



Homeseller Guide



mcknighttitle.com



Congratulations, you have Decided to Sell Your Home!



There Are 5 Main Ingredients That Make up the Sale of Your Home. When all of the above ingredients are in agreement...there is a good possibility your home will sell! If just one ingredient is out of line, it will take a longer time to sell. The more ingredients that are out of line, the longer it will take before you can begin packing and moving to your new home.

1. LOCATION

You usually cannot move a home! To coin the favorite phrase of appraisers: "Location, Location, Location". The pricing of your property must reflect its location.

2. CONDITION

The upkeep and presentation of your property is crucial to obtain the highest value for your home in any given market at any given time. The pricing of your property must reflect its condition.

3. PRICE

Price is the number one factor in the sale of a home. A property is really only worth what one person is willing to pay another to gain ownership of the property. Price must be in direct relationship to the other four ingredients and it is the most important of all!

4. TERMS

The more terms available on your property, the more potential purchasers you reach. The pricing of your property must reflect the kinds of terms available to purchase it.

5. THE MARKET

Interest rates, competition, and the economy all make up and influence the state of the market when you sell your home. The pricing of your property must reflect the current status of the market.



Thinking About Selling By Owner?

Selling your home yourself depends on your personal preferences and how much time and energy you're willing to invest in your home sale.

Industry experts advise against owners selling their own homes, citing that an experienced real estate sales professional can find the right buyer, the best price and often prevents costly and time-consuming problems that may arise during the transaction.

Home sellers need to be prepared to do a lot of the work, like holding their own open house. You will need to be outgoing and comfortable answering endless questions about your property. You will need to accept that strangers are going to look in your closets, under your sink and cabinets, etc.

Patience can also be important when holding out for the best possible offer. A good eye and a willingness to spend time staging your home are helpful, too. You can hire **staging consultants** to give advice on how to make your home look its best. Sometimes an objective set of eyes can see "curb appeal" that you may have overlooked.

Common FSBO Mistakes

- 1 Repairs** that may need to be done prior to presenting your home for sale vs. repairs that are to be done after you find a buyer are important decisions and may affect your asking price for the home.
- 2** Are you going to **prepare the contract yourself** or are you going to have an attorney prepare it for you? Either way, you need to have a copy ready for the buyer to sign on the dotted line at a moment's notice.
- 3** Select a **title or settlement company** before putting your home on the market so the company can take delivery of the contract and the buyer's earnest money check. Many FSBO sellers are simply not prepared to sell their home and unaware of the sale and closing process.

- 4** What is a **competitive price** for a home? Are you informed enough or able to do research to competently price your home? Or do you need the assistance of a professional appraiser? Many appraisers will sell you a competent and objective "paper appraisal."

If you price your property too high, it could take forever to sell it. If you price the home too low, you could lose money.

Real estate agents consistently work to **keep properties in front of buyers** by placing them into their shared database known as MLS: Multiple Listing Service. The MLS database provides real estate professionals access to your property information to increase visibility and opportunities for a sale.

Build your Dream Team: Working with McKnight Title

The very first step in the home-selling process is building your team. Engage with experienced real estate agents and legal advisors to navigate the complexities of contracts, negotiations 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 along the way.

A title company plays a crucial role in the home selling process by ensuring that the property's title is clear and legally transferable to the seller. 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.
IMPORTANT: Do not cancel your home insurance or disconnect utilities prior to the close of escrow.

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

TITLE COMPANY	
Name	
Phone #	
Fax #	
Email	
Assistant	
Phone #	
Email	
Address	
City/State/Zip	

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

HOME INSURANCE	
Current Agent	
Phone #	
Policy #	
END Date	

New Agent	
Phone #	
Policy #	
START Date	

Home Warranty	
Plan #	
Policy #	

PHONE SERVICE	
Company	
Phone #	
Account #	
New Phone #	
Deactivation Date	

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? _____

Planning to Sell



So you're planning to sell your home. You have decided on a price, based on current market values, but **your home may sell faster and bring a higher price if it shows well**. Potential buyers will get the best impression if your home is clean, neat, uncluttered, in good repair, light, airy and quiet. Here are a few general guidelines to get your home show ready:



Clean Everything

Cleanliness signals to a buyer that the home has been well cared for and is most likely in good repair. A messy or dirty home can cause prospective buyers to notice every flaw.



