



Homebuyer Guide

 MCKNIGHT
T I T L E

mcknighttitle.com



Congratulations, you have Decided to Buy a Home!

Buying a home is an exciting and significant milestone. It is also a complex process that requires careful planning and decision making. It's a journey that requires attention to detail and **expert guidance to navigate every situation** that may arise.

In this guide, we will walk you through each step of the home buying process. From partnering with trusted professionals and assessing your financial readiness to finding your ideal home, making an offer, and finally closing the deal, we have you covered.

Whether you're a first time home-buyer or a seasoned homeowner, this guide will provide you with **valuable insights and tips** to navigate the home buying journey with confidence and success.





7 Reasons Why Owning A Home Is Worth It

Owning a home offers numerous advantages and benefits that contribute to financial stability, personal fulfillment, and long-term investment. Here are seven compelling reasons to own a home:

Equity Building

Mortgage payments allow you to build equity ownership over time, providing a valuable asset and potential source of wealth. Money paid for rent is money you will never see again.

Tax Benefits

Homeownership comes with tax advantages like deductions for mortgage interest, property taxes, and certain home-related expenses.

Personalization & Control

Owning a home allows you to personalize your living space, make renovations and improvements, and have greater control over your living environment.

Predictability

Fixed mortgage payments don't rise over the term of the loan unlike rent. However, keep in mind that insurance and property taxes will fluctuate.

Appreciation

Real estate historically appreciates in value over time, making homeownership a solid long-term investment that can contribute to financial growth and stability.

Savings

Building equity through monthly mortgage payments is a built-in savings plan. Over time as the property increases in value, the equity in your home will be realized when you sell the property.

Stability & Security

Establishing roots with home ownership provides stability and security for you and your family and offers a sense of permanence and control over your living situation. Building relationships with neighbors and the community creates a sense of belonging and connection.

Build your Dream Team: Working with McKnight Title

The very first step in the home-buying process is building your team. Engage with experienced real estate agents, lenders, and legal advisors to navigate the complexities of contracts, negotiations, inspections, and the transaction processes. Ensure a smooth journey by partnering with trusted professionals who stay abreast of the latest market trends, regulations, and requirements, guiding you toward your dream home.

A title company plays a crucial role in the home buying process by ensuring that the property's title is clear and legally transferable. At McKnight Title, we believe a strong customer relationship is paramount to all real estate transactions. Our responsibilities include:

- **Title Search:** The title company conducts a thorough search of public records to verify the property's ownership history and uncover any existing liens, encumbrances, or legal issues that could affect the title.
- **Title Insurance:** Title insurance protects the buyer and lender against any unforeseen claims or defects in the title that may arise after the purchase.
- **Closing Services:** The title company facilitates the closing process by coordinating with all parties involved, preparing necessary documents, and ensuring that funds are transferred securely.
- **Escrow Services:** The Title Company may also act as an escrow agent by holding funds and documents in escrow until all conditions of the sale are met and then disbursing them accordingly.

In simple terms, a title company makes sure that when you buy a home, you're getting a clear title without any hidden problems and finalize the transaction. Below is a list of key dates to guide you through this process.

Critical Dates Timeline

Execution Date: _____

Earnest & Option Money Due: _____

Survey Due: _____

Option Period Expiration: _____

HOA Docs Due Date: _____

Title Commitment: _____

Financing Expiration: _____

Closing Disclosure Due: _____

Closing Date: _____

Quick Reference: Contact Names & Numbers

Escrow #	
New Address	
City/State/Zip	

Complete the following information as it becomes available.

REAL ESTATE AGENT	
Name	
Team Members	
Company	
Address	
City/State/Zip	
Phone #	
Cell #	
Fax #	
Email	
Website	

ESCROW OFFICE	
Name	
Phone #	
Fax #	
Email	
Assistant	
Phone #	
Email	
Address	
City/State/Zip	

SERVICE	COMPANY	PHONE #	ACCOUNT #	ACTIVATION DATE
Internet				
Cable/Satellite				
Gas				
Electric				

NOTES

Build your Dream Team: Using a Real Estate Professional



Real Estate has become a very complicated business. Selling or buying a home will be one of the most important financial transactions of your life.

From the moment you consider buying, here are six reasons why it's recommended to work with a REALTOR®:

- Fair and adhere to a code of ethics
- Expert advisor
- Objective information and opinions
- Expanded Search Power
- Negotiating Knowledge
- Keeping current on laws and regulations/Ensure up to date experience

Most importantly, when it comes to closing escrow, your professional can be invaluable in leading you through the paperwork and familiarizing you with insurance, property disclosures, inspection procedures and so much more.

It's always a good market in real estate - when you know what you're doing - and **no one knows as much as your real estate professional** about today's real estate market.

Questions to Ask When Choosing a REALTOR®

How long have you been a REALTOR®? _____

How do your fees work? _____

What is happening in this area? _____

How can the current market impact making an offer on a home? _____

Do you have any references of previous clients? _____

Build your Dream Team: Working with Lenders Q&A



What is the qualification process?

The lender will begin the qualification process by completing an estimate statement of fees to determine the loan amount. By verifying the information provided on the application concerning credit history, employment status and financial situation. The borrower will be required to provide recent financial information and documents.

Will a lender help after an offer has been made?

Once a contract has been negotiated, the lender will work hand-in-hand with your real estate professional in order to make sure the loan is approved and funded in a timely manner. Experience and knowledge are critical to getting the job done right.

What due diligence is performed by a lender?

Having established preliminary qualifications, the lender orders a title search, property appraisal and credit report. Usually, the borrower pays for the credit report and property appraisal, which is used to determine the value of the property and ultimately, the amount a lender is willing to lend. The lender will require a Lender's Policy of Title Insurance to assure the priority of the new loan.

What Are Loan Documents?

Loan documents will include the formalization of the terms and conditions of the loan, a Promissory Note and Deed of Trust and state and federal disclosure documents. They also provide a breakdown of the financial accounting of the loan, including fees and charges.

TITLE TALK

The role of title search is to disclose the current condition of the title according to public records. The lender will be interested in how and in whom title is vested, any special conditions or restrictions affecting the use of the property and existence of voluntary liens (existing loans) and/or involuntary liens/judgments. The search will also show the current status of taxes and assessments and the conditions under which title insurance will be issued. Once the title search, financial and personal qualification and property appraisal are completed, the lender will prepare loan documents to be executed by the borrower upon loan approval.

