

# Buyer's Guide

HOULIHAN LAWRENCE

NEW YORK

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# The Future *of* Real Estate

SINCE 1888

At Houlihan Lawrence, we pride ourselves in being at the forefront of real estate innovation. As the area's longstanding market leader, we are defined by an unmatched dedication to our clients and our communities. We are a company of more than 1,300 agents united around a common belief: that buying or selling a home is more than a real estate transaction. It's a unique opportunity to help individuals realize their dreams and fulfill personal aspirations. It's the special occasion when business partners become neighbors.

In leveraging our global connections and other select international firms, our reach expands from New York City's northern suburbs and the Tri-State area to six continents and 65 countries. We connect buyers to their next home, whether they're around the corner or across the globe.

Being the market leader means never standing still. We continue to harness success by always looking ahead for new opportunities and for better ways to serve our clients.

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# Your Agent is Here to Help

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## THOROUGH MARKET KNOWLEDGE

Our 1,300+ sales professionals have the most thorough knowledge of the real estate markets of New York City's northern suburbs. These agents preview hundreds of homes in order to share their knowledge of local inventory and value to match your criteria.

## MEDIA RESOURCES

Our agents are equipped with cutting edge tools to match our buyers quickly to relevant homes on the market. Our proprietary "InCrowd" mobile app for agents allows for real time communication across the company, giving our buyers an edge with homes that are coming to market.

## GLOBAL RELOCATION

Our Global Business Development Team is internationally recognized for service excellence and expertise in assisting buyers throughout our region and wherever their real estate needs take them.

## PERSONALIZED ATTENTION

Our agents pride themselves on providing a unique homebuying experience to meet your personal goals.

## REFERRAL ABILITIES

Our agents can assist you with referrals for attorneys, mortgage consultants, title services, and licensed home inspectors.



# Factors to Consider When Looking for a Home

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- 1 Define your ideal lifestyle (e.g., suburban or rural).
- 2 Focus on a particular city, town, or geographic location.
- 3 Assess property taxes, common charges, etc.
- 4 Decide whether or not availability and proximity to public transportation is important.
- 5 Consider which architectural style you prefer (e.g., Colonial, Georgian, Contemporary, Ranch or Victorian).
- 6 Determine the number of bedrooms and baths you desire.

# Disclosures to Consider

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*The following are mandated by Federal, New York State or local municipal law. Please consult your attorney for a complete list of laws.*

## LEAD PAINT

Required for dwellings built before 1978. First you will receive a booklet: “Protect Your Family From Lead in Your Home,” then you will receive disclosure and other applicable documents from the seller before contracts are signed, preferably during negotiations. Receipt of this information is acknowledged by signing and dating the appropriate form.

## PROPERTY CONDITION DISCLOSURE

Required for all residential dwellings. The buyer acknowledges receipt of the “Residential Property Condition Disclosure Report” by signing and dating the appropriate form. The purchaser receives information from the seller before the contract is signed. If information is not provided, the purchaser must receive \$500 credit at closing.

## AFFILIATED BUSINESS DISCLOSURES

Required for purchasers working with Houlihan Lawrence. Purchasers acknowledge receipt of information by signing and dating the appropriate form.

## FEMA FLOOD ZONES

Listing agents ask sellers if the property is in a designated flood zone and convey information to the agent working with buyers. This information is conveyed to prospective buyers once an active interest is shown in the property. If in doubt, Federal Emergency Management Agency (FEMA) maps are viewed. Please note: the FEMA maps show areas subject to the highest risk of flooding. They do not, however, identify smaller risk zones such as small streams, risks in rural areas or floods that exceed 100 year flood levels or storm drainage problems. Additional information and flood maps are available at [fema.gov/business/nfip/mscjumppage.shtm](http://fema.gov/business/nfip/mscjumppage.shtm).

## MEGAN’S LAW

For information on Megan’s Law and the presence of convicted sex offenders in communities, visit the NY Attorney General’s website: [www.criminaljustice.state.ny.us](http://www.criminaljustice.state.ny.us) or contact the New York State Division of Criminal Justice Services at 800-262-3257.

