

# YOUR GUIDE TO FINDING & FINANCING YOUR HOME

*Homebuyer Resources*



## DREAM WITH YOUR EYES OPEN

With a RE/MAX agent you will see how much better than a dream home the RIGHT home can be. At RE/MAX Futura, we have experienced agents to find the perfect fit, for all the things that move you.



Every 30 seconds, a RE/MAX agent helps someone find their perfect place



*Our Mission Statement*

*"To promptly find profitable solutions to your real estate needs in the most efficient and ethical manner and at the least inconvenience to you"™*

Dear Home Buyer  
Re: The purchase of your property

Thank you very much for downloading our Buyer's Guide. We have prepared this package for you to help you navigate the exciting journey of finding, financing and buying a home. In this guide you'll find useful information, worksheets, charts and terminology that will prepare you for – and help you enjoy – the home-buying experience. You can embark on your adventure with confidence knowing that you have RE/MAX, the Real Estate Leaders® at your side.

I'm looking forward to meet with you to understand your financial goals, the characteristics of your ideal home and time considerations. Our company has the resources, experience, and market knowledge to support you in achieving your dreams of home ownership.

Please contact one of our agents for a complimentary Neighborhood Report, and we look forward to working with you!

Sincerely,

*Jorge E. Carcamo*

MBA, Real Estate Broker  
REALTOR® - CalBRE lic # 00675305



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## Getting Started

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Congratulations! You've made the decision to buy a home. It's an exciting time for you, and we look forward to guiding you smoothly through the process, helping you find and take ownership of the home of your dreams. While buying a home is fun and rewarding, it can also be highly stressful. Buying a home represents the largest single investment you'll probably make in your lifetime, which is why it's so important to get good information and advice. Becoming an educated homebuyer is one of the best things you can do to avoid costly mistakes and enjoy home ownership to the fullest.

## Loyalty

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We commit to finding the perfect home for our clients, and we only ask one thing in return:

### **That you commit to working exclusively with us!**

Now by exclusively, we mean if you attend any open houses without one of our agents, that you will let them know immediately you are happily represented by RE/MAX FUTURA.

If you drive by a home, see a home in a home magazine or see one online that you think meets your criteria, you will call your RE/MAX FUTURA agent.

Also, that you will not solicit the service of any other Realtor while searching for your perfect home.

We guarantee you the best service in the industry if you can guarantee me your loyalty!

Thank you for trusting RE/MAX FUTURA® to be part of this important milestone in your life. Now let's get started!

**THE POWER OF THE RE/MAX NETWORK**

EVERY **30** SECONDS A RE/MAX AGENT HELPS SOMEONE FIND **THEIR PERFECT PLACE**

RE/MAX FUTURA is a proud member of the RE/MAX Network



# About Us

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**RE/MAX Futura** CalBRE Lic. 01776125

## We're part of the Valencia Corridor history

### **Established in 1981**

With over 30 years of experience, RE/MAX Futura in San Francisco, formerly Gold Key Realty is an inventive brokerage that brings about a modern vision to the traditional ways of real estate brokerage and takes the consumer's experience to a new level of satisfaction. Having access to advanced RE/MAX technology and resources, we deliver quality RE/MAX branded services with integrity and professionalism.



### **Shopping for property?**

Our highly trained and trusted professionals focus on results for you in every aspect of the sale or purchase of home, condominium, TIC, or fractional ownership as well as commercial transactions.

### **We offer advanced Marketing for Home Sellers**

Our award winning RE/MAX Design Center takes advantage of modern marketing and distribution vehicles to get your property listing in front of buyers browsing websites, social media and in print advertising, earning you valuable and high volume exposure.

### **RE/MAX gives back to the Community**

When you work with us, you work with an organization that is trusted and involved in the San Francisco community where its agents live and work. We believe that together we can help kids Heal! As a miracle office, we financially support the UCSF Benioff Children's Hospital in San Francisco and Oakland. RE/MAX is proud to have raised more than \$147 million for Children's Miracle Network Hospitals®, Susan G. Komen for the Cure® and other charities.

### **About RE/MAX trusted advisors**

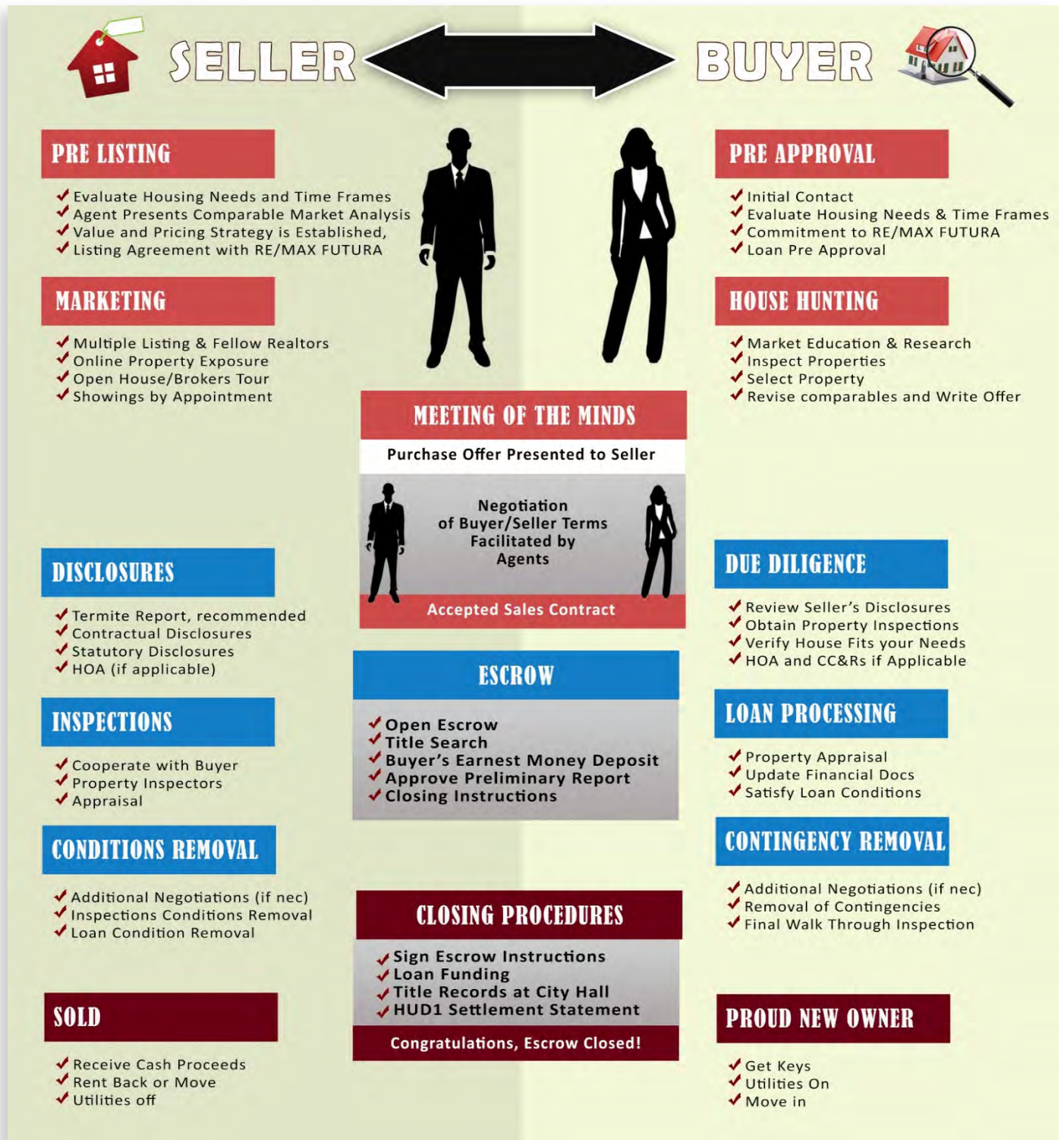
RE/MAX Sales Associates are trusted advisors who are committed to you and possess the knowledge and experience to help you navigate today's complex real estate market and are the most productive real estate professionals in the industry, in fact nobody in the world sells more real estate than RE/MAX. (Source: MMR Strategy Group)

### **Call or Visit us**

Feel free to call us at [415.648.7000](tel:415.648.7000) or visit us at our unique "Realty Lounge" where you can meet your RE/MAX FUTURA Realtor® in a relaxed, hospitable atmosphere. We're located in the vibrant "Valencia Corridor" at 1010 Valencia St. at the corner of 21<sup>st</sup> St.