Build Your Dream Team: Choosing a Lender



A reputable lender can provide valuable guidance on loan options, affordability, and pre-approval.

What type of mortgages do you offer?

Are your rates, terms, fees, and closing costs negotiable?

Will I have to buy private mortgage insurance?

What escrow requirements do you have?

Do you offer any special programs for down payment assistance?

How do I contact you when I have questions?

Loan Specific Questions:

What would be included in my mortgage payment?

Does the down payment depend on the loan I choose?

Which type of mortgage would you recommend for my situation?

Who will service this loan, your bank or another company?

Rate Questions:

Lets discuss rates: How long is the rate locked in for? Will I be able to get a lower rate if the market rate drops within this period? How can I lower my rate?

NOTES



Build your Dream Team: Choosing An Inspector

Due diligence is crucial when buying a home. An experienced home inspector can uncover potential issues with the property, allowing buyers to make informed decisions and avoid costly surprises.

Questions to Ask an Inspector

Do you focus on residential inspections? _____

How much experience do you have in residential inspections? _____

What is included in your inspection?

- Structure Electrical Plumbing Exterior Roof Heating / Air Conditioning
 Ventilation / Insulation Interiors Fireplaces

How long does the inspection take? _____

How much notice do you need? _____

How much do you charge? _____

How will I receive my report? _____

Do you provide any type of discounts? _____

Additional Inspections

Foundation: Determine if your foundation needs repair or what you can do to ensure it's solid.

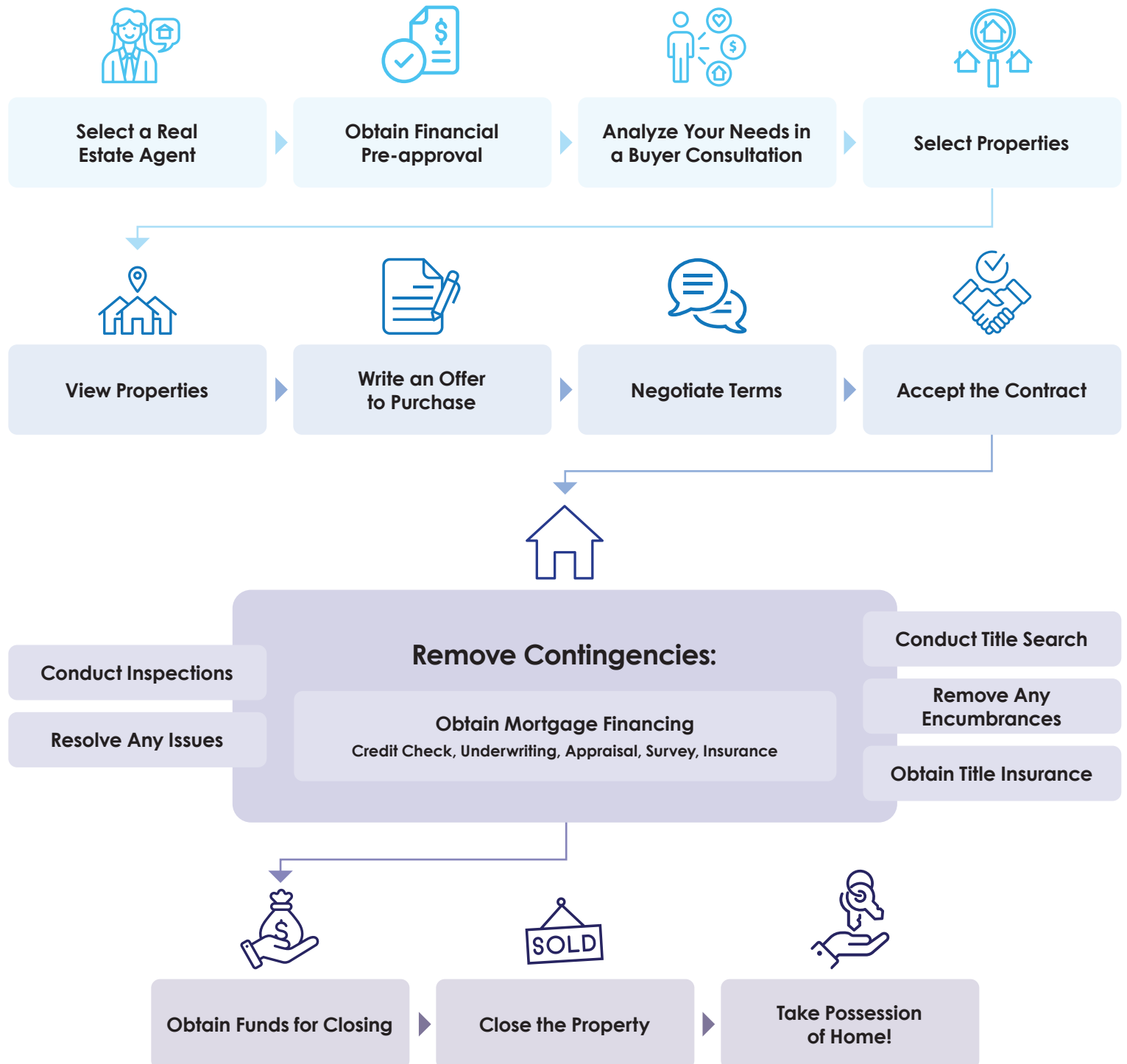
Termite: Required for some loans. Known as a WDO or Wood Destroying Organism Inspection.

Lead Based Paint: Recommended for homes built prior to 1978.

Well Water/ Septic: Ensure the septic system is working properly and the water is not contaminated.

Quick Reference: The Home-Buying Process

The home-buying process is complex, involving financial aspects like mortgage options and affordability calculations, along with legal elements such as inspections and negotiations. The chart below can help you understand the steps and navigate the process.



Financial Readiness: The Loan Process

Residential consumers have several types of home loans available to them, and each is designed to suit different needs and financial situations. Each type of loan has its benefits and considerations, so it's essential to assess your financial goals and consult with lenders to determine the most suitable option.