## AGENCY DISCLOSURE LAW

As a homebuyer, you have choices regarding the service and representation you receive when working with an agent. Your Houlihan Lawrence agent will present you with the required New York State Agency Disclosure document and answer any questions that you might have. Receipt of this information is acknowledged by signing and dating the appropriate form.

# Home Financing and Loan Pre-Approval

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*In today's competitive real estate market, homebuyers are obtaining a pre-approval for mortgages prior to purchasing a home. Thoroughbred Mortgage loan officers are readily available to assist you in the process of obtaining pre-approval.*

## ADVANTAGES OF LOAN PRE-APPROVAL

- Verifies the purchase price you can afford.
- Prepares you to make an offer on the property you wish to purchase.
- Expedites the buying process.
- Indicates that you are credit-worthy and financially prepared to purchase a home.

## REQUIREMENTS FOR PRE-APPROVAL

The following documents are required by the mortgage representative:

- W-2 forms and federal tax returns from the past two years.
- Pay stubs for the most recent 30 days.
- Two months of financial asset statements.
- Credit report.

## FINANCIAL INFORMATION REVIEWED IN THE PRE-APPROVAL PROCESS

*Assets* – to verify sufficient funds needed to close the loan.

*Credit* – to evaluate your credit history.

*Income* – to certify that you can afford mortgage payments according to your income.

## LOAN PRE-APPROVAL

*Loan Pre-Commitment* – A written guarantee from a lender to provide financing up to a specified amount. This type of pre-approval involves a credit check and verification of assets and income. Then, a review of all property related information (appraisal, title, insurance and contract) by the underwriter will be required to finalize the loan. If you have any questions regarding the pre-approval process or if you would like to obtain a pre-approved loan, a Thoroughbred Mortgage loan officer can assist you.



#### CONSIDER A THOROUGHbred MORTGAGE PRE-APPROVAL

You'll instantly gain a distinct advantage over other house hunters. When you meet with sellers and real estate agents, your pre-approved status tells them that you've got the financial backing to make a deal. It's a position of strength that allows you to negotiate more confidently – and competitively.

#### PRODUCT VARIETY

Apply your pre-approval to almost any type of home loan. Whatever your situation, you'll be expertly matched with a loan that makes sense for you.

#### PRE-APPROVAL

You can close in less time than you ever imagined. With your pre-approval, you're armed with the reassuring knowledge that someone's standing with you to get the deal done. Our loan officers are committed to making your home buying experience a happy one. Whether it's your first time or your tenth, we'll do everything that we possibly can to say, "Yes."



# Mortgage Financing and Buyer's Costs

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## TIPS TO CONSIDER WHEN LOAN SHOPPING

*Make it a point to ask about points.* When responding to an ad or calling a lender to inquire about rates, be sure to check if the quoted interest rate reflects payment of points. Many loan programs allow you to receive a discounted interest rate by paying point or origination fees. One point equals 1% of the loan amount, and the more points you can or wish to pay, the more you can discount your rate. Paying points is not a requirement; it's just an option lenders offer to accommodate the immediate or long-term monthly payment concerns of home mortgage customers.

## BUYERS' COSTS

The following costs may vary according to mortgage amount:

*Interim Interest* – Interest accrued on the mortgage for the number of days remaining in the month of the closing.

*Mansion Tax* – All home sales of \$1,000,000 and over are subject to this NY State tax of 1% of the entire purchase price.

*Mortgage Tax* – A NY State tax between 1.05% and 1.55% of the total mortgage minus the \$30 residential fee exemption.

*Origination Fee* – A fee paid at the time the mortgage application is processed.

*Points* – Each point is a fee equal to 1% of the mortgage amount.

*Private Mortgage Insurance (PMI)* – A premium paid by the buyer to insure the lender if the buyer is borrowing more than 80% of the appraised value of the home.

*Tax and Insurance Escrows* – Lender required funds deposited by the buyer into an escrow account, to be used by the bank to pay the next year's taxes and insurance.

