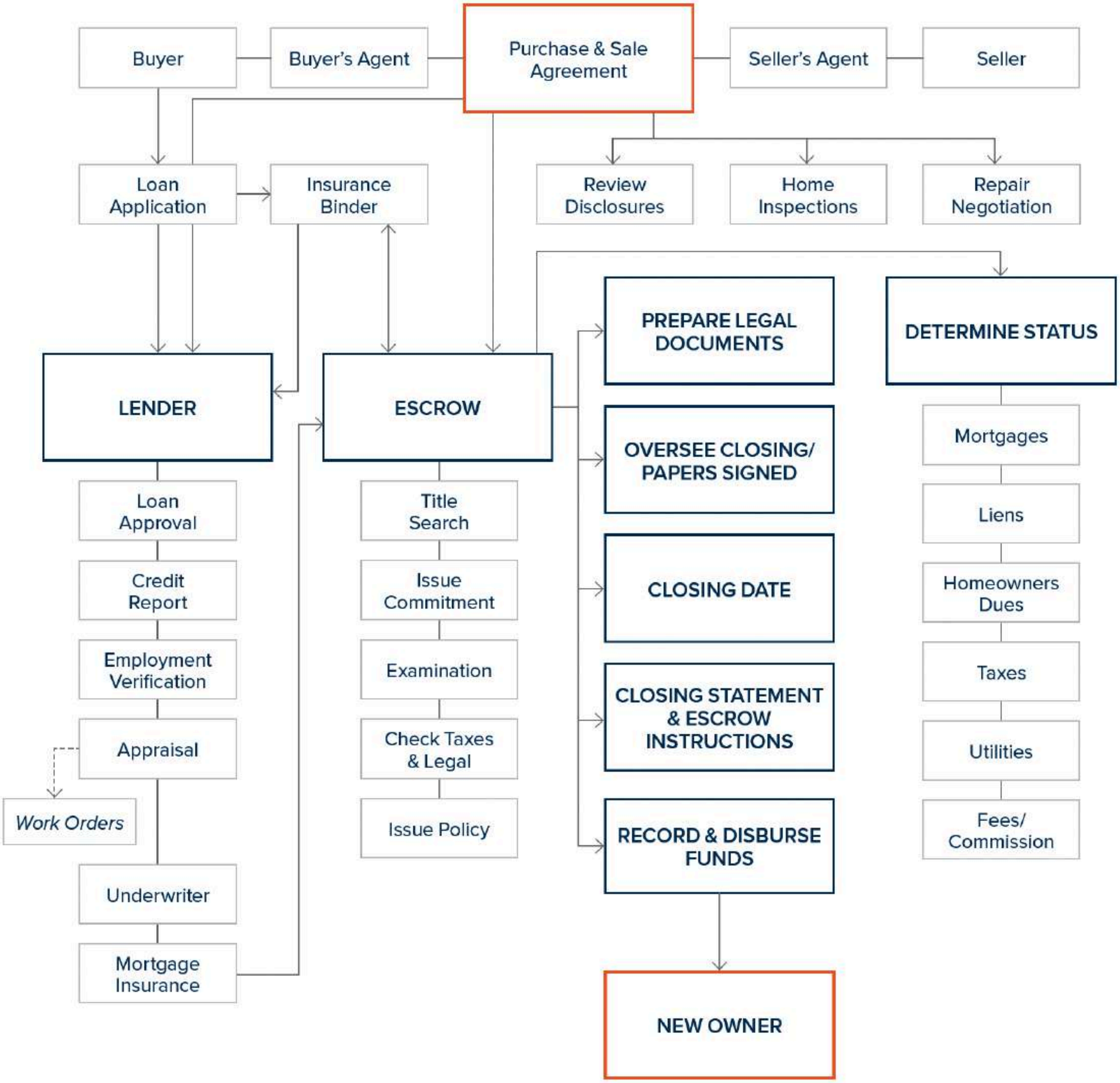
That means writing a strong offer from the start. And while many people assume that "strong" means offering the most money or negotiating hard, that's not always the case. In reality, it's about finding a balance that works for both you and the seller.

Yes, we want the best price, the right protections (contingencies), and terms that work in your favor—but it's also about compromise. The seller wants a great outcome too. This isn't about one side winning—it's about creating an agreement where everyone walks away happy and feeling good about the deal.