- **Fixed-Rate Mortgage:** This type of loan has a fixed interest rate for the entire term, typically ranging from 10 to 30 years. Monthly payments remain the same, providing stability and predictability for budgeting.
- **Adjustable-Rate Mortgage (ARM):** ARMs have an interest rate that adjusts periodically based on market conditions. The initial rate is usually lower than that of a fixed-rate mortgage, making it attractive for those planning to move or refinance before the rate adjusts.
- **FHA Loan:** Insured by the Federal Housing Administration, FHA loans are popular among first-time home-buyers. They often require lower down payments and have more flexible qualification criteria.
- **VA Loan:** Offered to eligible veterans, active-duty service members, and their families, VA loans are guaranteed by the Department of Veterans Affairs. They typically feature competitive interest rates, no down payment requirements, and limited closing costs.
- **USDA Loan:** Backed by the U.S. Department of Agriculture, USDA loans are designed for rural and suburban home-buyers with low to moderate incomes. They offer zero down payment options and favorable terms for qualifying properties.
- **Jumbo Loan:** Jumbo loans exceed the conforming loan limits set by Fannie Mae and Freddie Mac. They are used for high-value properties and often require larger down payments and stricter credit qualifications.
- **Interest-Only Loan:** With an interest-only loan, borrowers pay only the interest for a certain period (usually 5-10 years) before starting to repay the principal. This can result in lower initial payments but requires careful financial planning for the principal payment phase.

Loan Process Do's & Don'ts

Financial changes may affect the ability to purchase a home and can impact approval before, during and up until the day of closing. All credit, income and assets are verified before you sign your final loan documents.

DO

- ✓ **DO** reduce debt and keep all payments current. Get a current copy of your credit report and dispute any inaccuracies
- ✓ **DO** save for a down payment or seek down payment assistance
- ✓ **DO** keep your job
- ✓ **DO** consider your mortgage options and the best product for your situation
- ✓ **DO** gather information for the application including tax returns and paystubs
- ✓ **DO** develop a budget taking into account homeowners insurance and property taxes

DON'T

- ✗ **DON'T** buy a car ... any car, new or used
- ✗ **DON'T** get married or divorced
- ✗ **DON'T** change professions or start your own business
- ✗ **DON'T** change bank accounts
- ✗ **DON'T** co-sign for a loan for anybody else
- ✗ **DON'T** let anyone run your credit or apply for any new credit cards
- ✗ **DON'T** pay off any debt collections unless instructed by your lender

Financial Readiness: Understanding Your Credit Score

What is a Credit Score?

A credit score, which commonly refers to your FICO score, is a three-digit number that rates your creditworthiness. This number is calculated based on five factors:

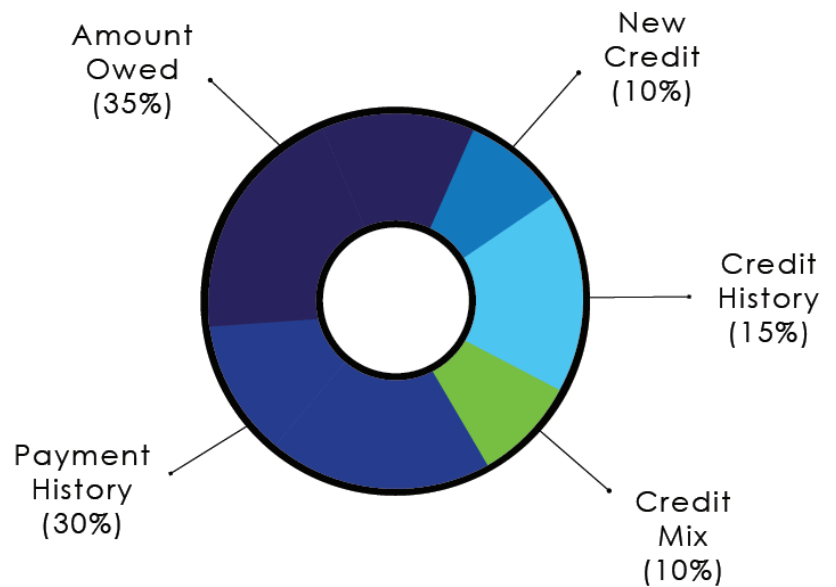
- Payment History (30%)
- Amount Owed (35%)
- Payment History (30%)
- New Credit (10%)
- Credit Mix (10%)

What is a Credit Report?

A Credit Report is a holistic view of your credit showing detailed personal information about your current credit activity and how you've handled debt in the past. Both the report and the score are sourced from one of three credit bureaus:

- Experian
- Equifax
- Transunion

Each lender sets its own standards for what constitutes a "good" score. If you have questions regarding your credit score, ask your lender. You can request a free annual credit report from freecreditreport.com.



Exceptional	800-850
Very Good	725-799
Good	670-724
Fair	560-659
Poor	300-559

FICO Score Range

FICO Scoring models commonly range from 300 to 850. The higher the score, the more likely you are to get approved for a loan.

TITLE TALK

While the title company itself may not directly consider your credit score, they work closely with the lenders during the home buying process. Liens, such as child support or tax liens, are shown on credit reports and can indirectly impact the title company's involvement in the transaction.

Financial Readiness: The Cost of Buying

The costs of buying a home encompasses more than just the purchase price. Prospective homeowners should also consider these various expenses:

Down Payment

A down payment is a significant upfront cost, representing a percentage of the home's purchase price. This amount can vary based on the type of loan and the buyer's financial situation. Depending on the loan, down payments can range from 0% - 20% of the purchase price.

Escrow Fees

These fees are charged by the title company for services rendered in coordinating the closing, preparing, and filing all the necessary documents and completing the transaction.

Home Inspection

Before buying a home, it's advisable to conduct a thorough inspection to uncover any potential issues. A general home inspection is a must but there are several additional inspections you can choose to have during the due diligence period. A roof inspection, pest or termite inspection, or a well or septic inspection may be necessary depending on the features of the home. General Inspection costs are based on the size of the home.

Insurance

Most loans require one year of the annual homeowner's insurance to be paid at closing and additional reserves deposited into the escrow account with the mortgage company. The lender will determine in the closing disclosure how much is required. The amount can be anywhere from 3 - 6 months of the annual policy cost.

Appraisal Fee

The appraisal ensures that the lender is not loaning more money than the property is worth. The appraisal is done strictly for the purposes of obtaining the loan.

Homeowners Association (HOA) Fees

If the property is part of a mandatory homeowner's association, there will be a transfer fee and resale certificate. These fees are what the HOA charges to transfer the ownership records from the seller to you as the buyer. These fees can be negotiated in the purchase contract and vary in cost. HOA dues may also be collected as determined by the Resale Certificate.

Survey

Surveys are necessary to complete the purchase of a home. The survey confirms the land boundaries and any sub-surface improvements as well as identifies any other restrictions and conditions that apply to the legal description of the property. The seller may have an existing survey that can be used in which there is no cost. If there is not an existing survey, a new survey will be required. Who pays for the survey can be negotiated in terms of the purchase contract.