## ADDITIONAL MORTGAGE-RELATED COSTS

The following costs may vary according to mortgage amount:

*Appraisal Fee* – A fee for appraising the value of the property.

*Lender's Attorney's Fee* – A fee paid to the lender's attorney for reviewing the title to the property, resolving any title problems, coordinating the closing, typing the bank papers, attending the closing, dispersing the funds at closing, and ensuring the documents are accurate and properly recorded.

*Credit Report Fee* – A fee for investigating the borrower's credit rating.

*Homeowners Insurance Policy* – An insurance policy listing the lender as the loss payee. The buyer is required to bring a paid receipt for this policy to the closing. Cost will vary according to type of coverage and insurance company.

*Mortgage Recording Fee* – A fee paid to the county clerk's office for mortgage documentation.

*Title Insurance* – A one-time charge to the buyer for insurance that guarantees compensation if the title should prove to be defective (e.g., if the previous owner had a tax lien on the property). Two types of insurance include required coverage of the lender and recommended coverage of the buyer.



THOROUGHBRED MORTGAGE

[thoroughbredmortgage.com](http://thoroughbredmortgage.com)





# Making an Offer to the Seller

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*Once you've found a home you wish to purchase, the next step is to present an offer to the seller. Your agent will assist you in making the offer, which will be delivered to the seller's agent and then to the seller. Negotiations will continue until you and the seller reach an agreement on the offer.*

## TERMS OF AN OFFER

*Down Payment* – The amount of cash you are prepared to invest in the purchase.

*Contingencies* – The two primary types of contingencies are stipulations regarding the mortgage and the home inspections. The mortgage commitment contingency will be satisfied once you have a mortgage commitment in place. Other contingencies include the completion of satisfactory home inspections (e.g., engineering, termite), appraisal, or signed contract.

*Personal Property* – Items that are not fixtures may not be included in the purchase.

*Closing Date* – The date upon which you would like to take the title to the property. This is often an “on or about” date, mutually agreed to by the buyer and seller.

## A STEP-BY-STEP PROCESS FROM OFFER TO CONTRACT SIGNING

*The following documents are required by the mortgage representative:*

1. Obtain a pre-approval from Thoroughbred Mortgage for a loan before making the offer.
2. Perform inspections.
3. Contact a real estate attorney to represent you, thereby facilitating contract execution.
4. Tell your attorney you choose Thoroughbred Title and request they contact them to start the title process.
5. Verify important information such as the property taxes, square footage and certificate of occupancy prior to signing contracts. Your Houlihan Lawrence agent can refer you to the proper sources for this information.
6. Sign contracts in a timely manner.

## AN ACCEPTABLE OFFER

An acceptable offer does not preclude other potential buyers from making another offer on the house. The possibility still exists that another buyer will make a higher offer and/or offer better terms. All offers must be presented to the seller regardless of the stage of the selling process; therefore, buyers are urged to conduct all desired property inspections as quickly as possible and to enter into a fully executed contract. Buyers and sellers are legally bound to one another once all contingencies have been satisfied. An acceptable offer is not binding to either party until the contracts have been signed by both parties and delivered back to the buyer's attorney.



# The Inspection Process

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*It is very important to conduct a thorough inspection of your prospective home. Conduct inspections as soon as possible once your offer has been accepted. If you are purchasing a home that requires significant renovations, multiple inspections may be needed to assess the current condition of the property. Schedule the inspections when you can be present. This will allow you to become familiar with your prospective new home, evaluate its present condition, and decide what repairs will be needed. As of December 31, 2005, the Home Inspection Professional Licensing Act took effect. Real estate licensees may ONLY recommend licensed home inspectors. You may access the following website for a list of licensed home inspectors: [dos.state.ny.us](http://dos.state.ny.us).*

## RECOMMENDED TESTS

*Asbestos* – This mineral fiber was once used for insulation and fire protection. Asbestos fibers released into the air may pose a health hazard. Asbestos in good condition, such as that in ceiling tiles, may not need to be removed, but instead covered and sealed. Any work performed on asbestos must be done by a properly trained and licensed contractor.