# The Flow of Real Estate Transactions





# The Financing Process

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Here's a quick outline of the financial steps you'll be taking as part of becoming a homeowner. If you have questions about any part of this process, you can rely on the expert counsel of your RE/MAX® agent.

- 💡 Calculate your family budget. (See page 11)
- 💡 Apply for a mortgage loan at Bank of America. (see page 20)
- 💡 Lender begins processing of your application.
- 💡 Lender provides estimated closing and related costs.
- 💡 Lending institution requests an appraisal of the home, a credit report and verification of your employment and assets.
- 💡 You receive an estimate of your loan costs in the form of an Initial Truth in Lending Disclosure Statement.
- 💡 The lender evaluates your application and approves the loan.
- 💡 Your search begins as your RE/MAX Futura agent shows you multiple listings.
- 💡 You find the house you want to buy.
- 💡 You make an offer.
- 💡 Your offer is accepted.
- 💡 The lender disburses funds to the closing agent.
- 💡 You sign closing documents and your loan is funded.
- 💡 Appropriate documents are recorded at the county recorder's office.
- 💡 The sales transaction is completed. The home is yours!

Now that you've had a look at the entire process, let's look closely at each step. In the next few pages, you'll find detailed information about what to expect at every stage of the process.

**Determine your budget and get a reliable estimate of how much you can afford.**





# Monthly Family Budget

Day of Preparation:	Monthly Income	Monthly Expenses
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Monthly Fix Expenses	
Housing	
Mortgage or Rent	
Property Taxes(if not in above)	
Insurance(if not in above)	
PMI (Private Mortgage Insurance)	
Association Fees	
Rent	
<b>Total Housing</b>	

Insurance	
Life	
Social Security Tax (OASDI/EE)	
Medicare Tax (MED/EE)	
Disability Insurance (CASDI)	
Health Insurance	
<b>Total Insurance</b>	

Transportation	
Gas	
Insurance	
Taxes and Licenses	
Maintenance	
Corp Car	
Public Transportation	
<b>Total Transportation</b>	

Income Taxes	
Federal	
State	
<b>Total Taxes</b>	

**Total Monthly Fixed Payments**

Debt and Loans	
Revolving Account	
Non Revolving Account	
Installment Assets	
Other	
Other	
<b>Total Debt and Loans Payment</b>	

Monthly Adjustable Expenses	
Utilities	
PG&E	
Propane	
Telephone/Cellphone	
Water and sewer	
Trash	
Other	
<b>Total Utilities</b>	

Educational/Child Care	
Tuition	
Book and Supplies	
Activities	
Music & Art lessons	
Sports	
Child Support	
Alimony	
Other	
<b>Total Child Care</b>	

Food and Dining	
Groceries	
Family Dining	
Lunches	
(Ice cream/Coffee)	
<b>Total food &amp; dining</b>	

Miscellaneous	
Gifts	
Cash	
Donations	
Prescriptions	
<b>Total Miscellaneous</b>	

**Total Monthly Variable Payments**

Periodic Expenses (Enter these Annually)			
Lawn Care		Gutter Cleaning	
Vacation		Holiday Spending	
Other		Home Remodeling	
<b>Total Seasonal</b>			

Personal	
Salon	
Nails	
Dry cleaning	
House cleaning	
Barber	
Clothing	
<b>Total Personal</b>	

Entertainment	
Cable TV/Satellite	
Internet	
Newspaper	
Club Dues	
Movies/Theater	
Night out	
Other	
<b>Total Entertainment</b>	

Pets & Hobbies	
Food	
Grooming	
Boarding	
Vet	
<b>Total Pets</b>	

Savings & Payroll Deductions	
Savings Account	
IRA	
401K	
Other	
Other	
<b>Total Savings</b>	





# How Much Home Can You Afford?

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Before you begin searching for a home, you need to determine your budget and get a reliable estimate of how much housing payment you can afford. The first step is to get pre-approved for a mortgage. A mortgage is an advance of money from your lender that will make it possible for you to finance the purchase of your property. Over an extended period of time, you (the mortgagee) must pay the bank back each month a percentage of the money they lent to you, plus interest, until the total sum is paid. This is how most home purchases are financed.

## *Documents Needed*

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After you apply for a mortgage, the lender will tell you how large a mortgage you are qualified to borrow, based on your personal financial situation. To expedite this process, plan on bringing the following financial documents, for each borrower:

30 days of most recent pay stubs.

W-2 forms for the past two years.

Federal tax returns for the past two years.

Two most recent months statements (NOTE: All pages must be included, even if there are blank pages), for all bank, investment and retirement accounts.

An online credit report ([www.creditscore.com](http://www.creditscore.com), [www.nationalcreditreport.com](http://www.nationalcreditreport.com), [www.creditkarma.com](http://www.creditkarma.com)) you pull, so it does not lower your credit scores. Make sure the report includes all three credit bureaus and credit scores.





# Getting Approved for a Loan

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One of the things your lender will want to review before approving your loan is your credit history. If your credit report is good, you have an excellent chance of being approved for a mortgage. If your credit history has some blemishes, there are still steps you can take to improve your credit rating and your prospects for getting a mortgage loan.

## *The Road to Good Credit*

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Very few people have perfect credit. If you, like most prospective home buyers, have a few trouble spots on your credit report, here are some suggestions to repair the damage and improve your prospects. First, examine your three credit bureau credit report every six months, for accuracy. Keep in mind that pulling your own credit report does NOT lower your credit scores. Only when an institution pulls your credit report, does it lower your credit scores. If there are mistakes on the report, contact the credit reporting agency in writing to challenge the inaccuracy immediately. Point out the erroneous information and ask to have it removed. Then take the following steps to build a strong credit history:

- ◆ Pay all bills on time and in full. NOTE: Paying your bills a week early is a wise decision. Mailing and processing takes time and creditors can post payments late and impact your credit score.
- ◆ Use only two to four credit cards and make sure each card balance does not exceed 30% of each credit card limit & make sure to put activity on the cards at least once every six months.
- ◆ Keep a separate checking and savings account.
- ◆ If possible, keep your current job for two or more years. A stable job history will enhance your chances of qualifying for a mortgage. NOTE: You must have a minimum of two years of work history in the same industry to qualify for a mortgage.

## *Pre-Approved or Pre-Qualified?*

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Once your credit is in good shape, you're ready to choose between getting pre-approved for a mortgage or pre-qualified for a mortgage. What's the difference?