HELPFUL TIP

If you are not paying cash, you will need a loan to purchase a house. Being pre-approved for a mortgage is imperative for a successful home buying journey. In addition, it gives you confidence and control of the home buying journey. Pre-approval also ...

... determines which loan program best fits your needs.

... keeps you from wasting time looking at homes you can't afford.

... gets you ready to write and present an offer on the home you really want.

Your REALTOR® can give the seller the pre-approval on your behalf

... pre-approval puts you in a better negotiating position if there are multiple offers on a property.

... helps you know the amount needed for down payment and closing costs.

Home Criteria: The Cost of Your Dream Home

Understanding the fees associated with buying a house beyond the list price is crucial for budgeting for your new home. These additional costs can significantly impact the overall affordability of homeownership and should be carefully considered before making a purchasing decision.

Property Taxes

Property taxes are a primary source of revenue for local governments and help fund various public services and infrastructure.

Once you have an offer on a house, ask your REALTOR® to provide the property tax record. This document will provide an assessed value of the property and a breakdown of various entities that have jurisdiction of the property. These entities have a legal right to assess fees for their services.

The property tax rate is typically based on the appraised value of the property and can vary depending on the location and specific taxing jurisdictions. Homeowners in Texas may be eligible for certain exemptions or deductions that can lower their property tax burden.

The amount of the annual property tax will be part of your mortgage payment and may be a deal breaker in affordability of the home you want to purchase. The lender may require that a partial monthly payment towards the annual property tax be put into an escrow account for future payment. If you are paying taxes on your own, you will want to budget for the end-of-the-year payment.

Questions to Ask About Property Taxes:

- What is the assessed value?
- What is the total tax rate?
- How often are properties reassessed in this area?
- Will the sale of the property trigger a tax increase?
- Does this home fall into any special taxing districts?
- Am I eligible for any tax exemptions?



Homeowners Associations (HOA)

Buyers should carefully consider their preferences and priorities before choosing to live in an HOA community. Homeowners Associations (HOAs) offer several benefits, including community maintenance of common areas, enforcing uniformity for a cohesive neighborhood look, providing a framework for dispute resolution, and offering amenities like pools and parks. These communities do however come with drawbacks like mandatory fees and potential special assessments that increase homeownership costs, restrictions on property use that limit freedom, enforcement issues that can lead to disputes, and a lack of flexibility in adhering to HOA rules even if you disagree with them, restricting individual preferences and property customization.

If there is a mandatory HOA for a home you want to purchase, be sure to ask:

- How much is the annual fee?
- How often is it paid? Annually, quarterly, or monthly?
- What are the association rules?
- Do they allow parking for boats, RV's or marked work vehicles?
- What amenities are included?
- Who handles maintenance?
- Does the HOA have any special assessments?
- Does the HOA have rules about short term rentals?
- Does the HOA have specific rules on owner occupied properties vs. rental property?
- Is there a new member transfer fee? How much is it?
- If you have specific needs, be sure to research any other questions concerning use of property.

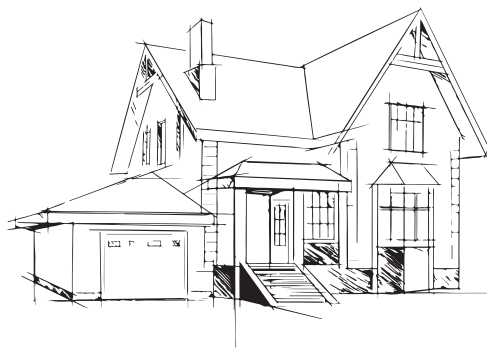
All these questions can influence whether you move forward with purchasing a property. Don't be afraid to walk away if the community rules do not fit your lifestyle.



For a complete list of taxing district information, scan the QR Code.

DEFINING YOUR DREAM HOME

Where you live should reflect your lifestyle. This questionnaire should help you narrow down the right home for you.



Must Have

Ideal Price (Range): _____

of Bedrooms _____ (min) _____ (max)

of Bathrooms _____ (min) _____ (max)

Garage (# of cars) _____ (min) _____ (max)

Sqft. of house _____ (min) _____ (max)

School District (s) _____

Specific Areas _____

Proximity to Shopping yes no indifferent

Home Owners Association yes no indifferent

Commute Time _____

Would Be Nice

- | | |
|---|--|
| <input type="checkbox"/> Large Front Yard | <input type="checkbox"/> Security System |
| <input type="checkbox"/> Large Back Yard | <input type="checkbox"/> Eat-in-Kitchen |
| <input type="checkbox"/> Patio | <input type="checkbox"/> Walk-in Closet |
| <input type="checkbox"/> Porch | <input type="checkbox"/> Hardwood Floors |
| <input type="checkbox"/> Pool | <input type="checkbox"/> Fenced-in Yard |
| <input type="checkbox"/> Mud Room | <input type="checkbox"/> In-Law Suite |
| <input type="checkbox"/> Home Office | <input type="checkbox"/> Zero-Scaping |
| <input type="checkbox"/> Walk-in Pantry | <input type="checkbox"/> Landscaping |

Style of House

Choose all that apply

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Single Story | <input type="checkbox"/> Traditional |
| <input type="checkbox"/> Two-Story | <input type="checkbox"/> Ranch-Style |
| <input type="checkbox"/> Town House | <input type="checkbox"/> Contemporary |
| <input type="checkbox"/> Condo | <input type="checkbox"/> Craftsman |
| <input type="checkbox"/> Duplex / Triplex | <input type="checkbox"/> Historical |
| <input type="checkbox"/> Fixer-Upper | <input type="checkbox"/> Colonial |
| <input type="checkbox"/> Open Floor Plan | <input type="checkbox"/> Farmhouse |
| <input type="checkbox"/> Smart Home | <input type="checkbox"/> Modern |

TOP PRIORITIES

Special Preferences



Contract Clarity: Writing an Offer

After you have found “the one,” it’s time to make an offer. Here are the steps to writing an offer. Remember the team you have to guide you through this process.

Steps of an Offer

Pre-Approval Letter

A lender generated approval letter and proof of funds.

Offer Price

A REALTOR® will help you determine a price based on market value comparables of homes that have sold and homes that are currently listed.

Earnest Money Deposit

This is typically 1-5% of the purchase price of the home and is applied to the purchase price of the home or refunded if the contract terminates. Ask your REALTOR® about specific performance requirements in the contract.