Too many asks can frustrate or scare off a seller. A strong offer stands out in more than just price—knowing what and how much to ask for is a critical key to success. RemLess is more. Here are a few elements that help, some we've reviewed already, others we'll discuss throughout this guide.

- Working with a trusted local lender
- A current preapproval letter
- A strong earnest money deposit
- A solid down payment
- A clean offer (fewer unnecessary conditions)
- Flexibility on timelines, closing and possession dates

Homebuying Overview



Provide Earnest Money

What's at Stake & What You Need to Know

When writing an offer on a home, you want to show the seller you're serious—that's where earnest money comes in. It's your financial promise or good faith commitment to moving forward per the Purchase and Sale Agreement. Earnest money is usually held in escrow and later applied toward your final costs if the sale successfully closes.

The amount can vary but is typically 1% to 2% of the purchase price. It's important because it gives the seller confidence to take their home off the market while you work through contract contingencies.

However, earnest money also comes with some risk. If you back out of the contract without a valid contingency (like failing an inspection), you may forfeit the earnest money to the seller. That's why it's critical to understand contract deadlines and conditions to protect your deposit. Handled carefully, earnest money strengthens your offer and keeps both parties committed to the deal.

✅ DO

- Make sure your earnest money amount is competitive for the market.
- Read and understand the contract contingencies (inspection, financing, etc.).
- Deposit your earnest money promptly—within 2 business days of mutual acceptance.
- Track all deadlines carefully to protect your deposit.

🚫 DON'T

- Assume you can walk away from the contract for any reason without consequences.
- Miss important deadlines (like inspection response or financing approval).
- Wire earnest money without verifying the instructions directly with the escrow company.
- Treat earnest money like an optional payment—it's a serious part of the contract.

Verify Information

Fulfilling Contract Terms

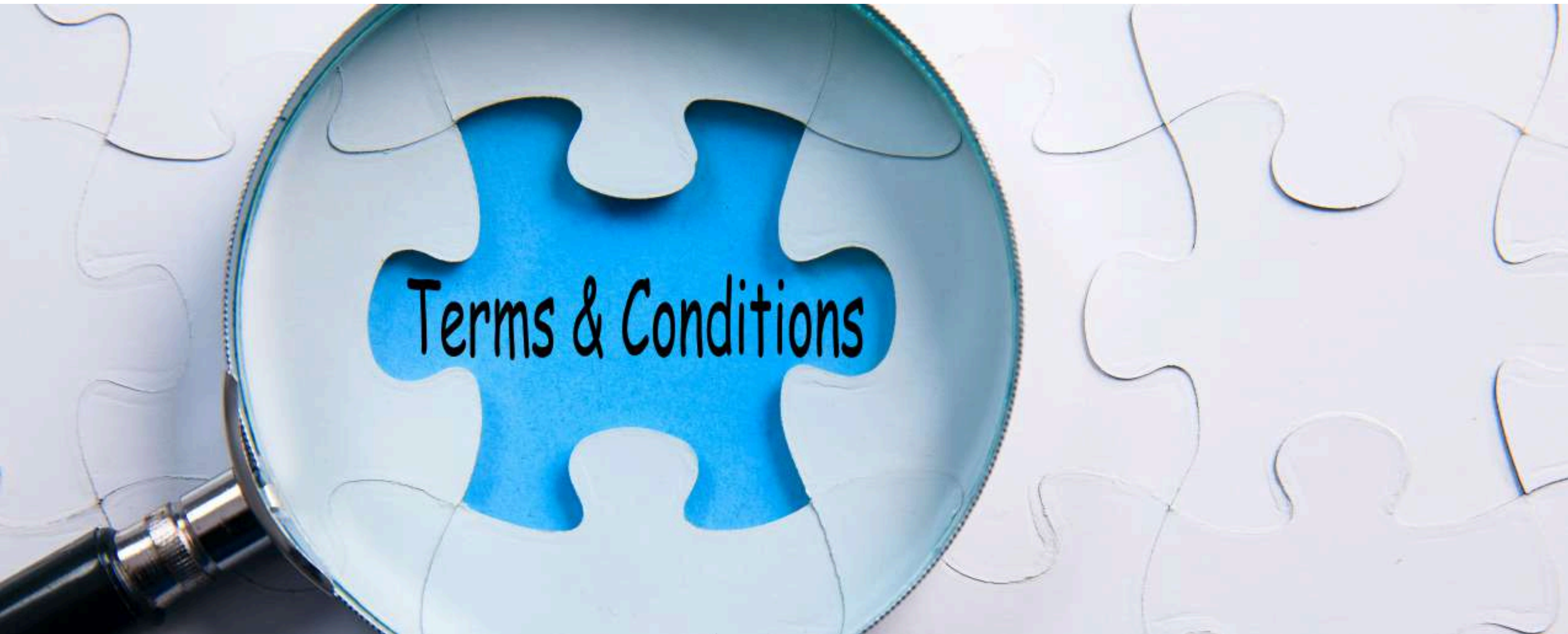
After mutual acceptance and the earnest money deposit, buyers enter a critical contract phase known as due diligence. This is the time to review documents, validate information, verify the property's condition, and ensure all agreed-upon terms are being met. Your agent will collaborate with you and complete some of this work themselves, but careful attention and buyer action during this period is essential to prevent surprises and protect your investment.