*Carbon Monoxide* – This odorless, colorless, and tasteless gas can be fatal if inhaled at sufficient levels. Carbon monoxide in the home is produced from fuel-burning sources such as gas, oil, or wood-fired heating systems. Each home is required by law to have at least one operable carbon monoxide detector on the lowest bedroom level. Compliance will be affirmed at the closing.

*Engineering* – This inspection will assess the major structural elements of the home, out-buildings, and pool, as well as the heating, air conditioning, plumbing, and electrical systems.

*FEMA Flood Zone* – The Federal Emergency Management Agency (FEMA) has generated maps based on flood risk assessments. Information on your area, including local maps and rates, is available at [floodsmart.gov](http://floodsmart.gov).

*Lead Paint* – Paint chips or dust from deteriorating lead paint are toxic and can cause lead poisoning when inhaled or ingested. If the home was built before 1978, the seller must complete a lead paint disclosure form, which will be signed by the buyer acknowledging receipt of the disclosure. A lead disclosure booklet endorsed by the EPA will also be provided to both parties.

*Mold* – The presence of mold could potentially be considered a material property condition, and therefore any knowledge about mold should be disclosed by a property seller to a potential buyer. Effective January 1, 2016, New York State is requiring licenses for mold assessors and mold remediators. A mold assessor can test for mold and prepare a remediation plan, whereas the remediator executes remediation. A company or person cannot be licensed as both an assessor and remediator and the two companies cannot be related in any way. Starting January 1, 2016, real estate agents can only recommend licensed contractors.

*Oil Tank* – Oil tanks of 1,000 gallons or more must be tested for leakage. Be sure to ask if the seller has purchased tank insurance. It is advisable to test all buried oil tanks.



*Pest and Termite* – An inspection will be performed for the presence of all forms of wood-destructive insects in the home and outbuildings. The inspection report should contain a certificate of non-infestation, or information detailing existing damage and recommended treatment.

*Radon* – This invisible, odorless and slightly radioactive gas can seep into a house from soil and rock below the home's foundation. Prolonged exposure to high levels of radon can pose a health hazard. In most cases, if radon is detected, steps can be taken to remedy the problem.

*Septic* – A visual inspection of the septic system area or dye test will often be performed. Since septic systems require routine maintenance, be sure to find out when the system was last pumped out and its condition at that time.

*Smoke Detector* – Confirmation of functioning smoke detectors and compliance with local regulations will be provided by the seller.

*Swimming Pool Enclosures* – According to New York State law, an enclosure shall be provided around outdoor swimming pools which surround the pool and accessory equipment only. Your attorney can furnish you with the particulars.

*Water* – A laboratory analysis will test the quality of the water. This is especially important for homes that have well water. Another test may be performed to determine the capacity of the well. Westchester County requires sellers to test private wells and to present the results to buyers. There are specific term requirements for private well testing in Dutchess County.

# Contract of Sale

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*Contract negotiations begin once the seller has accepted your offer. Alert your attorney to expect the contracts. At this time, the inspections should be complete or near completion.*

## A STEP-BY-STEP PROCESS

1. The listing broker will send a memorandum of the accepted offer to the seller, the seller's attorney, your attorney, and your agent.
2. The seller's attorney will prepare the contract of sale and send it to your attorney, once all property inspections have been completed. In some cases, inspections will take place after the contract has been signed.
3. You will review the contract with your attorney who will then discuss modifications, if any, with the seller's attorney. As the buyer, you will sign the finalized contract and provide the predetermined down payment. The signed contract and down payment check will then be sent to the seller's attorney.
4. The seller will sign the contract and return a fully-executed copy to your attorney.
5. Both parties will satisfy any contingencies that remain in the contract, such as finalizing your financing, or performing any further inspections, and reviewing the title report.