Pre-approval means that a lender, after reviewing your basic financial information and credit report, has given you a commitment to support your new purchase with a mortgage loan.

Pre-qualification is not a mortgage approval but simply an estimate of what you can afford. When you pre-qualify for a mortgage, the lender also collects basic information regarding your income, monthly debts, credit history and assets, then uses this information to calculate an estimated mortgage amount. But the lender has not yet committed to supporting your home purchase, and therefore, you have not yet received an actual guarantee of funds.

Buyers who are pre-approved for a mortgage are more attractive candidates to the seller. You have a better chance of having your offer accepted when you are pre-approved because the seller has assurance that you will be able to secure financing and that the transaction will take place.



# Which Mortgage Is Right for You?

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After you've been pre-approved for a mortgage and a loan amount, it's time to decide what kind of mortgage is right for you. The first consideration is the interest rate of the loan and the "term" – how much time you'll be given to pay back the lender. The interest rate is the percentage of the loan that the lender earns for lending you money. The two most common types of mortgages are Fixed-Rate Mortgages and Adjustable-Rate Mortgages (ARMs). Choosing which one is right for you, depends on your circumstances. A detail that is commonly overlooked is the occupancy period for the property. What this means is, how long you plan on keeping the property. This is critical to choosing a mortgage program because the rule of thumb is you should only borrow what you need for the length of time you need it.

## *Fixed-Rate Mortgage*

The interest rate stays the same for the entire term of the loan, usually 15 or 30 years. With this type of loan, both the interest rate and the principal portions of your monthly payment remain fixed.

- 💡 **Advantages:** Your payments are stable and predictable.
- 💡 **Disadvantages:** Initial interest rates tend to be higher than with an adjustable-rate mortgage.

## *Adjustable-Rate Mortgage*

The interest rate on an ARM is linked to a financial index, such as a Treasury Security, so the interest rate fluctuates, depending on changes in financial market conditions. With an ARM, your payment amount will vary over the life of the loan. Most ARMs do have a lifetime cap on the interest-rate increase to protect the borrower.

- 💡 **Advantages:** Your initial payments usually are lower, making it easier for you to qualify for the loan and afford more home than might be possible with a fixed-rate mortgage. Some ARMs can be converted to fixed-rate mortgages at specified times, usually within the first five years.
- 💡 **Disadvantages:** Your payments vary depending on market conditions, so you must be prepared for increases.

While fixed-rate mortgages and adjustable-rate mortgages are the most common types of financing, there are other options available. If you're interested in learning more, contact your local Bank of America mortgage professional.





# Calculating Your Budget

To determine your home buying budget, start by adding up your total financial worth, then subtracting all the costs included in the purchase. Here are some of the expenses you can expect:

## *Down Payment*

Most homebuyers make an initial down payment – a percentage of the purchase price – on their home. The larger the down payment, the smaller your mortgage and your monthly payments will be. The traditional down payment amount is 20 percent, however, smaller down payments, as low as 3.5 percent, are becoming more common.

## *Costs*

**Monthly payment.** This refers to your entire monthly cost of home ownership, including the mortgage payment (principal and interest), homeowner's insurance and property taxes. Sometimes this is referred to as PITI (principal, interest, taxes and insurance).

**Points.** Borrowers have the option of reducing the interest rate on their mortgage by paying "points" at the beginning of the loan. One point equals 1 percent of the new loan. A point is basically pre-paid interest.

**Additional fees.** There are other one-time costs related to and settlement of your purchase. Examples of these are detailed in the "Estimate Homebuyer's Cost Worksheet" on page 16

## *Your Final Budget*

To calculate your final budget, add up your available money, including monthly salary and any additional income, then subtract the down payment, monthly payment, closing costs, moving expenses and any additional expenses you expect to incur. When you have arrived at your estimated budget, you are ready to begin the search for your new home.





## Finding Your Ideal Home

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Once your financing is in order, you can trust in your RE/MAX Futura agent to diligently identify and show you properties that meet your needs; relax and enjoy the fun of finding your ideal home.

Every potential homebuyer has an idea of what their dream home should include. A restored Victorian? A house near Golden Gate Park? A big family room? Walking distance to BART or public transportation? Good school system? Whatever you're dreaming of now is the time to put those wishes down on paper to help you focus your search. Use the worksheet on page 18 – Characteristics of Your Ideal Home – to identify the features that are important to you, and help you prioritize them. The more you know about what you're looking for, the faster you'll find the perfect match.





# Characteristics of Your Ideal Home

This worksheet will help you and your RE/MAX® agent zero in on what features are most important to you in a home.

FEATURES	SPECIFY YOUR PREFERENCES	IMPORTANCE 1-5				
<b><i>Property</i></b>						
View	_____	1	2	3	4	5
Architectural Style	_____	1	2	3	4	5
Swimming Pool	_____	1	2	3	4	5
Deck/Patio	_____	1	2	3	4	5
Garage	_____	1	2	3	4	5
<b><i>Interior</i></b>						
Floor Plan	_____	1	2	3	4	5
Room Sizes	_____	1	2	3	4	5
Bedrooms	_____	1	2	3	4	5
Living Room	_____	1	2	3	4	5
Family Room	_____	1	2	3	4	5
Bonus/Game Rooms	_____	1	2	3	4	5
Dining Room	_____	1	2	3	4	5
Kitchen	_____	1	2	3	4	5
Basement	_____	1	2	3	4	5
General Interior Comments	_____	1	2	3	4	5
<b><i>Community</i></b>						
<b><i>Location</i></b>						
Convenience to Employment	_____	1	2	3	4	5
Convenience to Transportation	_____	1	2	3	4	5
Convenience to Shopping	_____	1	2	3	4	5
Convenience to Schools	_____	1	2	3	4	5
Convenience to Daycare	_____	1	2	3	4	5
Nearby Recreational Facilities	_____	1	2	3	4	5
Near Police & Fire Protection	_____	1	2	3	4	5
General Appearance of Properties in Area	_____	1	2	3	4	5
House Value Relative to Area	_____	1	2	3	4	5

Other Considerations: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_





# Home Tour Checklist

The Home Tour Checklist identifies some of the important factors to consider when choosing a home. In addition to an affordable sales price, you will also want to be sure the neighborhood and house meets the needs and expectations of your family. Take this checklist along when you go shopping for a house. It will help you evaluate the neighborhoods and assess the availability and condition of various features of the house

Property Address \_\_\_\_\_

The Home	Good	Average	Poor
Square Footage			
Number of baths			
Number of bedrooms			
Practicality of floor plan			
Interior walls condition			
Closet/storage space			
Basement			
Fireplace			
Furnace: age & condition			
Basement Dampness or odors			
Exterior appearance, condition			
Water heater: age & condition			
Fence			
Patio or deck			
Garage			
Energy Efficiency			
Screens, storm windows			
Roof: age and condition			
Gutters & downspouts			

The Neighborhood	Good	Average	Poor
Appearance/condition of nearby homes/businesses			
Traffic			
Noise level			
Safety/security			
Parking			
Neighborhood restrictions/covenants			

Schools	Good	Average	Poor
Age/Condition			
Achievement test			
Play areas			
Curriculum			
Class size			
Bussing distance			

Convenience to	Good	Average	Poor
Supermarket			
School			
Work			
Shopping			
Child care			
Hospitals			
Doctor/dentist			
Recreation/park			
Restaurant/Entertainment			
Church			
Airport			
Highways			
Public transportation			

**Notes**

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## Access to Multiple Listings

One of the many benefits of working with a RE/MAX® agent is access to the Multiple Listing Service (MLS), which means you can see all homes for sale on the market. To help you target your search and make the most of your valuable time, your RE/MAX agent can provide you with a detailed description of any property you're interested in, including its special features. In addition, your RE/MAX agent can pre-screen all listings before showing them, eliminating homes that don't meet your criteria.