Contract Terms

These determine who pays title, who pays survey and outlines all negotiable terms.

Financing Terms

This includes the type of loan you are qualified for, the loan amount, down payment and current rate.

Option Period

This is a specific period of time allowed to complete due diligence, such as the home inspection. Option Fee is collected with Earnest Money Deposit.

Closing Date

This date is determined in your contract and reflects the date you sign the documents and get the keys.

HELPFUL TIP

Buying in a competitive housing market? This can be challenging, but there are strategies you can use to increase your chances of getting your dream home:

- **Be flexible with your criteria:** Clearly define your must-haves and be open to compromising on less critical factors.
- **Act Quickly:** Homes in tight markets sell fast. Stay updated on new listings and be ready to view properties.
- **Make a Strong Offer:** Offer a competitive price based on market research and recent comparable sales.
- **Be Flexible:** Flexibility in terms of closing timeline, contingencies, etc.
- **Stay Persistent:** Don't get discouraged if your offers are not accepted initially.

Contract Clarity: What is Title Insurance?

Title insurance provides coverage for certain losses due to defects in the title that, for the most part, occurred prior to your ownership. Title insurance protects against defects such as prior fraud or forgery that might go undetected until after closing and possibly jeopardize your ownership and investment.

Overview

When a piece of property is financed, purchased or sold, a record of that transaction is generally filed in public records. Likewise, other events that may affect the ownership of a property are also documented and filed. These may include liens, levies and encumbrances. **When a buyer purchases title insurance, the title company searches these records to find and remedy issues that may affect the purchaser's ownership.**

Title Search & Exam

Title insurance differs from traditional insurance models. When you purchase a policy insuring you for matters relating to your car or health, the insurance company assesses the risk of insuring you and bases its premium on the risk being assumed.

With title insurance, the insurer first works to identify the status of ownership, liens and other matters affecting title by collecting documents affecting title from public records that are statutorily identified for the recording of real estate transactions. This process is called the search.

Once the search is complete, the title insurance underwriter can then determine the insurability of the title and list exceptions from coverage and requirements to insure.

Undiscovered Risks

Even the most skilled title professionals may not find all title problems. Other risks include matters that are more **difficult to identify**, such as title issues resulting from filing errors, forgeries, undisclosed heirs, and other unforeseen problems. That's one reason why your title insurance policy can play a key role in protecting your real estate investment.



Owner's Policy

You will have the option of purchasing an Owner's Policy of title insurance, which provides **insurance directly to the insured owner** listed in the policy and describes the type of real property interest owned. The insurance in both an Owner's and Loan Policy is subject to the policy provisions, which include the covered risks, exclusions from coverage, and the conditions and the exceptions to title listed on a schedule to the policy.

Loan Policy

When you purchase a new home or other piece of property by securing a mortgage, you are **required by your lender** to purchase a Loan Policy of title insurance. This policy insures the lender against covered title defects up to the amount of insurance. This coverage in favor of the lender lasts for the life of the loan under limited circumstances stated within the policy.

Premium

If purchased, a **one-time premium for each policy** (Owner's Policy and Loan Policy) will be collected at closing. Policy amounts are based on the sales price of your home and the amount of your loan. The payment of the policy by buyers or sellers is negotiated in the contract terms. This is another way in which title insurance differs from other insurance models, where premiums are paid on an ongoing basis. The purchase of a home or other real estate may be the largest financial investment you ever make. Title insurance can give you added peace of mind in knowing that the title to your investment is insured.

Contract Clarity: Common Title Problems

Your home may be new to you, but every property has a history. A thorough title search can help uncover any title defects tied to your property. **Your title insurance provides protection for you from title problems that may become known after you close your transaction.**

Common title issues may include:

Errors in Public Records



To err is human, but when it affects your home ownership rights, those mistakes can be devastating. Clerical or filing errors could affect the deed or survey of your property and cause undue financial strain in order to resolve them.

Unknown Liens



Prior owners of your property may not have been meticulous bookkeepers – or bill payers. Even though the former debt is not your own, banks or other financing companies can place liens on your property for unpaid debts even after you have closed on the sale. This is an especially worrisome issue with distressed properties.

Illegal Deeds



While the chain of title on your property may appear perfectly sound, it's possible that a prior deed was made by an undocumented immigrant, a minor, a person of unsound mind, or one who is reported single but is actually married. These instances may affect the enforceability of prior deeds and affect prior (and possibly present) ownership.

Missing Heirs



When a person dies, the ownership of their home may fall to their heirs or those named within their will. However, those heirs are sometimes missing or unknown at the time of death. Other times, family members may contest the will for their own property rights. These scenarios – which can happen long after you have purchased the property – may affect your rights to the property.

Boundary/Survey Disputes



You may have seen several surveys of your property prior to purchasing, however, other surveys may exist that show differing boundaries. Therefore, a neighbor or other party may be able to claim ownership to a portion of your property.

Forgeries



Unfortunately, we don't live in a completely honest world. Sometimes forged or fabricated documents that affect property ownership are filed within public records, obscuring the rightful ownership of the property. Once these forgeries come to light, your rights to your home may be in jeopardy.

Undiscovered Encumbrances



When it comes to owning a home, there can be a crowd. At the time of purchase, you may not know that a third party holds a claim to all or part of your property – due to a former mortgage or lien, or non-financial claims like restrictions or covenants limiting the use of your property.

Unknown Easements



You may own your new home and its surrounding land, but an unknown easement may prohibit you from using it as you'd like or it could allow government agencies, businesses or other parties access to all or portions of your property. While usually non-financial issues, easements can still affect your right to enjoy your property.

Undiscovered Will



When a property owner dies with no apparent will or heir, the state may sell his or her assets, including the home. When you purchase such a home, you assume your rights as owner. However, even years later, the deceased owner's will may come to light and your rights to the property may be seriously jeopardized.

False Impersonation of Previous Owner



Common and similar names can make it possible to falsely impersonate a property owner. If you purchase a home that was once sold by a false owner, you can risk losing your legal claim to the property.

Play It Safe! These and other issues are often covered by an Owner's Policy of title insurance. When you buy a home, make sure you're protecting that investment with title insurance.