Key Tasks during the Due Diligence Phase

- Review Sellers Disclosures
- Examine the Title Report
- Set up the Home Inspection
- Negotiate Inspection Responses
- Finalize Financing
- Monitor and Confirm Deadlines
- Verify Insurance
- Order Appraisal
- Review HOA Documents (if applicable)

Quick Tips for a Smooth Due Diligence Process

- Stay Organized
- Use a Transaction Timeline
- Communicate Early and Often
- Prioritize Inspections
- Be Proactive, Not Reactive
- Lean on Your Team (Agent, Lender, Escrow Officer)



Home Inspection

A critical part of the home-buying process, inspections take the mystery out of buying a home and protect you during the buying process. I'll help:

- Find a reputable inspector
- Review inspection options
- See that inspections are on schedule and carried out in a timely manner.
- Prepare for when unknown problems are discovered
- Negotiate fair and appropriate solutions if necessary

An inspection gives you a clearer picture of the home's condition and can uncover potential issues like structural problems, roof concerns, plumbing or electrical issues, or safety hazards. Even if everything looks great on the surface, an inspection helps ensure there are no surprises down the road.

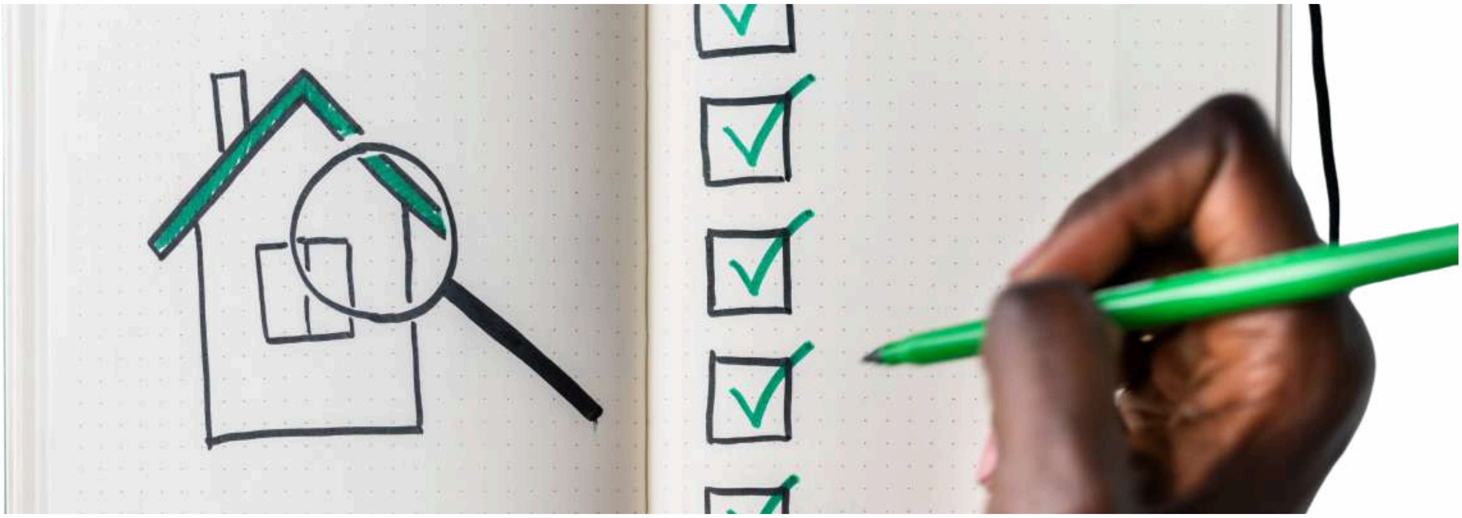
It's not just about finding problems—it's about making informed decisions. An inspection gives you the opportunity to ask for repairs, negotiate credits, or walk away if the issues are serious enough.