### *Open houses*

An open house can be a great way to get a feel for a particular home. Your RE/MAX agent will keep you abreast of upcoming open houses that meet your criteria, as well as provide you with details about the listing.

### *Special features*

If you're seeking a home with special feature, such as a wheelchair access, a swimming pool, downtown view, a big yard or a front porch, your RE/MAX agent will make sure to show you only properties that meet your unique requirements. In addition, if your agent learns about properties that have these special features, even if the home is not yet listed, he or she will make sure you're informed first.

***Even if the home is not yet listed, we'll make sure you're informed first.***



## Online Tools

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In addition to benefiting from the expertise of your RE/MAX® agent, you'll also enjoy access to [www.remax.com](http://www.remax.com), our user-friendly Web site that gives you information about millions of properties for sale all over the world, as well as a wide array of informative and time-saving features, including:

### *Property search*

Go to [www.RemaxFutura.com](http://www.RemaxFutura.com) and enter the city in which you're searching for a home and you'll enjoy immediate access to all listings on the market. You can modify your search by price or other parameters, and view photos and 360-degree video tours.

### *Smart phone app*

Download your Smart Phone home search application, by reading the QR code below with your Smart Phone and type in **jcarmacamo** when prompted to enter Agent's Key



### *Listing alert (homes by mail)*

RE/MAX Futura offers you the most effective way to shop for a home. When you contract my services, you will receive in your eMail the list and details of all properties available in the market, that meet your search criteria, as well as an update in real time of any new listing that comes into the MLS. This is priceless information when you buy a home and gives you the opportunity to move quickly and beat the competing buyers.





# Writing the Offer

You've found it! The perfect home for you.  
Now your RE/MAX Futura agent will write up your offer and present it to the seller's agent.

Your agent can be a valuable resource in determining the right offer to make, such as helping you assess the home's true market value, the seller's motivation, the cost of necessary upgrades and other factors that might influence your offer, including:



- ◆ How long the house has been on the market? If it's only been listed a long time, the sellers might be ready to lower the price.
- ◆ How does the house compare with others in the neighborhood?
- ◆ What is the fair market value of the property, as suggested by the price that properties comparable in size and condition recently sold in the neighborhood?
- ◆ Price/Value offer negotiating strategy
- ◆ Is the house in need of major repairs or substantial updates? Some improvements are more costly than others.
- ◆ How old is the roof? How many more years can it be expected to be functional?
- ◆ Are home values in the neighborhood more likely to increase, stay the same or possibly take a downturn in coming years?

After your offer is accepted, there are several steps that need to occur before you can close and take possession of your home. These include the loan application, qualification and commitment, inspections and any necessary repairs, surveys and appraisal, a title search and title insurance commitment. Your RE/MAX FUTURA agent can guide you through this process.



# The Escrow

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An escrow is a neutral third party.

The escrow is a legal procedure for handling the details of the real estate transaction from the time the purchase agreement is ratified until the title is transferred and the sale is completed. The escrow is typically managed by a title company.

The escrow officer, a neutral third party in the transaction, must complete specific instructions, received from the buyer's and seller's agents, before title is transferred and funds are disbursed. The buyer's and seller's instructions must match in order for the escrow to move forward.

The escrow is usually opened by the next business day after mutual acceptance of the purchase agreement and the buyer's earnest money is deposited into the escrow.

- ◆ **Preliminary Title Report** - The title company searches the public records for pertinent information about the property. Who is the owner of record? What liens exist against the property? What easements affect the property? Are there any judgments that might have to be cleared before title can be transferred? Any such items must be resolved during the escrow period.
- ◆ **Title Insurance** - The title insurance policy is protection for the buyer against forgeries, errors in public records and other specific items. A CLTA (California Land Title Association) title insurance policy is issued to protect the buyer and the ALTA (American Land Title Association) title insurance policy is issued to protect the lender. Generally the buyer is required to pay for the ALTA policy when a lender is involved



# The Inspection Process

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While property inspections provide no guarantee, they will educate you as to the condition of a property. Inspections are usually requested on the Purchase Contract, and if inspection results are unsatisfactory you have the option to withdraw your contract.

In addition to the professional inspections listed below there are other reports you can order. It's highly advised that you take a close look at the property yourself. For example, inspect doors, windows, flooring, counter tops, bath and kitchen fixtures, built-in appliances, stairways and banisters. Also be sure to be perfectly clear as to what stays with the house and what does not.

- 💡 **Termite report** - Termite inspectors are licensed by the state of California - The Termite or Pest Report will indicate any type of wood destroying organisms that may be present. If the condition is "active," or currently causing damage to the property, the damage should be corrected prior to close of escrow.
  
- 💡 **Physical inspection** – California law does not require that Home inspectors be licensed; however some have a general contractor's license. A Physical Inspection or home inspection is a thorough inspection of the different components of a house: framing, foundation, electrical, etc. The inspection results in an overall assessment of the present condition of the property.
  - If conditions warrant, the Home Inspector may recommend a Structural Engineer's Report. Such a report would identify structural failures and detail recommended corrections.
  
- 💡 **Roof inspection** - The inspection is performed by a licensed roofing contractor and evaluates the condition of the roof. The primary purpose of this inspection is to determine the water tightness of the roof and its estimated remaining life.





# The Closing

The real estate closing is the meeting at which the sale is finalized and you assume official ownership of your home. Money will be exchanged and forms will be signed. At the close of this meeting, the ownership documents are officially recorded and the home is yours.



Most closings are actually two closings: closing on the purchase of the real estate and closing on the mortgage loan that you are taking out to make the purchase. During this meeting, you'll be signing lots of paperwork. Documents you can expect to see include a Truth in Lending Statement, an itemization of the amount financed, a monthly payment letter, the mortgage note, the Disclosure/Settlement Statement, the warranty deed, proration agreements to determine how you and the seller are dividing costs for the month in which the closing takes place and an abstract of title.

## SELLER'S DISCLOSURE STATEMENT

California law requires the Seller to submit for Buyer's inspection and approval a "Transfer Disclosure Statement" stating any material fact that affects the desirability of the property. The Disclosure Statement protects the seller against liability from a buyer who charges that he or she was not made aware of a particular condition, as well as providing the buyer with a review of the property so that he or she can make a fully informed decision before the purchase of the home.

Because there is so much paperwork, the closing can be a stressful and bewildering experience, especially for first-time homebuyers. But don't worry, your RE/MAX® FUTURA agent will guide you through all the closing procedures to ensure that you can take ownership of your new home as quickly and easily as possible.



# Frequently Asked Questions

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**WHAT DOCUMENTS WILL I HAVE TO PROVIDE TO THE LENDER?** You'll be expected to provide documents verifying your income (including a pay stub and recent tax returns), bank account numbers and information about any long-term debt, such as credit card balances, auto loans, child-support payments, etc. If you're self-employed you may be required to provide financial statements for your business. In recent years, with more loans sold on the secondary market, lenders have been required to obtain more specific information from borrowers in order to package and sell loans to investors.