Unclutter

Unclutter your home before you show it. Have a garage sale. Empty closets. Throw away what you can't sell. The less "stuff" in and around a home, the roomier it will seem.



Let the Light In

Raise the shades. Open the blinds. Pull back the curtains. Put brighter bulbs in all the lamps (but not bright enough to cause a glare). Bright, open rooms feel larger and more inviting. Dark rooms can feel small and gloomy.



Let Fresh Air In

Get rid of unpleasant odors (tobacco, pets, cooking, and musty or sour laundry). Fresh flowers and potpourri can be used to your advantage. Other smells that attract positive attention might include fresh baked bread and cinnamon.



Paint

A fresh coat of neutral paint can improve the value of a home at a minimal cost, and it's often easier to paint a room than it is to scrub it.



Fix Anything That is Broken

This could include plumbing, electrical systems, switches, windows, screens, doors, squeaky floorboards and fences. If it can't be fixed or replaced consider getting rid of it.

A buyer may make a much lower offer if your house is in disrepair and will probably still insist that everything be fixed before taking occupancy. You're better off if you leave potential buyers no reason to offer less than you are asking.



Send Pets Away

Send your pets away or secure them when prospective buyers are coming. You never know who will be annoyed or intimidated by your pets or even allergic to them.



Send the Kids to Grandma's

Send your kids to grandmas or take them on a walk around the block. Children can become an adorable distraction to someone interested in looking at a home.



Keep Noise Down

Silence is a restful sound that appeals to most everyone. Turn off the TV, but consider soft instrumental music. If necessary, close the windows to eliminate any street noise.

Get Your Home Show Ready

✓ EXTERIOR
Clean around service areas/trash cans
Haul away rubbish
Straighten woodpile
Repair leaky faucets
Clean up pet droppings
Paint or varnish doors
Polish door hardware
Make sure doorbell/knocker works
Paint or replace street numbers on house
Make sure septic tank is odor free
Clean oil stains from driveway/street
Patch/reseal driveway if necessary
Replace, repair, and/or paint any damages:
Plaster
Wood siding
Trim
Rain gutters
Shutters
Doors
Window frames
Glazing
Screens
Hardware
Fences/gates
Outdoor lighting
Landscaping
Mow/edge lawn regularly
Aerate/feed lawn
Overseed bare spots in lawn
Water lawn regularly
Remove/replace dead plants
Prune overgrown/diseased/damaged shrubs
Prune or remove shrubs/trees blocking view from windows (unless view is undesirable)
Stake up any sagging trees/shrubs
Keep flower beds free of weeds
Trim around base of trees/walls/fences
Repair or remove any broken or damaged landscape accessories such as:
Fences
Walls Gazebos
Fountains
Trellises
Planters
Other

Replace any broken stepping stones
Adjust any sprinkler system; repair any broken/leaky heads
Install fences or shrubs to hide any unsightly views
✓ CLEAN/WASH
Siding
Windows
Screen
Outdoor BBQ
A/C Unit
Pool/Spa
✓ CHECK LIGHT BULBS
Porch Lights
Carport
Garage
✓ CLOSETS
Keep closets clean and free of clutter
Throw out or pack away non-essentials
Adjust/repair sliding doors
Lubricate sliding door hardware
Paint, if needed
✓ ALL ROOMS, Clean especially around:
Doors
Windows
Light switches
Baseboards
Chair rails
Wash lace curtains and have draperies cleaned if necessary
Remove or pull back dark curtains
Lubricate window slides (soap for wood silicon or a candle stump for metal)
Make sure doors open smoothly
Clean ceiling light fixtures
Check for cobwebs in all corners
Fix any scratches in wooden floors
Replace worn/broken flooring
Remove or replace worn carpet
Use area rugs where needed
Empty wastebaskets
✓ KITCHEN
Keep dishes and food out of sight
Clean appliances
Clean range hood, including light bulbs
Clean behind appliances
Keep floor clean