Contract Clarity: The Appraisal



The appraisal process consists of three main steps and are normally in the following sequence by an appraiser:

- **Research the property** as to size, bedrooms, baths, year built, lot size and square footage.
- **Gather data** of recent sales in the subject's neighborhood. The appraiser needs to locate at least three, preferably more, similar-sized homes that have sold in the neighborhood. The homes should be within one mile of the subject property and sold within the past six months. These homes are considered the "Comparable Properties", or "Comps" for short.
- **Field inspection** consists of two parts: First, the inspection of the subject property. Second, the exterior inspection of the comparable properties that have been selected to estimate the value of the subject property.

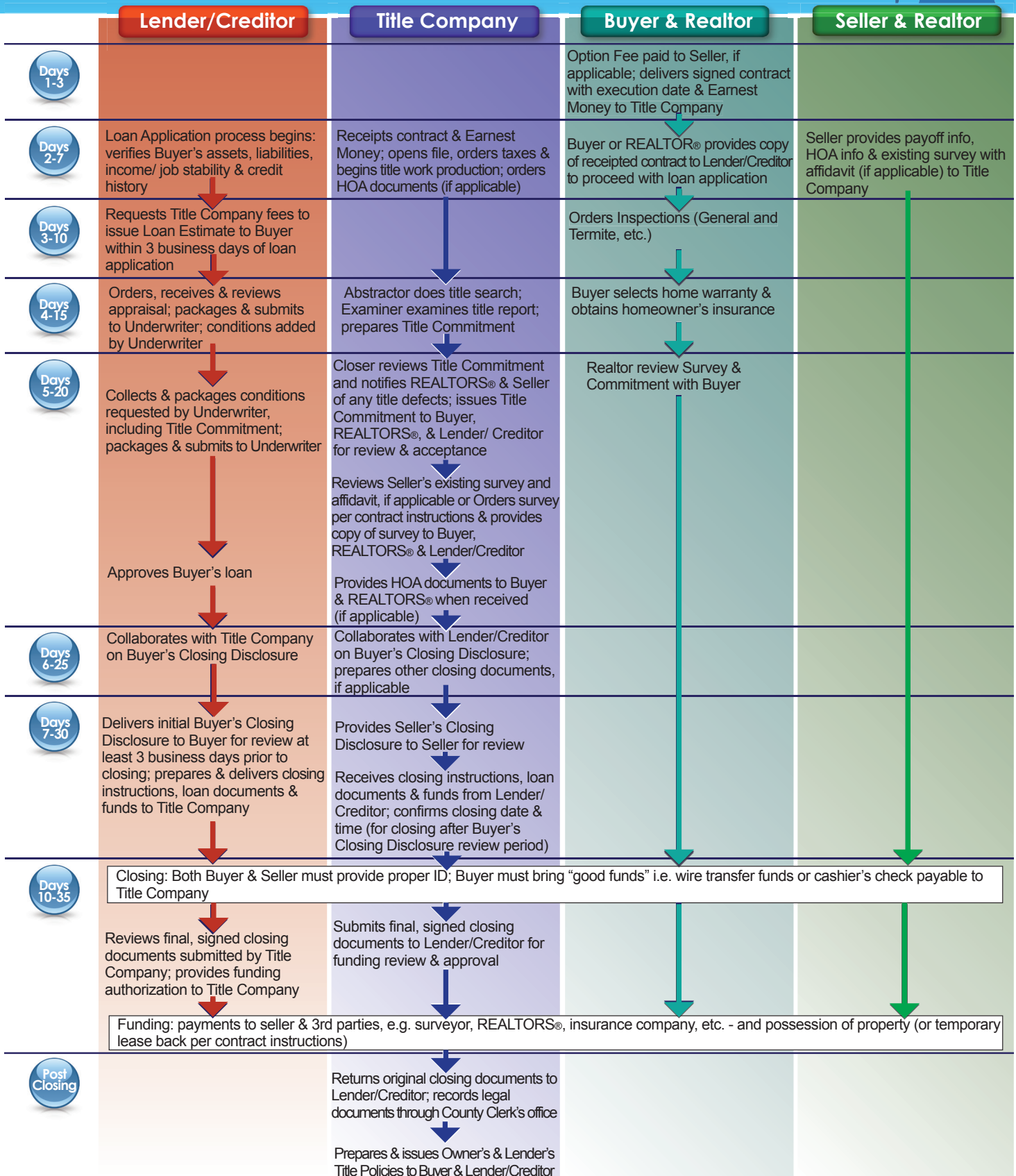
The appraisal value of a home is an important factor in the loan underwriting process. The loan-to-value (LTV) ratio is based on the appraised value and helps the lender figure out how much money may be borrowed and at what terms. If the property does not appraise for the contract purchase price then you may have to come to the table with more money for the down payment or ask your agent to renegotiate the sales price.

Appraised value doesn't always represent the whole picture. There are special considerations that appraised value doesn't consider, such as the need to sell rapidly. Appraisers use data from recent past sales and are often considered somewhat backward looking.

HELPFUL TIP

Remember that an appraisal is not an exact science but only an opinion of a home's value based on the comps and the actual condition of the home. In other words, appraisers are looking for any items that can affect the home's value. The final valuation will be based on real estate market trends, current sale prices, and the specific characteristics of the home. The final appraisal report includes the information used by the appraiser, details about the subject property, and the explanations of the valuation results. The report will be given back to the lender, who will then use it as a guide before making a decision about the loan.

Contract Clarity: Closing Process Overview



Quick Reference: Buyer's Checklist



Before Closing

It is most helpful if the following information is handled when the Contract for Sale is delivered, or shortly thereafter.

- Provide earnest money check and a COMPLETED contract of sale to the title company. Verify to make sure all contact information is provided and accurate (phone, email, current address or preferred mailing address).
- Provide the mortgage broker and/or lender's information for all loans. You may need to provide a copy of the contract of sale, receipted by the title company, to the mortgage company making your loan.
- Complete a formal loan application through your loan officer.
- Schedule an appointment with an inspector as soon as possible. Seller should be informed. A termite inspection may be required by the lender.
- Contact an insurance company to obtain homeowner's insurance. This information should be sent to the title company at least one week prior to closing.
- Provide any bills to be paid at closing to the title company prior to closing.
- Notify your Escrow Officer if you will not be in town on the closing date as you will need to follow special procedures.
- Using a Power of Attorney (POA) if you will not be at the actual closing:
 - The POA must be approved by the title company PRIOR to closing.
 - You will be contacted by the title company the DAY of closing to verify that you are alive and well and have not revoked the POA.
 - The original is required by the title company for recording.
- Provide the Mortgage company's closing instructions to the title company to prepare the Closing Disclosure/ Settlement Statement. The title company cannot give you the final closing figure prior to receiving these instructions. The complete closing package from the lender must be in the hands of the title company 24 hours prior to closing in order to meet the closing date deadline on the contract.