**WHAT TYPES OF MORTGAGES ARE AVAILABLE?** There are more than 50 different mortgage products available, including fixed-rate loans, at terms of 15, 20 or 30 years; adjustable-rate mortgages, or ARMs; new construct on financing; VA and FHA loans; 5 and 7-year balloon loans, to name just a few. Talk with a mortgage professional to learn more and determine what type of mortgage is right for you.

**WHAT KIND OF FINANCING COMPLICATIONS MIGHT COME UP?** Everything should proceed smoothly if you provide the lender with complete, accurate information. You may face a delay if the lender discovers blemishes on your credit history, such as a history of late payments or nonpayment of debts or a tax lien. You may then be required to submit additional explanations or clarifications.

If your personal or financial situation changes between the time you submit your application and the time it's funded, you should make sure to notify your lender as soon as possible. Circumstances that might affect your loan application include a job change, an increase or decrease in salary, additional debt or a change in your marital status. You also may face a delay in getting your loan if the home you're buying is appraised at less than the purchase price.

**WHAT'S INCLUDED IN MY HOUSE PAYMENT?** Most house payments include principal and interest on the loan. Depending on the terms of your loan, your payment also may include homeowner's insurance, property taxes and mortgage insurance.

**CAN I PAY INSURANCE AND TAXES ON MY OWN AND NOT INCLUDE THEM IN MY MONTHLY PAYMENT?** In most cases, yes. If you have an FHA or VA-insured loan, taxes and insurance are included in the monthly payment, but with most other loans, you can pay your own taxes and insurance if you borrowed no more than 80 percent of the purchase price or appraised value of your home. Check with your lender if this is your preference.

**WHAT'S INCLUDED IN THE CLOSING COSTS?** Closing costs include processing and administration of your loan. In addition to a loan fee, you'll usually be asked to prepay interest charges to cover the partial month in which you close and you may be required to deposit monies into an escrow account for property taxes, homeowner's insurance and mortgage insurance.



# Homebuyer's Checklist

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- ❖ Familiarize yourself with the mortgage process
- ❖ Get pre-approved and pre-qualified
- ❖ Get finances in order and prepare your budget
- ❖ Identify your needs and wants
- ❖ Find the home that meets your criteria
- ❖ Negotiate a price and make an offer
- ❖ Arrange for home inspection
- ❖ Confirm closing date
- ❖ Conduct walk-through of home
- ❖ Close and settle deal

## Contact Us

If you have additional questions that aren't addressed here



# How can I Help You

I will apply my knowledge and expertise to help you find the perfect home in the least amount of time.

Here is what you can expect from me:

- ◆ As your agent I will diligently stand beside you until you are comfortably nestled in your new home, making it as convenient for you as I possibly can.
- ◆ I will work with you at every stage of the home finding process, from the initial selection of properties to view, through the presentation of a purchase offer, to obtaining financing and the completion of the transaction.
- ◆ Communication is important. We will want to agree to a system of regular contacts (whether in person, on the phone, text or e-mail) so that you can be kept informed at all times.
- ◆ I will give you reliable information and solid advice so that you can make informed decisions. Please don't hesitate to ask questions.
- ◆ We offer a fresh new approach and lots of enthusiasm and the 33 years of experience of the great management team of REMAX FUTURA, San Francisco.
- ◆ I am a professional full time agent knowledgeable in all aspects of the real estate transaction; I believe in continuous education and as such participate in over 20 annual trainings. I'm an active member of the San Francisco Association of Realtors, California Association of Realtors, the National Association of Realtors, and of the RE/MAX® winning team.







# 5 Reasons to Choose a RE/MAX Sales Associate



An agent  
who gets  
Results

Trusted  
Advisor at  
your side

Marketing  
for  
Maximum  
Exposure

Outstanding  
Results for  
you

Making a  
Difference  
in The  
Community

**RE/MAX's  
MARKETING  
REACH**



RE/MAX FUTURA is a proud member of the RE/MAX Network

**105,000 Agents**

**IN** 95 countries  
40 currencies  
96 languages



**WORKING FOR YOU!**



## ① *An agent who gets Results*

### **Your home is almost certainly your biggest personal investment.**

To help you sell your home quickly and for the best possible price, a RE/MAX sales associate will effectively manage the transaction from start to finish. This requires specialized knowledge and skills:



**Choosing a RE/MAX Sales Associate means you'll have a track record of success on your side.**

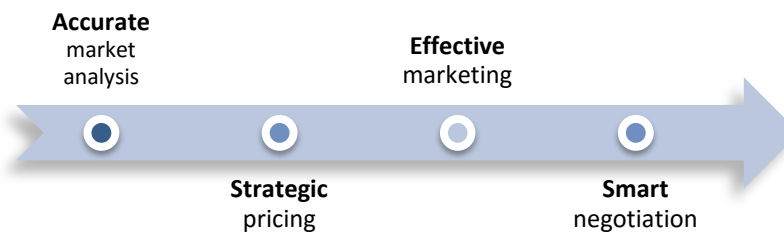


## ② *Trusted Advisor at your side*

RE/MAX Sales Associates are trusted advisors who are committed to you and possess the knowledge and experience to help you navigate today's complex real estate market.

## Experience Equals Results

Selling your home quickly and for the best possible price requires:



RE/MAX Sales Associates average more sales than other real estate agents.

## More Education Pays Dividends for You

The right training helps your agent provide you with the best advice.

RE/MAX Sales Associates lead the industry in professional designations, meaning they have more experience in specialized areas

- 🏠 Residential homes
- 🏠 Foreclosures, short sales
- 🏠 Luxury homes
- 🏠 Investment properties
- 🏠 Commercial real estate

Plus, with 24/7 access to on-demand training, your RE/MAX Sales Associate stays current on new opportunities, possible challenges, and the most effective strategies.

**Every 30 minutes a RE/MAX agent helps someone find their perfect place**





## **3 Marketing for Maximum Exposure**

Your RE/MAX Sales Associate can give your home a hedge in a very competitive marketplace.

### **Using the Brand**

A RE/MAX sign is one of the most recognized real estate symbols in the world. You can feel confident that you have the most powerful brand in the industry working for you.

### **Global Online Exposure**

More than 90 percent of homebuyers begin their search on the Internet. Combined Remax.com and global.remxfutura.com attract millions of visits every month. One of them very well might be the perfect buyer for your home.

### **Connecting through Social Media**

Many RE/MAX Sales Associates use social media, such as Facebook and Twitter, to maintain a high local profile. Sometimes a potential buyer is already in their network.

### **Marketing Materials that Leverage Technology**

RE/MAX Sales Associates can customize a wide variety of marketing materials. Custom brochures, flyers, virtual tours and more will make your home stand out.

### **Local and National Advertising**

RE/MAX TV, radio, billboard, print and Internet ads reach millions of people every day, driving even more potential buyers, more showings and more overall activity to your home.

### **A Network of Nearly 105,000 Agents Working Together**

Marketing to other productive agents is critical in generating higher interest in your property. Marketing within our successful agent network means even greater visibility for your home.







## 4 Outstanding Results for you

Pricing, staging and marketing are the first steps in successfully selling your home, once you've accepted an offer, there are still many steps to the closing table. Your RE/MAX Sales Associate will guide you through them all.

### Strategic Negotiation

Purchase offers on your home may be complicated and might contain special clauses. Price is not the only consideration. Your RE/MAX Sales Associate will help you understand and evaluate offers and work hard to get you the best terms possible. Understanding contingencies and closing nuances will make the sale go smoothly.