Clean light fixture
Make sure all electrical outlets work
Eliminate cooking odors
Deodorize garbage disposal, dishwasher, and refrigerator
Repair faucets
Put fresh shelf paper in cabinets
Organize cupboards
Clean out under sink
Replace garbage disposal gasket to reduce noise
✓ BATHROOM, Keep them spotlessly clean:
Shine mirrors
Keep wastebaskets empty and clean
Clean out cabinets and remove non-essentials
Keep fresh, clean towels on towel racks
Clean shower door – if sliding door, keep track lubricated
Remove soap residue, mildew and mold from sink/tub/shower
Remove stains from porcelain sink/tub/toilet
Replace torn/moldy shower curtain
Clean tile grout
Make sure toilet flushes properly – replace mechanism if necessary
Clean exhaust fan/heater – replace if broken or noisy
✓ GARAGE/CARPORT/SHED
Install 100-watt light bulb
Keep area clean/uncluttered
Hang up/put away tools
Clear away any cobwebs
Remove oil/paint stains from floor
Adjust tension rod to eliminate sag from overhead garage door
Lubricate/adjust/repair garage door opener
Paint if needed
✓ LAUNDRY AREA
Clean out area behind washer/dryer
Eliminate any mildew odors
✓ BASEMENT
Eliminate any signs of dampness
Check for and eliminate cracks
✓ HEATING/AIR CONDITIONING UNIT
Vacuum
Replace filter
Clean intake vent
Remove any stored items

- ✓ Make sure the temperature in your home is comfortable – keep it cooler in the summer and warmer in the winter. If it's cooler outside and you have a fireplace, a nice fire can make your home seem cozy and inviting.
- ✓ Provide a written list of the features of your home.
- ✓ Know the distance to schools and shopping centers.

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.

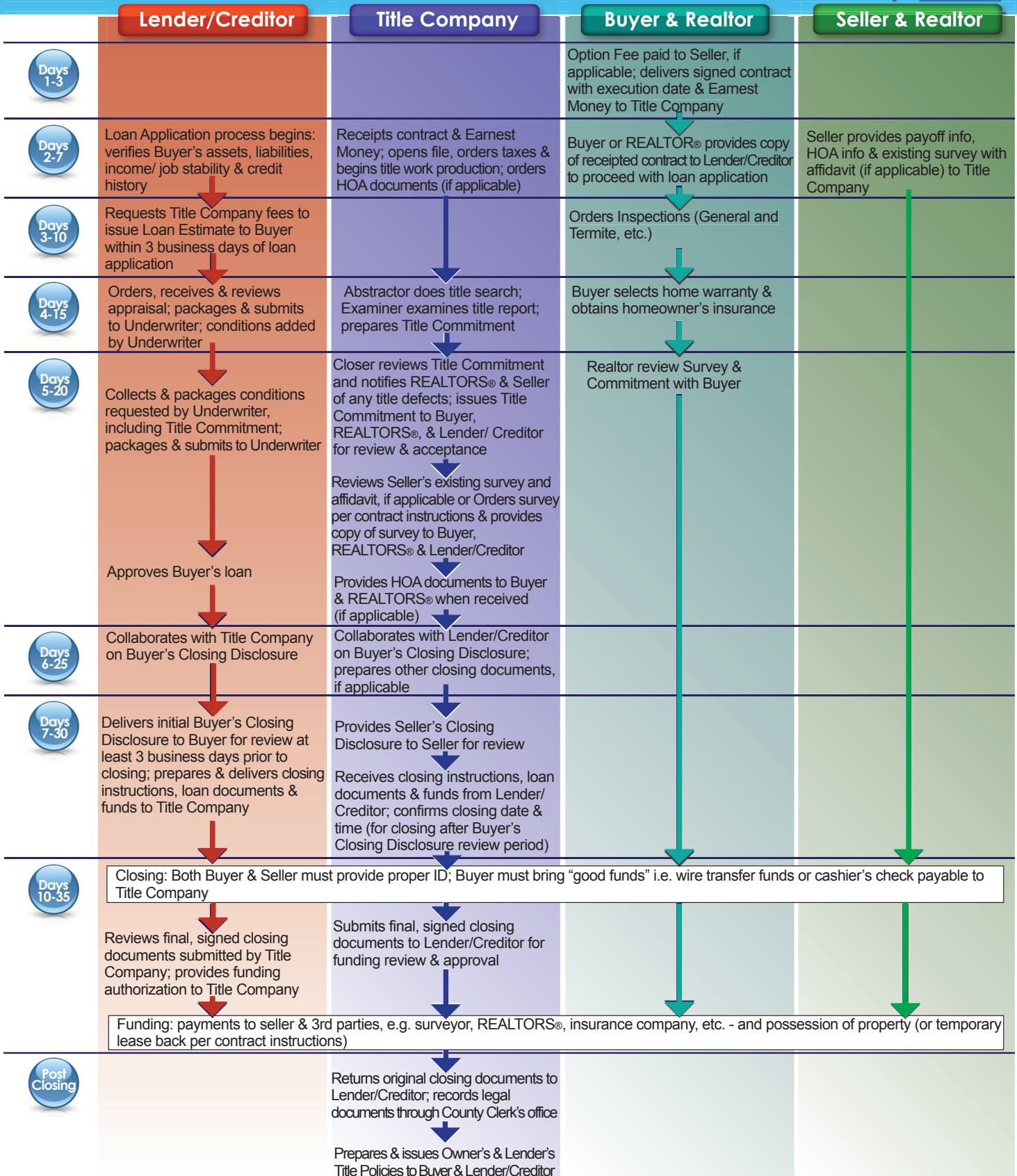
The appraisal value of a home is an important factor in the loan underwriting process. The loan-to-value (LTV) ratio is based on the appraised value and helps the lender figure out how much money may be borrowed and at what terms. If the property does not appraise for the contract purchase price then 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