## INCLUDED IN THE CONTRACT OF SALE

*Please note that this is not a complete list, but only a partial one outlining major details included in the contract of sale. Each contract of sale will vary based on the circumstances of the purchase. Your attorney can assist you with any questions you may have regarding the contract.*

- A legal description of the property including boundaries, property size, and address.
- The selling price of the property, the amount of the down payment, and the balance due on closing.
- The specific terms of the financing by personal assets and/or by loans.
- A provision voiding the agreement if the mortgage contingency is not met.
- The target closing date.
- Provisions regarding incomplete inspections.
- A finalized description of personal property that will and will not be included in the sale.
- A clause specifying that the house will be sold in its current condition, unless otherwise noted.
- A stipulation that the sale is conditional upon the seller providing the title and certificate of occupancy.

# Thoroughbred Title Services

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IS THERE ANY  
DIFFERENCE BETWEEN  
TITLE SERVICE  
COMPANIES?

Thoroughbred Title Services is the only full service title agency in New York offering homebuyers title insurance with premiums that are 10% less than its competitors. In 2010, Thoroughbred and Houlihan Lawrence worked together with our underwriter to reduce our title insurance premiums to 10% below the rate table used by all other underwriters in New York. This marked the first time a title insurance company initiated a reduction in title insurance rates in New York State, bringing not only savings to consumers but new transparency to the title insurance industry.

Additionally, we have also reduced the cost of our search and service fees further reducing your closing costs. To date, we have saved over 10,000 local buyers over four million dollars. Use the Closing Cost Calculator on our website to find out how much you can save on your closing costs for your new home purchase.

WHO CHOOSES THE TITLE  
SERVICE COMPANY?

Typically, the buyer's attorney will select the title services provider, often without consulting you, the buyer. However, the choice of title insurance company is yours. Ask your attorney about your title insurance options, including a detailed cost comparison between providers. To get the benefit of our savings, let your attorney know that Thoroughbred Title Services is your title company of choice when you sign contracts with the seller.

WHY DO YOU NEED TITLE  
INSURANCE?

Title insurance is a one-time premium paid when you purchase a home that protects you from financial loss due to defects in real property ownership, including forged instruments, missing heirs, or undisclosed but recorded liens. In the event of a claim, title insurance also pays for legal defense costs to protect your interests. In addition to the owner's title policy, all mortgage lenders require that homebuyers purchase title insurance in the amount of the mortgage.

*Title information provided by Thoroughbred Title Services.*

[ThoroughbredTitleServices.com](http://ThoroughbredTitleServices.com)





# The Closing Process

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*At the closing, you complete the purchase of your new home, and the title to the property is legally transferred from the seller to you, the buyer. Be sure to ask your attorney any questions you may have about this process.*

## PRIOR TO THE CLOSING

- Complete all contingencies stated in the contract of sale.
- Select a title service company – we recommend Thoroughbred Title Services.
- Your attorney will order a title search of the property and the title insurance policy with the company you selected.
- Obtain an updated survey of the property, if warranted.
- Review the preliminary closing statement for information pertaining to closing costs and certified checks.
- Confirm the specific documents you should bring to the closing with your attorney.
- Have your attorney schedule the date, time, and location of your closing with the seller's attorney and the lender's attorney.
- If you are financing your purchase, have your attorney send the required documentation to the lender's attorney.
- Perform a final “walk-through” of the property to ensure it is in satisfactory condition.

## THE CLOSING

*Parties Present* – You and your attorney, the seller and the seller's attorney, the lender's attorney, the title closer, and the agents involved in the closing will be present.

*Calculation of the Adjustments* – The three attorneys and the title closer will review all documents and agree on the calculation of adjustments.

*Responsibilities of Title Closer* – The title closer will:

- collect documents to transfer the property and ensure you get a clear title
- confirm and payoff any mortgages, liens, and judgments presently on the property
- collect any open taxes or otherwise confirm all taxes are paid to date

*Adjustments* – All documents are then signed and any adjustments are made before the seller receives full payment for the home.

*Documents to the County Clerk's Office* – The deed and other required documents are given to the title closer to be recorded at the county clerk's office.

*Keys to the Property* – You will receive the keys to the property.