### Navigating Inspections, Appraisals and the Details

In many cases, the most critical elements of a home sale occur after the buyer and seller have reached an agreement. Your RE/MAX Sales Associate will help you understand statutory disclosures, home inspections, objections, resolution deadlines, mortgage lender appraisals, title searches, surveys and more.

### Close with Confidence

Your RE/MAX agent will ensure that your closing will run smoothly, avoiding any delays or pitfalls. There shouldn't be any unwelcome surprises, because everything will be in order

### Moving On

If you're relocating, your RE/MAX Sales Associate can find a qualified agent who can help you in your new community.



**RE/MAX IS  
THE MOST PRODUCTIVE  
REAL ESTATE NETWORK**





## 5 Making a Difference in The Community

RE/MAX Sales Associates are well-known locally and nationally for their involvement in many community programs. When you choose a RE/MAX agent to sell your home, you contribute to the well-being of your community.



### Helping Kids Get Well

Since RE/MAX became the exclusive real estate sponsor of Children's Miracle Network Hospitals in 1992, RE/MAX Sales Associates have donated more than \$147 million to help millions of kids. All of the funds raised in your community benefit the children in your community.

### Helping to Find a Cure for Breast Cancer

We are all affected by breast cancer, either personally or through someone we know and love. RE/MAX is a national sponsor for the Susan G. Kamen Race for the Cure, and thousands of agents and offices get involved in a variety of ways



### A Greener Way

RE/MAX Sales Associates are committed to assisting homeowners and buyers who value energy efficiency and greener lifestyles. Together, you and your RE/MAX Sales Associate can work to make your home attractive to eco-conscious buyers.

List your home with a  
RE/MAX FUTURA Miracle  
Agent and make a difference  
in a child's life

**I PUT MY MONEY  
WERE THE  
MIRACLES ARE**



**RE/MAX agents have donated more than 147 million dollars to CMN Hospitals since 1992**



# Real Estate Terms to Know

**Acceleration clause:** A provision in a mortgage that gives the lender the right to demand payment of the entire principal balance if a monthly payment is missed.

**Additional principal payment:** A payment by a borrower of more than the scheduled principal amount due in order to reduce the remaining balance on the loan.

**Adjustable-rate mortgage (ARM):** A mortgage that permits the lender to adjust its interest rate periodically on the basis of changes in a specified index.

**Adjustment date:** The date on which the interest rate changes for an adjustable-rate mortgage (ARM).

**Adjustment period:** The period that elapses between the adjustment dates for an adjustable-rate mortgage (ARM).

**Affordability analysis:** A detailed analysis of your result for the borrower is a substantial savings in interest. The terms under which it agrees to lend money to a home ability to afford the purchase of a home. An affordability analysis takes into consideration your income, liabilities and available funds, along with the type of mortgage you plan to use, the area where you want to purchase a home, and the closing costs that you might expect to pay.

**Amortization:** The gradual repayment of a mortgage loan by installments.

**Amortization schedule:** A timetable for payment of a mortgage loan. An amortization schedule shows the amount of each payment applied to interest and principal and shows the remaining balance after each payment is made.

**Amortization term:** The amount of time required to amortize the mortgage loan. The amortization term is expressed as a number of months. For example, for a 30-year fixed-rate mortgage, the amortization term is 360 months.

**Annual mortgagor statement:** A report sent to the mortgagor each year. The report shows how much was paid in taxes and interest during the year, as well as the remaining mortgage loan balance at the end of the year.

**Annual percentage rate (APR):** The cost of a mortgage stated as a yearly rate; includes such items as interest, mortgage insurance, and loan origination fee (points).

**Appraisal:** A written analysis of the estimated value of a property prepared by a qualified appraiser. Contrast with home inspection.

**Appraised value:** An opinion of a property's fair market value, based on an appraiser's knowledge, experience, and analysis of the property.

**Appreciation:** An increase in the value of a property due to changes in market conditions or other causes. The opposite of depreciation.

**Assessed value:** The valuation placed on property by a public tax assessor for purposes of taxation.

**Assessment:** The process of placing a value on property for the strict purpose of taxation. May also refer to a levy against property for a special purpose, such as a sewer assessment.

**Assessor:** A public official who establishes the

value of a property for taxation purposes.

**Assignment:** The transfer of a mortgage from one person to another.

**Assumable mortgage:** A mortgage that can be taken over ("assumed") by the buyer when a home is sold.

**Balloon mortgage:** A mortgage that has level monthly payments that will amortize it over a stated term but that provides for a lump sum payment to be due at the end of an earlier specified term.

**Balloon payment:** The final lump sum payment that is made at the maturity date of a balloon mortgage.

**Bill of sale:** A written document that transfers title to personal property.

**Binder:** A preliminary agreement, secured by the payment of an earnest money deposit, under which a buyer offers to purchase real estate.

**Biweekly payment mortgage:** A mortgage that requires payments to reduce the debt every two weeks (instead of the standard monthly payment schedule. The 26 (or possibly 27) biweekly payments are each equal to one-half of the monthly payment that would be required if the loan were a standard 30-year fixed-rate mortgage, and they are usually drafted from the borrower's bank account. The result for the borrower is a substantial savings in interest.

**Broker:** A person who, for a commission or a fee, brings parties together and assets in negotiating contracts between them.

**Buy down account:** An account in which funds are held so that they can be applied as part of the monthly mortgage payment as each payment comes due during the period that an interest rate buy down plan is in effect.

**Buy down mortgage:** A temporary buy down is a mortgage on which an initial lump sum payment is made by any party to reduce a borrower's monthly payments during the first few years of a mortgage. A permanent buy down reduces the interest rate over the entire life of a mortgage.

**Call option:** A provision in the mortgage that gives the mortgagee the right to call the mortgage due and payable at the end of a specified period for whatever reason.

**Cap:** A provision of an adjustable-rate mortgage (ARM) that limits how much the interest rate or mortgage payments may increase or decrease. See lifetime payment cap, periodic payment cap, and periodic rate cap.

**Cash-out refinance:** A refinance transaction in which the amount of money received from the new loan exceeds the total of the money needed to repay the existing first mortgage, closing costs, points, and the amount required to satisfy any outstanding subordinate mortgage liens. In other words, a refinance transaction in which the borrower receives additional cash that can be used for any purpose.

**Certificate of deposit index:** An index that is used to determine interest rate changes for certain ARM plans. It represents the weekly average of secondary market interest rates on six-month

negotiable certificates of deposit. See adjustable-rate mortgage (ARM).

**Certificate of Eligibility:** A document issued by the federal government certifying a veteran's eligibility for a Department of Veterans Affairs (VA) mortgage.

**Certificate of Reasonable Value (CRV):** A document issued by the Department of Veterans Affairs (VA) that establishes the maximum value and loan amount for a VA mortgage.

**Certificate of title:** A statement provided by an abstract company, title company, or attorney stating that the title to real estate is legally held by the current owner.

**Change frequency:** The frequency (in months) of payment and/or interest rate changes in an adjustable-rate mortgage (ARM).

**Chain of title:** The history of all of the documents that transfer title to a parcel of real property, starting with the earliest existing document and ending with the most recent.

**Clear title:** A title that is free of liens or legal questions as to ownership of the property.

**Closing:** A meeting at which a sale of a property is finalized by the buyer signing the mortgage documents and paying closing costs. Also called "settlement"

**Cloud on title:** Any conditions revealed by a title search that adversely affect the title to real estate. Usually clouds on title cannot be removed except by a quitclaim deed, release, or court action.

**Commitment letter:** A formal offer by a lender stating terms under which it agrees to lend money to a home buyer. Also known as a "loan commitment."