Required at Closing

Please bring the following items with you to closing:

- A cashier's check or bank wire (we do not accept money orders) made payable to the title company is required for closing funds over \$1,499.99.
- Valid government issued ID
- Please remember to bring your spouses. The lender might require their signatures on a few documents, even if not on the Note.
- Bring any document requirements that your lender has requested you to produce at the closing table.

After Closing

The following will be sent to you after closing. Please safely store all of these documents for future reference:

- The original recorded Warranty Deed that transferred title of the property will be sent to you by the Title Company along with the owner's title policy within one month after closing.
- The Owner's Title Policy of Title Insurance will be mailed to you approximately one month after closing.
- Homestead Exemption: Make certain to file for your homestead designation with the county appraisal district. Contact your County Appraisal District if you have questions about your homestead exemption for property tax purposes, or any other exceptions which may be available to you. The forms necessary to apply for exemptions are available at no cost from your appraisal district. You may file for property exemptions immediately.
- Residential Service Contract ("Home Warranty"): Contact the residential service contract company directly if you received a Residential Service Contract in connection with this closing and wish to add additional coverage.

Taxes:

- Contact the County Appraisal District for assistance in making certain that the property is rendered in the current taxpayer's name for the upcoming tax year.

Contract Clarity: Closing Day



Valid Photo Identification

To help defend against forgery and fraud, state notary laws include requirements that parties signing documents in a real estate transaction provide acceptable forms of identification. Although specific requirements may vary from state to state, here is a general overview of the type(s) of identification that are typically used to substantiate and affirm identity.

Acceptable Identification

One or more of the following may be requested to verify identification. The document must be current and contain the document signer's photograph, physical description, signature, and bear a serial or other identifying number.

- ✓ Valid Driver's License or Non-Driver ID Issued by any State
- ✓ United States Passport
- ✓ Valid United States Military ID
- ✓ Veterans Health ID Card
- ✓ Foreign Passport Stamped by the U.S. Citizenship and Immigration Services (USCIS)
- ✓ Valid Canadian or Mexican Driver's License

Unacceptable Identification

- ✗ Temporary Driver's License
- ✗ Driver's License without a Photograph
- ✗ Social Security Card
- ✗ Employee ID Badge

Closing document signatures must match the name that appears on the identification presented. An abbreviated form (John D. Smith instead of John David Smith, for example) may be acceptable. However, deviation is only allowed if the individual is signing with less than and not more than what is on the identification document. If your name has changed or will change, prior to the closing, documentation must be provided to support the legal name change.

Cashier's Check or Wire Transfer

In the event you are required to bring funds to closing, we cannot accept personal checks or cash. A cashier's check or wire transfer is requested. If you prefer to wire your funds, contact us for bank routing instructions. If you will be bringing a proceeds check from another settlement, contact us to verify the acceptance of those funds - we do not automatically accept all checks.

If Possible, All Parties Who Hold Title to the Property Should Attend the Closing

Texas is a community property state. State-specific laws may require the spouse of the parties in title, even though their name does not appear on the deed, to sign certain documents when buying a property. If anyone is unable to attend closing, contact McKnight Title for arrangements.

Additional Documents if Applicable

- Authorization to Release Information Association/Condominium Contact Information
- Cashier's Check or Wire Transfer
- Power of Attorney (*original needed at closing*)
- Corporation Documents: Board of Resolution, Certificate of Good Standing and Articles of Organization
- Trust Agreement and Attorney Contact
- Limited Liability Company Documents, such as Operating Agreement and Articles of Organization

CHECKLIST

Closing day is an important milestone.

There are several key items that home buyers in Texas should prepare for. Below is a checklist of items to consider on closing day:

- Obtain Homeowners Insurance
- Plan for Contingencies
- Review Closing Disclosure
- Arrange for Funds
- Perform a Final Walk-Through
- Bring Necessary Documents & Identification
- Review & Sign Closing Documents
- Closing Funds Disbursement

Remember, it's important to also consult with your real estate agent, lender or attorney for specific requirements or any changes based on your unique situation.

Quick Reference: Moving Checklist

Notify of Address Change

- Post Office
- Bank
- Credit card companies
- Insurance companies – Medical, Auto
- Automobile – Registration, Drivers License
- Utility companies
- Arrange for service in new location
- Home delivery subscriptions
- School(s)
- Doctor(s)
- Pharmacy – Transfer prescriptions
- Church, clubs, civic organizations

Don't Forget To

- Empty freezers – Plan use of foods
- Stay in contact with mover and confirm: insurance coverage, packing / unpacking labor, time/date of move, details of payment

Moving Day

- Carry currency, jewelry, and important documents
- Let a friend or relative know route, scheduled stops and arrival estimate
- Double-check closets, attic, shed and garage

Tips for Moving with Pets

Moving to a home in a new location can be an exciting adventure, but it can also be the cause of stress and confusion for household pets. To minimize the trauma, here are a few tips that may help make your pet's transition a little easier:

✓ Schedule a Vet Check-Up

Obtain a copy of your pet's medical history along with rabies certifications that state when/where your pet was vaccinated. Keep an ample supply of current medications to last until a veterinarian in your new location can provide refills.

✓ Proper Identification is Essential

Be certain that any required license tags are secured properly and the contact information is current.

✓ Boarding

Consider boarding your pet during the most hectic moving days to minimize your pet's potential anxiety.

Gather Car Supplies

- ✓ To avoid losing important pet supplies, gather items like a favorite toy or two, leash and food bowls.

Know State Requirements

- ✓ For the movement of pets across state lines, contact the State Veterinarian in your new location to obtain the most current information.

Pet-Friendly Accommodations

- ✓ Long-distance moves may require an overnight stay.
- ✓ People and pet-friendly accommodations can be found by searching a number of Internet sites.

Allow Time to Acclimate

- ✓ Once you have arrived in your new location, allow sufficient time for your pet to adjust to the new neighborhood. It could take a few days or a few weeks.



Quick Reference: Terms to Know

REAL ESTATE TERMS

Appraiser

Determines the market value of the property.

Buyer

The individual or entity purchasing the property.

Escrow Officer

Acts as a neutral third party to the transaction and is there to serve both the buyer and the seller. They facilitate the coordination, document preparation, recording and funding.