In addition, specialty inspections may be worth considering—sewer scopes, radon testing, chimney inspections, or mold assessments. I'll help you decide which ones make sense based on the home's age, location, and features, and I'll connect you with trusted professionals to get them done.

My role is to help you understand the findings, navigate your options, and feel confident about whatever comes next.

Final Walk Through

Typically a day or two before you get the keys, this is your last chance to make sure the home is in the condition you expect—agreed-upon repairs have been completed, appliances and systems are still working, and nothing has changed since you last saw the home. It also ensures the seller has fully moved out and the property is clean and ready. It's a simple step but one that helps avoid last-minute surprises and gives you peace of mind heading into closing.



- [ ] Requested repairs have been made.
- [ ] Copies of paid bills and warranties are in hand.
- [ ] No unexpected changes have been made since last viewed.
- [ ] All items included in the contract are still on site.
- [ ] Screens and storm windows are in place or stored onsite.
- [ ] All appliances are operating (dishwasher, washer/dryer, oven, etc.)
- [ ] Doorbell and alarm systems are operational
- [ ] Hot water heater is working.
- [ ] Heating and air conditioning systems are working.
- [ ] No plants or shrubs have been removed from the yard.
- [ ] Garage door opener and other remotes or security codes are available.
- [ ] Instruction books and warranty info on appliances are available.
- [ ] All debris and personal items of the sellers have been removed.

Closing
You sign the papers!

The final step in your journey—the day the home officially becomes yours! During this process, you'll review and sign all the final paperwork, including loan documents, title transfer, and settlement statements. Once everything is signed, your lender (if applicable) will fund the loan, and the property will be recorded in your name.

We'll review your closing disclosure ahead of time so you understand the final numbers, and I'll be there for support—to help walk you through anything that needs clarification.

Closings typically take place at a title company and last about an hour. I'll make sure you know exactly what to bring—a valid photo ID, final documents your lender requires, and a cashier's check or proof of wire transfer for your closing costs and down payment.

Possession
You get the keys!

On closing day, documents are typically recorded at the county in the afternoon—you'll receive keys and have access to your new home later that evening.

I'll keep in touch throughout the process and be available to answer any questions you have even after you've moved in. I'll provide referrals for service providers, keep you updated on the market value of your home, offer helpful home tips, and share info on community events or local recreation if you like.

My goal starts with helping you find and purchase a home but continues long after closing—even months or years down the road. And if you're happy with my service, the best compliment you can give is to share my name with family and friends. Your trust means everything, and I'd be honored to help the people you care about, too.

Common Mistakes

C C

THE MISTAKE: Shopping for homes before knowing what you can afford.
HOW TO AVOID: Get pre-approved early—it helps you budget wisely and strengthens your offer.

C C

THE MISTAKE: Not getting involved or worrying about sounding inexperienced.
HOW TO AVOID: Take an active role in the process; ask about anything you don't understand, big or small.

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THE MISTAKE: Falling in love with a home and ignoring other aspects of the purchase.
HOW TO AVOID: Consider the whole picture—neighborhood, schools, location, price, maintenance.

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THE MISTAKE: Not budgeting for taxes, insurance, home warranty, maintenance, etc.
HOW TO AVOID: Factor in all costs upfront and put money into a home savings account on a regular basis.

C C

THE MISTAKE: Waiving an inspection to save money or be more competitive or believing you can just do repairs yourself.
HOW TO AVOID: Consult with an inspector, ask neighbors about their home issues, and always get an inspection.