**Bridge loan:** A form of second trust that is collateralized by the borrower's present home (which is usually for sale) in a manner that allows the proceeds to be used for closing on a new house before the present home is sold. Also known as "swing loan."

**Community Home Improvement Mortgage Loan®:** An alternative financing option that allows low- and moderate-income home buyers to obtain 95 percent financing for the purchase and improvement of a home in need of modest repairs. The repair work can account for as much as 30 percent of the appraised value.

**Community property:** In some western and southwestern states, a form of ownership under which property acquired during a marriage is presumed to be owned jointly unless acquired as separate property of either spouse.

**Comparables:** An abbreviation for "comparable properties"; used for comparative purposes in the appraisal process. Comparables are properties like the property under consideration; they have reasonably the same size, location, and amenities and have recently been sold. Comparables help the appraiser determine the approximate fair market value of the subject property.

**Compound interest:** Interest paid on the original principal balance and on the accrued and unpaid interest.





**Construction loan:** A short-term, interim loan for financing the cost of construction. The lender makes payments to the builder at periodic intervals as the work progresses.

**Consumer reporting agency:** An organization that prepares reports that are used by lenders to determine a potential borrower's credit history. The agency obtains data for these reports from a credit repository as well as from other sources.

**Contingency:** A condition that must be met before a contract is legally binding. For example, home purchasers often include a contingency that specifies that the contract is not binding until the purchaser obtains a satisfactory home inspection report from a qualified home inspector.

**Conventional mortgage:** A mortgage that is not insured or guaranteed by the federal government. Contrast with government mortgage.

**Convertibility clause:** A provision in some adjustable-rate mortgages (ARMs) that allows the borrower to change the ARM to a fixed-rate mortgage at specified timeframes after loan origination.

**Convertible ARM:** An adjustable-rate mortgage (ARM) that can be converted to a fixed-rate mortgage under specified conditions.

**Cost of funds index (COFI):** An index that is used to determine interest rate changes for certain adjustable-rate mortgage (ARM) plans. It represents the weighted-average cost of savings, borrowings, and advances of the 11th District members of the Federal Home Loan Bank of San Francisco. See adjustable-rate mortgage (ARM).

**Covenant:** A clause in a mortgage that obligates or restricts the borrower and that, if violated, can result in foreclosure.

**Credit:** An agreement in which a borrower receives something of value in exchange for a promise to repay the lender at a later date.

**Credit history:** A record of an individual's open and fully repaid debts. A credit history helps a lender to determine whether a potential borrower has a history of repaying debts in a timely manner.

**Deed:** The legal document conveying title to a property.

**Depreciation:** A decline in the value of property; the opposite of appreciation.

**Down payment:** The part of the purchase price of a property that the buyer pays in cash and does not finance with a mortgage.

**Earnest money deposit:** A deposit made by the potential home buyer to show that he or she is serious about buying the house.

**Equity:** A homeowner's financial interest in a property. Equity is the difference between the fair market value of the property and the amount still owed on its mortgage.

**Escrow:** An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the deposit by a borrower with the lender of funds to pay taxes and insurance premiums when they become due, or the deposit of funds or documents with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate.

**Escrow account:** The account in which a mortgage servicer holds the borrower's escrow payments prior to paying property expenses.

**Escrow payment:** The portion of a mortgagor's

monthly payment that is held by the servicer to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due. Known as "impounds" or "reserves" in some states.

**Fair Credit Reporting Act:** A consumer protection law that regulates the disclosure of consumer credit reports by consumer/credit reporting agencies and establishes procedures for correcting mistakes on one's credit record.

**Fannie Mae:** Fannie Mae is a New York Stock Exchange company and the largest non-bank financial services company in the world. It operates pursuant to a federal charter and is the nation's largest source of financing for home mortgages. Over the past 30 years, Fannie Mae has provided nearly \$2.5 trillion of mortgage financing for over 30 million families.

**Fannie Mae's Community Home Buyer's Programs:** An income-based community lending model, under which mortgage insurers and Fannie Mae offer flexible underwriting guidelines to increase a low- or moderate-income family's buying power and to decrease the total amount of cash needed to purchase a home. Borrowers who participate in this model are required to attend pre-purchase home-buyer education sessions.

**Federal Housing Administration (FHA):** An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

**FHA mortgage:** A mortgage that is insured by the Federal Housing Administration (FHA). Also known as a government mortgage.

**First mortgage:** A mortgage that is the primary lien against a property.

**Fixed installment:** The monthly payment due on a mortgage loan. The fixed installment includes payment of both principal and interest.

**Fixed-rate mortgage (FRM):** A mortgage in which the interest rate does not change during the entire term of the loan.

**Foreclosure:** The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

**Government mortgage:** A mortgage that is insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) or the Rural Housing Service (RHS). Contrast with conventional mortgage.

**Growing-equity mortgage (GEM):** A fixed-rate mortgage that provides scheduled payment increases over an established period of time, with the increased amount of the monthly payment applied directly toward reducing the remaining balance of the mortgage.

**Guaranteed loan:** A mortgage that is guaranteed by a third party.

**Hazard insurance:** Insurance coverage that compensates for physical damage to a property from fire, wind, vandalism, or other hazards.

**Home inspection:** A thorough inspection that evaluates the structural and mechanical condition

of a property. A satisfactory home inspection is often included as a contingency by the purchaser.

**Homeowners' association:** A nonprofit association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements.

**Homeowner's insurance:** An insurance policy that combines personal liability insurance and hazard insurance coverage for a dwelling and its contents.

**Homeowner's warranty (HOW):** A type of insurance that covers repairs to specified parts of a house for a specific period of time. It is provided by the builder or property seller as a condition of the sale.

**Home-style® Mortgage Loan:** A mortgage that enables eligible borrowers to obtain financing to remodel, repair, and upgrade their existing homes or homes that they are purchasing. The financing takes the form of a conventional second mortgage or a Federal Housing Administration (FHA) Section 203(k) first mortgage.

**Housing expense ratio:** The percentage of gross monthly income that goes toward paying housing expenses.

**Index:** A number used to compute the interest rate for an adjustable-rate mortgage (ARM). The index is generally a published number or percentage, such as the average interest rate or yield on Treasury bills. A margin is added to the index to determine the interest rate that will be charged on the ARM. This interest rate is subject to any caps that are associated with the mortgage.

**Initial interest rate:** The original interest rate of the mortgage at the time of closing. This rate changes for an adjustable-rate mortgage (ARM). Sometimes known as "start rate" or "teaser."

**Insurable title:** A property title that a title insurance company agrees to insure against defects and disputes.

**Insured mortgage:** A mortgage that is protected by the Federal Housing Administration (FHA) or by private mortgage insurance (MI). If the borrower defaults on the loan, the insurer must pay the lender the lesser of the loss incurred or the insured amount.

**Interest accrual rate:** The percentage rate at which interest accrues on the mortgage. In most cases, it is also the rate used to calculate the monthly payments, although it is not used for an adjustable-rate mortgage (ARM) with payment change limitations.

**Interest rate buys down plan:** An arrangement wherein the property seller (or any other party) deposits money to an account so that it can be released each month to reduce the mortgagor's monthly payments during the early years of a mortgage. During the specified period, the mortgagor's effective interest rate is "bought down" below the actual interest rate.

**Interest rate ceiling:** For an adjustable-rate mortgage (ARM), the maximum interest rate, as specified in the mortgage note.