Inspector

Conducts a thorough inspection of the property to assess its condition.

Lender

Provides financing to the buyer for the purchase of a property.

REALTOR®

A REALTOR® is a licensed professional who represents buyers, sellers, or both in real estate transactions. They are members of the National Association of REALTORS® (NAR) and adhere to a strict code of ethics and standards of practice. REALTORS® assist clients with buying, selling, or renting properties, providing guidance, market analysis, negotiation services, and facilitating the transaction process. They have access to multiple listing services (MLS) and stay updated on market trends, property values, and legal requirements to help their clients make informed decisions.

Surveyor

Licensed by the state of Texas, a surveyor will show the boundary of the property as well as the structures located on the property. A survey is required in a loan transaction to purchase real estate.

Seller

The individual or entity selling the property.

Title Company

Manages the title search process, issues title insurance, and facilitates the closing of real estate.

LENDING & LOAN TERMS

ACH

Automated Clearing House

Anniversary Date

The date upon which the twelfth payment is due. This occurs in the same calendar month and day each year thereafter on the promissory note.

Balloon Mortgages

This is a form of financing where your interest rate will be very low for a short period of time, often three to seven years. Payments usually only cover interest, so the principal owed is not reduced. These mortgages are a good choice if you plan to sell in a short period of time.

Adjustable-rate Mortgage (ARM)

A mortgage with an interest rate that can change periodically based on market conditions, potentially leading to fluctuating monthly payments.

Appraisal

An assessment of the property's value conducted by a qualified appraiser, often required by lenders to determine loan eligibility.

Amortization

The gradual repayment of a loan through regular installment payments over a specified period.

APR (Annual Percentage Rate)

The annual cost of borrowing, expressed as a percentage, including interest and fees.

Closing Disclosure (CD)

A document provided to the borrower before closing that outlines all costs and terms of the loan, ensuring transparency in the transaction.

Closing Costs

Expenses paid by the buyer and seller during the closing of a real estate transaction, including fees for services and taxes.

Collateral

Property or assets that a borrower pledges as security for a loan.

Quick Reference: Terms to Know

LENDING & LOAN TERMS CONTINUED ...

Conventional Loan

A mortgage loan that is not insured or guaranteed by a government agency, such as Fannie Mae or Freddie Mac.

Credit Score

A numerical representation of an individual's creditworthiness, used by lenders to assess the risk of extending credit.

Down Payment

The initial payment made by the buyer toward the purchase price of a home, usually expressed as a percentage of the total price.

Debt-to-Income Ratio (DTI)

A measure of a borrower's monthly debt payments relative to their gross monthly income, influencing loan approval and terms.

Escrow

Funds held by a third party (escrow agent) until all conditions of a contract are met, typically in real estate transactions.

Fixed-Rate Mortgage

A mortgage with an interest rate that remains constant throughout the loan term.

Home Equity

The difference between the market value of a home and the outstanding mortgage balance.

Interest Rate

The percentage charged by the lender for borrowing the loan amount, which affects the overall cost of the loan.

Loan Estimate

A document provided by a lender that outlines the estimated terms and costs of a mortgage loan.

Loan Term

The length of time specified in the loan agreement for repaying the loan, often expressed in years (e.g., 30-year mortgage).

Mortgage

A loan specifically used to finance the purchase of real estate, with the property itself serving as collateral for the loan.

Origination Fee

Lender fee to purchaser to originate a new loan.

PITI

A term used to describe the total amount of Principal, Interest, Taxes, Insurance.

PMI (Private Mortgage Insurance)

Insurance required by lenders for borrowers who make a down payment of less than 20% to protect against default.

Pre-Approval

A preliminary assessment by a lender indicating a borrower's creditworthiness and maximum loan amount.

Principal

The original amount of money borrowed in a loan, excluding interest and fees.

Refinance

The process of obtaining a new loan with different terms to replace an existing loan.

Title Insurance

Insurance that protects against losses arising from defects in the title of a property.

Underwriting

The process of evaluating a borrower's creditworthiness and risk by a lender before approving a loan.

VA Loan

A mortgage loan guaranteed by the U.S. Department of Veterans Affairs for eligible veterans, active-duty service members, and their spouses.

Quick Reference: Terms to Know

CLOSING & CONTRACT TERMS

Amendments

To change, either to alter, add, or correct part of an agreement without changing the principal idea or essence.

Assumption

Taking over another person's financial obligation; taking title to a parcel of real property with the Buyer assuming liability for paying an existing note secured by deed of trust against the real property.

Beneficiary

The recipient of benefits, often from a deed of trust; usually the lender.

Close of Escrow

Generally, the date the documents are recorded and the title passes from seller to buyer. On this date the buyer becomes the legal owner and title insurance becomes effective.

Deed of Trust

An instrument used in place of a mortgage.

Deed Restrictions

Limitation in the deed to a parcel or real property that dictates certain uses that may or may not be made of real property.

Easement

A right, privilege or interest limited to a specific purpose that one party has in the land of another.

Hazard Insurance

Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyers often add liability insurance and extended coverage for personal property.

Impounds / Escrow Account

A trust type account established by lenders for the accumulation of borrower's fund to meet periodic payments of taxes, mortgage insurance, premiums, and / or future insurance policy premiums required to protect their security.

Legal Description

A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire parcel of land. It should thoroughly identify a parcel or land that is cannot be confused with any other.

Lien

A form of encumbrance that usually makes a specific parcel of real property as the security for the payment of a debt or discharge of an obligation. For example, judgments, taxes, mortgages, deeds of trust are all liens.

Mortgagee's Policy

Policy insuring lender of validity and priority of its lien.

Owner's Title Policy

Policy that indemnifies the buyer against losses for covered defect in title. Premiums are set by the State Board of Insurance.

Power of Attorney

A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is the Power of Attorney.

Quit Claim Deed

A deed operating as a release, intending to pass any title, interest, or claim which the grantor may have in the property, but not containing any warranty of a valid interest or title by the grantor.

Recording

Filing documents affecting real property with the county recorder as a matter of public record.

Tax Search Certificate

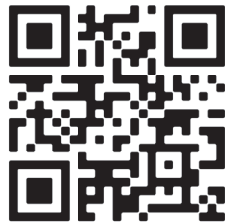
Certificate obtained to determine any unpaid property taxes or assessments that may constitute liens against the property.

Warranty Deed

A written instrument by which a party transfers ownership of real property to another.



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