While your home is being inspected, do not follow the appraiser from room to room causing distraction. Instead, allow the inspection to go smoothly. In the event the appraiser has any questions, be close by to answer them. The time to mention the things you think are important is either before or after the appraisal.

Contract Clarity: Closing Process Overview



Key Professionals to Know

In a Real Estate Transaction



Appraiser

Works on behalf of a lender and provides a market analysis of the subject property. An appraiser's finding is subjective and combined with market findings of sold properties within the surrounding neighborhood.

Buyer's Agent/Broker

Works with the buyer to locate a suitable property and negotiate a successful home purchase.

Escrow/Closing Officer

An unbiased third party who works with all participants to facilitate a successful closing of a real estate transaction. At closing, the closing officer will collect the purchase money funds from the buyer and lender as well as the settlement costs from each party. They disburse the funds in accordance with the HUD-1 settlement statement and record the necessary documents to transfer ownership of the property.

Home Inspector

Objectively and independently provides a comprehensive analysis of a home's major systems and components.

Insurance Agent

Helps a homebuyer determine the homeowner's protection coverage needed and then finds the right insurance policy to fit those needs.

Listing Agent/Broker

Forms a legal relationship with the homeowner to sell the property.

Loan Officer

A financial key professional. They are a representative of a bank or other financial institution. They help customers identify their borrowing options and help them understand the terms of their loan.

Real Estate Agent

Licensed by the state to represent parties in the transfer of property. Every REALTOR® is a real estate agent, but not every real estate agent has the professional designation of a REALTOR®.

Real Estate Attorney

Can give advice on all legal aspects of the real estate transaction. Additionally, they are able to draft and review contracts, help decide how to take title and assist with the closing process. In some states, real estate closings can only be conducted by attorneys.

REALTOR®

A licensed real estate agent and a member of the National Association of Realtors®. They also belong to their state and local association of REALTORS®. When looking for a REALTOR®, the first key professional, the best place to start is by asking friends and neighbors for referrals. Another resource is the Find a REALTOR® search feature on the National Association of REALTORS® (NAR) website.

Title Company

Verifies that the seller has the legal right to sell the property to a buyer. A title company can issue a policy, called title insurance, that protects homeowners and lenders from conflicts (like title claims) that may arise from the property's previous owners.

What is Escrow?