C C C

THE MISTAKE: Navigating online listings or open houses without representation.
HOW TO AVOID: Connect with an agent early. They provide expert advice, helpful suport and set you up for success.

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THE MISTAKE: Signing without reading or only focusing on price.
HOW TO AVOID: Review the entire contract—every term matters. Contingencies, timelines, closing costs, and all the fine print.

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THE MISTAKE: Relying on websites that aren't always up-to-date.
HOW TO AVOID: Use your agent's local MLS access, resources and expertise to get the full picture_and a leg up on competition.

C

THE MISTAKE: Believing your loan approval can't be canceled before closing.
HOW TO AVOID: Delay all major purchases, job changes, deposits, new credit, etc, until after closing.

C
C C

THE MISTAKE: Letting fear or frustration override strategic and objective decision-making.
HOW TO AVOID: Stay grounded, remember your ultimate goal, know your budget, and trust your plan.

Understanding the Market

How's the market? That's a question Realtors hear all the time. But, what's really being asked, and more importantly what does a home buyer need to know about the market to be competitive?

Understanding the real estate market is about more than just spotting the newest or best homes for sale—it's about recognizing the trends and data that drive pricing and competition so you know the best time and the best strategy for making an offer.

Key metrics like the list price to sales price ratio reveal how close homes are selling to their asking price, which can indicate how competitive the market is. Average days on market shows how quickly homes are selling, helping buyers gauge how fast they need to act. Median and average sale prices help you track what homes are actually selling for—not just what they're listed at. And months of supply tells you whether it's a buyer's or seller's market: fewer months of supply generally means high demand and more competition.

By staying aware of these local trends, buyers can make more confident, informed decisions when writing an offer and increase their chance of success.

Avg/Median Sales Price

Closed Sales

Days on Market

List Price Received

Sold Price per Square Foot

New Listings

Pending Sales

Active Inventory

Months of Supply

Understanding the Contract

Buying a home is exciting, but rarely simple or fast. It involves a lot of paperwork filled with terms, addenda, and legal language that can carry serious consequences if not fully understood.

The Washington Purchase and Sale Agreement (PSA) is the central, legally binding contract that outlines the terms of the deal between the buyer and seller. Once signed by both parties, it becomes the foundation for all future negotiations and steps in the transaction.

Despite its importance, many buyers overlook the need to carefully read the contract or review it with their Realtor or attorney. Understanding the PSA is essential to protect your interests and ensure a smooth homebuying experience.

Key Components of the Contract

Parties Involved
Buyer(s) and Seller(s) names

Property Description
Legal description and address of the home

Purchase Price & Earnest Money
Agreed price for the home & good faith deposit

Financing Terms
- Cash or mortgage, loan type, downpayment and financing deadlines

Contingencies
Inspection, Appraisal, Insurance, Financing

Closing & Possession Dates
When the deal is expected to close and when buyer gets the keys

Included Items
Which appliances or fixtures stay with the house

Disclosures
Seller's disclosure of known material defects (lead, leaks,

Addenda
Attachments (title & insurance, well & septic, escalation clauses)

Signatures
Both parties must sign for agreement to be binding

Quick Tips for Buyers

- Read every page and addendum, even the fine print
- Review with your real estate agent and ask to explain any confusing parts
- Highlight all timelines and deadlines to ensure you perform required actions and protect your earnest money
- Verify all signatures and information—things often get missed and mistakes do happen

Understanding the Settlement

One of the key documents you'll review at closing is the Settlement Statement, sometimes called the Closing Disclosure or ALTA statement. This document is a detailed breakdown of all financial details and disbursements involved in the transaction, including money owed and money due to the buyer and the seller.

Key Components

Purchase Price
- Earnest Money
- Financing
- Down Payment

Taxes
- Prepaid Tax
- Excise Tax
- Capital Gains Tax

Loan Costs
- Appraisal Fee
- Credit Report
- Origination Fee
- Discount Points
- Prepaid Interest

Closing Costs
- Escrow fees
- Recording fees
- Attorney's fees
- Inspection fees
- Title Insurance
- Hazard Insurance
- HOA dues
- Liens/Assessments
- Real Estate commissions

Credits
- Seller's Concessions
- Price Reduction
- Rate Buydown
- Repair Costs
- Closing Costs

Once all documents are signed and the sale is recorded with the county, the escrow company releases the money according to the terms of the Settlement Statement.