**Interest rate floor:** For an adjustable-rate mortgage (ARM), the minimum interest rate, as specified in the mortgage note.

**Jumbo loan:** A loan that exceeds Fannie Mae's





legislated mortgage amount limits. Also called a nonconforming loan.

**Lease-purchase mortgage loan:** An alternative financing option that allows low- and moderate-income home buyers to lease a home from a nonprofit organization with an option to buy. Each month's rent payment consists of principal, interest, taxes and insurance (PITI) payments on the first mortgage plus an extra amount that is earmarked for deposit to a savings account in which money for a down payment will accumulate.

**Lien:** A legal claim against a property that must be paid off when the property is sold.

**Lifetime payment cap:** For an adjustable-rate mortgage (ARM), a limit on the amount that payments can increase or decrease over the life of the mortgage. See cap.

**Lifetime rate cap:** For an adjustable-rate mortgage (ARM), a limit on the amount that the interest rate can increase or decrease over the life of the loan. See cap.

**Loan-to-value (LTV) percentage:**

The relationship between the principal balance of the mortgage and the appraised value (or sales price if it is lower) of the property. For example, a \$100,000 home with an \$80,000 mortgage has a LTV percentage of 80 percent.

**Lock-in:** A written agreement in which the lender guarantees a specified interest rate if a mortgage goes to closing within a set period of time. The lock-in also usually specifies the number of points to be paid at closing.

**Lock-in period:** The time period during which the lender has guaranteed an interest rate to a borrower. See lock-in.

**Margin:** For an adjustable-rate mortgage (ARM), the amount that is added to the index to establish the interest rate on each adjustment date, subject to any limitations on the interest rate change.

**Maturity:** The date on which the principal balance of a loan, bond, or other financial instrument becomes due and payable.

**Maximum financing:** A mortgage amount that is within 5 percent of the highest loan-to-value (LTV) percentage allowed for a specific product. Thus, maximum financing on a fixed-rate mortgage would be 90 percent or higher, because 95 percent is the maximum allowable LTV percentage for that product.

**Monthly fixed installment:** That portion of the total monthly payment that is applied toward principal and interest. When a mortgage negatively amortizes, the monthly fixed installment does not include any amount for principal reduction.

**Monthly payment mortgage:** A mortgage that requires payments to reduce the debt once a month.

**Mortgage:** A legal document that pledges a property to the lender as security for payment of a debt.

**Mortgage insurance:** A contract that insures the lender against loss caused by a mortgagor's default on a government mortgage or conventional mortgage. Mortgage insurance can be issued by a private company or by a government agency such as the Federal Housing Administration (FHA). Depending on the type of mortgage insurance, the insurance may cover a percentage of or virtually

the entire mortgage loan. See private mortgage insurance (MI).

**Mortgage insurance premium (MIP):** The amount paid by a mortgagor for mortgage insurance, either to a government agency such as the Federal Housing Administration (FHA) or to a private mortgage insurance (MI) company.

**Mortgage life insurance:** A type of term life insurance often bought by mortgagors. The amount of coverage decreases as the principal balance declines. In the event that the borrower dies while the policy is in force, the debt is automatically satisfied by insurance proceeds.

**Origination fee:** A fee paid to a lender for processing a loan application. The origination fee is stated in the form of points. One point is 1 percent of the mortgage amount.

**Owner financing:** A property purchase transaction in which the property seller provides all or part of the financing.

**Partial payment:** A payment that is not sufficient to cover the scheduled monthly payment on a mortgage loan.

**Payment change date:** The date when a new monthly payment amount takes effect on an adjustable-rate mortgage (ARM) or a graduated-payment adjustable-rate mortgage (GPARM). Generally, the payment change date occurs in the month immediately after the adjustment date.

**Periodic payment cap:** For an adjustable-rate mortgage (ARM), a limit on the amount that payments can increase or decrease during any one adjustment period. See cap.

**Periodic rate cap:** For an adjustable-rate mortgage (ARM), a limit on the amount that the interest rate can increase or decrease during any one adjustment period, regardless of how high or low the index might be. See cap.

**Point:** A one-time charge by the lender for originating a loan. A point is 1 percent of the amount of the mortgage.

**Power of attorney:** A legal document that authorizes another person to act on one's behalf. A power of attorney can grant complete authority or can be limited to certain acts and/or certain periods of time.

**Pre-qualification:** The process of determining how much money a prospective home buyer will be eligible to borrow before he or she applies for a loan.

**Prime rate:** The interest rate that banks charge to their preferred customers. Changes in the prime rate influence changes in other rates, including mortgage interest rates.

**Principal:** The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

**Principal, interest, taxes and insurance (PITI):** The four components of a monthly mortgage payment. Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage. Interest is the fee charged for borrowing money. Taxes and insurance refer to the amounts that are paid into an escrow account each month for property taxes and mortgage and hazard insurance.

**Private mortgage insurance (MI):** Mortgage insurance that is provided by a private mortgage insurance company to protect lenders against loss

if a borrower defaults. Most lenders generally require MI for a loan with a loan-to-value (LTV) percentage in excess of 80 percent.

**Purchase and sale agreement:** A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

**Qualifying ratios:** Calculations that are used in determining whether a borrower can qualify for a mortgage. They consist of two separate calculations: a housing expense as a percent of income ratio and total debt obligations as a percent of income ratio.

**Quitclaim deed:** A deed that transfers without warranty whatever interest or title a grantor may have at the time the conveyance is made.

**Rate lock:** A commitment issued by a lender to a borrower or other mortgage originator guaranteeing a specified interest rate for a specified period of time. See lock-in.

**Real Estate Settlement Procedures Act (RESPA):** A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

**Realtor®:** A real estate broker or an associate who holds active membership in a local real estate board that is affiliated with the National Association of Realtors®.

**Remaining balance:** The amount of principal that has not yet been repaid. See principal balance.

**Second mortgage:** A mortgage that has a lien position subordinate to the first mortgage.

**Secondary mortgage market:** The buying and selling of existing mortgages.

**Security:** The property that will be pledged as collateral for a loan.

**Step-rate mortgage:** A mortgage that allows for the interest rate to increase according to a specified schedule (i.e., seven years), resulting in increased payments as well. At the end of the specified period, the rate and payments will remain constant for the remainder of the loan.

**Title:** A legal document evidencing a person's right to or ownership of a property.

**Title insurance:** Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

**Title search:** A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

**Transfer tax:** State or local tax payable when title passes from one owner to another.

**Truth-in-Lending:** A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a

mortgage, including the annual percentage rate (APR) and other charges.

**Two-step mortgage:** An adjustable-rate mortgage (ARM) that has one interest rate for the first five or seven years of its mortgage term and a different interest rate for the remainder of the amortization term.

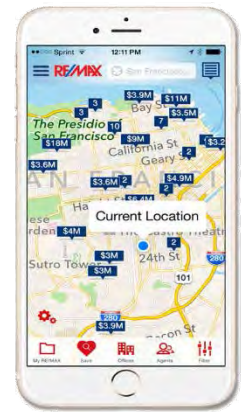
**Wraparound mortgage:** A mortgage that includes the remaining balance on an existing first mortgage plus an additional amount requested by the mortgagor. Full payments on both mortgages are made to the wraparound mortgagee, who then forwards the payments on the first mortgage to the first mortgage



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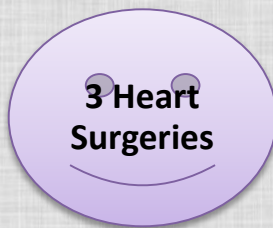
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