Escrow is a term that describes the **neutral third-party handling of funds, documents, and tasks specific to the closing** (or settlement, as it is also known), as outlined on the real estate purchase agreement or sales contract. The purpose of escrow is to facilitate the transaction by managing the disbursement of funds.



Key Players

In accordance with local custom, the buyer or seller involved in the transaction will select the escrow provider, though they often defer to their real estate agent to make this decision. This provider could be an escrow company, title officer, or title/escrow attorney, depending upon many considerations, including the geographical location of the transaction.



Roles

The escrow provider may have a duty to arrange and/or track the requirements and contingencies outlined within the purchase contract. These might include home inspections, the purchase of homeowners insurance, the completion of negotiated repairs, and financing requirements.



Process

Once all transaction contingencies are met, including the execution of all documents necessary to complete the transaction, the escrow company will disburse funds to the appropriate parties, all in accordance with the purchase agreement.



Cost

The cost of escrow services is covered by the buyer or seller as determined by local custom, market conditions, or contractual agreements made within the purchase offer.



Closing/Consummation

Once all the tasks described within the sales purchase agreement have been completed and the appropriate funds are disbursed, the transaction is complete and the escrow closes.



Tips for a Timely Closing

Although closing procedures vary from state to state, having an **understanding** of what may be required at closing and **preparing** accordingly will help your settlement process go as smoothly as possible.



Mortgages on The Property

Provide detailed information, including loan number and payment address, for all mortgages on the property. Home Equity lines, even if they have a zero balance, will also require detailed mortgage information in order to satisfy the original loan requirements.



Home Warranty

If a home warranty product is being provided and shown on contract, advise the closing/settlement agent of the purchase amount to be collected.



Maintenance Contracts

If there are service contracts on equipment or appliances that the purchaser wants to assume, provide the closing/ settlement agent with a copy of the service contract.



Mobile Notary

If you are unable to attend the closing, notify the title company. Your signature on certain affidavits, real estate deeds and other documents may require the services of a notary.



Internal Revenue Service (IRS)

The closing/ settlement agent is required to report the sale of the property to the IRS. You will need to provide your Social Security number(s) and forwarding address.



Foreign Investment in Real Property Tax Act of 1980 (FIRPTA)

If you are not a United States citizen, the closing/ settlement agent may be required to deduct and withhold a tax equal to 15% of amount realized (generally the amount paid for the property).



Power of Attorney

The use of a power of attorney must be approved in advance of settlement by the closing agent. If you are planning to use a power of attorney, inform the closing/ settlement agent as soon as possible to allow time to properly review the document.



Marital Status

Spouses may be required to sign closing documents even though they do not appear to hold title and their name does not appear on the deed. Spouses must always sign the deed when homestead property is being conveyed, even if they are not in title.



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 Issued by the Official Agency*



Unacceptable Identification

- ✗ Temporary Driver's License
- ✗ Driver's License without a Photograph
- ✗ 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 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 required. If you prefer to wire your funds, contact us for bank routing instructions.



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 selling a property. If anyone is unable to attend closing, contact McKnight Title for arrangements.

CHECKLIST

Closing day is an important milestone. There are several key items that home sellers in Texas should prepare for. Below is a checklist of items to consider if applicable:

- Payoff Authorization to Release Information
- Association/Condo Contact Information
- A Cashier's Check or Wire Transfer
- Power of Attorney (*original needed at closing*)
- Divorce Decree and Quit Claim Deed (*original needed at closing*)
- Court Order from Bankruptcy Court
- Corporation Documents: Board of Resolution,
- Certificate of Good Standing and Articles of Organization
- Death Certificate (*original needed at closing*)
- Prior Owner's Title Policy
- Trust Agreement and Attorney Contact
- Letter of Authority for Probated Estate (*original needed at closing*)
- Limited Liability Company Documents, such as Operating Agreement and Articles of Organization

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 any refunds of deposits
 - 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
- Have appliances serviced for moving
- 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
- Leave any keys needed by new owner – Garage, sheds, mailbox, etc.

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.

✓ Consider Boarding

Consider boarding your pet during the most hectic of moving days. Pets can become anxious with the increase of activity prior to a move.

✓ 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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