First, any existing mortgages or liens on the seller's side are paid off. If the seller still owes money on their loan, funds are sent directly to the lender to release the lien. Next, the seller receives their net proceeds—the amount left after paying off their mortgage, closing costs, and any other agreed-upon expenses.

At the same time, agent commissions are paid out according to the listing and buyer's agreements. Other parties are also paid, such as the title company, escrow service, county recorder's office, or any HOA dues, property taxes, or inspection fees agreed to in the contract. If the buyer negotiated credits or concessions, those are factored in as well and may reduce the amount of cash they need to bring to closing.

All of this is handled securely and once disbursements have been completed, the transaction is fully settled, and the buyer officially owns the home.

Community Connection

Part of being a happy homeowner is engaging in the community around you—whether that's participating in local events or just enjoying local parks and trails, My love of recreation, community involvement, and support for outdoor groups and nonprofits blends with my work as a Realtor. So, whether you're a long-time resident or new to Spokane, I'll help you find not just a home, but a sense of connection.

Follow amazing sports teams like the Spokane Zephyr & Spokane Shadow, Spokane Indians, Spokane Chiefs, and the Gonzaga Bulldogs.

Enjoy local food and drink at Pig out in the Park, Restaurant Week, Octoberfest, Green Bluff orchards, and dozens of wineries, breweries and cideries throughout the region.

Relax and take in the beauty at one of our 80+ community parks like Riverfront, Manito Springs, Comstock, Cannon Hill, Audubon, Franklin, or Mission to name a few.

Check out farmer's markets and artisan fairs at Kendall Yards, Perry Street, Millwood, and Garland, or visit Green Bluff to pick fruit and vegetables fresh off the vines/trees.

Shop local to support small businesses and celebrate the culture of the Pacific Northwest,

Watch or take part in festivals and events like Hoopfest, Lilac Festival & Bloomsday Run, Spokane Pride Parade, Summer Parkways, Artfest, Fall Fest, Valleyfest, and more.

Discover the outdoors and year-round recreation including hiking, biking, running, climbing, paddling, skiing, snowboarding and more at locations across Spokane.

Stay in shape and make social connections by joining a Meetup group or exercise club and enjoy top rated paths like the Centennial, Fish Lake and Children of the Sun Trail.

Explore nature at Riverside State Park, Mount Spokane, Waikiki Springs, Beacon Hill, Mica Peak, Antoine Peak, Saltese Uplands, Dishman Hills, Iller Creek, and Slavin Conservation Area.

Support a nonprofit group to help protect and conserve outdoor space like Inland NW Lands Conservancy, Evergreen East Bike Alliance, The Lands Council, Friends of the Bluff, Riverside State Park Foundation, or Bower Climbing Coalition.

Preparing For Your Move

- [ ] **Update your mailing address** at usps.com or fill out a change of address form at your local post office.
- [ ] **Change your address with important service providers,** such as banks, credit companies, magazine subscriptions, and others.
- [ ] **Create a list of people who will need your new address.** Whether you plan on sending formal change of address notices in the mail, or just emailing the family members, friends, etc.
- [ ] **Contact utility companies.** Make sure they're aware of your move date, and arrange for service at your new home.
- [ ] **Check insurance coverage.** The insurance your moving company provides will generally only cover the items they transport for you.
- [ ] **Unplug, disassemble, and clean out appliances.** This will make them easier to pack and move.
- [ ] **Check with the condo or HOA board** about any restrictions on using the elevator or exit/entrances for moving. If applicable.
- [ ] **Pack an "Open First" box.** Include items you'll need most, such as toiletries, soap, trash bags, chargers, scissors, tools, plates, cups, etc.
- [ ] **Obtain copies of important records** from your doctor, dentist, vet, and children's schools.

Moving Tips

6 TO 8 WEEKS BEFORE:

- Use up things that may be difficult to move, such as frozen food.
- Get estimates from movers or truck rental companies if moving yourself.
- Once you've selected a mover, discuss insurance, packing, loading and delivery, and the claims procedure.
- Decide what to keep, what to sell and what to donate.
- Record serial numbers on electronic equipment.
- Take photos (or video) of all your belongings and create an inventory list.
- Obtain a change of address packet from the post office.
- Discuss tax-deductible moving expenses with your accountant and begin keeping accurate records.

2 TO 4 WEEKS BEFORE:

- Make reservations with airlines, hotels and car rental agencies as needed.
- Obtain boxes and packing materials if moving yourself.
- Begin packing nonessential items and arrange for storage as needed.
- If you have items you don't want to pack and move, hold a yard sale.
- Get car license, registration and insurance in order.
- Transfer your bank accounts to new branch locations and cancel any direct deposit or automatic payments from your accounts if changing banks.
- Make special arrangements to move pets.
- Have your car checked and serviced for the trip.

2 TO 3 DAYS BEFORE:

- Defrost your refrigerator and freezer.
- Have movers pack your belongings.
- Label each box with the contents and the room where you want it to be delivered.
- Arrange to have payment ready for the moving company.
- Change your utilities, including phone, internet and power, from your old address to your new address.
- Set aside legal documents and valuables that you do not want packed.
- Pack clothing and toiletries, along with extra clothes in case the moving company is delayed.

Real Estate Glossary

Adjustable-Rate Mortgage (ARM) interest rates on this type of mortgage are periodically adjusted up or down depending on a specified financial index

Annual Percentage Rate (APR) the actual finance charge for a loan, including points and fees, in addition to the stated interest rate

Appraisal an expert opinion of the value or worth of a property

Assessed Value the value placed on a property by a municipality for purposes of levying taxes. It may differ widely from appraised or market value.

Balloon Payment a large principal payment due all at once at the end of some loan terms

CAP a limit on how much the interest rate can change in an adjustable-rate mortgage

Certificate of Title a document, signed by a title examiner, stating that a seller has an insurable title to the property

Closing the deed to a property is legally transferred from seller to buyer, and documents are recorded

Closing Costs see “settlement” or refer to “Settlement and Closing” in this guide

Commission a fee (usually a percentage of the total transaction) paid to an agent or broker for services performed

Comparative Market Analysis (CMA) a survey of the attributes and selling prices of comparable homes on the market or recently (CMA) sold; used to help determine a correct pricing strategy for a seller’s property

Contingency a condition that must be met for the sale to go through

Contract a binding legal agreement between two or more parties that outlines the conditions for the exchange of value (for example: money exchanged for title to property)

Deed a legal document that formally conveys ownership of a property from seller to buyer

Down Payment a percentage of the purchase price that the buyer must pay in cash and may not borrow from the lender

Real Estate Glossary

Earnest Money	a good-faith deposit towards the purchase of a home, made pursuant to an executed purchase and sale agreement.
Equity	the value of the property actually owned by the homeowner: purchase price, plus appreciation, plus improvements, less mortgages and liens
Escrow	a fund or account held by a third-party custodian until conditions of a contract are met
Fixed-Rate Mortgage	interest rates on this type of mortgage remain the same over the life of the loan. Compare to "adjustable-rate mortgage"
Fixture	a recognizable entity (such as a cabinet or light) that is permanently attached to a property and belongs to the property when it is sold
Hazard Insurance	compensates for property damage from specified hazards such as fire and wind
Interest	the cost of borrowing money, usually expressed as a percentage rate
Lien	a security claim on a property until a debt is satisfied
Listing Contract	an agreement whereby an owner engages a real estate company for a specified period of time to sell a property, for which, upon the sale, the agent receives a commission
Market Price	the actual price at which a property sold
Market Value	the price that is established by present economic conditions, location and general trends
Mortgage	security claim by a lender against a property until the debt is paid
Multiple Listing Service	a system that provides to its members detailed information about properties for sale
Origination Fee	an application fee(s) for processing a proposed mortgage loan
PITI	principal, interest, taxes and insurance, forming the basis for monthly mortgage payments
Point	one percent of the loan principal. It's charged in addition to interest and fees
Prepayment Penalty	a fee paid by a borrower who pays off the loan before it is due
Principal	one of the parties to a contract; or the amount of money borrowed, for which interest is charged
Prorate	divide or assess proportionately
Settlement	all financial transactions required to make the contract final. See "Settlement and Closing" in this guide.
Title	a document that indicates ownership of a specific property
Title Search	detailed examination of the entire document history of a property title to make sure there are no legal encumbrances

Frequently Asked Questions

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