*Final Closing Statement* – Your attorney will send you a final closing statement for your record once the closing is complete.

## WHAT TO BRING TO THE CLOSING

- Certified check, as indicated by the preliminary closing statement
- Homeowners insurance policy with paid receipt
- Checkbook for closing costs
- Photo identification – driver's license or passport for all borrowers

# Buyer's Closing Costs and Additional Costs

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*The items listed below are a partial list of costs. Consult your attorney and your accountant for clarification.*

## TAXES PAID AT CLOSING

*Reimbursement to Seller for Prepaid Taxes* – The buyer will owe the seller a portion of the property taxes previously paid for by the seller.

*Tax Escrow* – The lender may require the buyer to deposit funds into an escrow account for bank payments of the next year's taxes and insurance.

## MISCELLANEOUS COSTS

*Attorney's Fee* – Your attorney's fee will vary depending on the attorney, and may be billed on an hourly basis or as a preset amount.

*Adjustments or Apportionments* – Fees that are pro-rated to determine the buyer's costs, including adjustments on taxes and on fuel remaining in the tank.

*Survey (if required)* – A fee to survey any major changes to the property.

*Survey Inspection* – A fee for the title company to inspect the existing survey and property.

## INSURANCE COSTS

*Departmental Searches* – A fee for the search of municipal records of the property including violations.

*Endorsements* – A fee for added insurance coverage to the basic title requirement.

*Title Insurance* – A premium paid to ensure the purchaser's clear title and the lender's valid lien on the property. Cost will vary according to purchase price and title company.

*Recording Fee* – A fee paid to the county clerk to record any required documents, including the deed and mortgage.

# Summary

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*The following is excerpted from publications of the National Association of Realtors and from the Westchester Realtor's Guide to Fair Housing and Equal Opportunity Real Estate Practice.*

## 1866 CIVIL RIGHTS ACT

All citizens of the United States shall have the same right in every state and territory, to inherit, purchase, lease, sell, hold and convey real and personal property. On June 17, 1968, in the case of *Jones vs. Mayer*, the United States Supreme Court held that the 1866 law prohibits all racial discrimination, private as well as public, in the sale or rental of property. Thus, any individual who feels he or she has been discriminated against can immediately file a suit in Federal Court. The court can stop the sale of a house or rental of an apartment to someone else or award damages and court costs.

The 1968 Supreme Court decision further held that the 1866 Act protects all individuals against the following:

1. Denial that housing is available for inspection, sale or rent when it really is available.
2. Discrimination in the terms of conditions of sale or rental lease.

## 1968 FAIR HOUSING LAW

Title VII of the Civil Rights Act of 1968 (the Federal Fair Housing Law), declared it a national policy to provide fair housing throughout the United States. This law and subsequent amendments make discrimination based on race, color, religion, sex, or national origin illegal in connection with the sale or rental of most housing and vacant land offered for residential construction or use.

The Fair Housing Law provides protection against the following acts, if they are based on race, color, religion, sex, or national origin:

1. Refusal to sell or rent, or to deal or negotiate with any person.
2. Denial of a loan, or creation of different terms or conditions for home loans, by commercial lenders, such as banks, savings and loan associations, or insurance companies.
3. Discrimination by advertising that housing is available only to persons of a certain race, color, religion, sex, or national origin.
4. "Blockbusting" for profit (i.e., persuading owners to sell or rent housing by telling them that minority groups are moving into the neighborhood).
5. Denial to anyone of the use of, or participation in, any real estate services such as a brokers' organizations, multiple listing services, or other facilities related to the selling or renting of housing.

## NEW YORK STATE LAW

New York State law prohibits discrimination in the sale, rental, or lease of housing accommodation on the basis of race, creed, color, national origin, sex, disability, or marital status by the owner, lessee, sublessee, or managing agent of housing accommodations, or by real estate brokers and salespersons.

The law also prohibits discrimination in:

1. The terms, conditions or privileges of the sale, rental, or lease, or in the furnishing of facilities or services in connection with any housing accommodation.
2. The printing or circulation of any statement or publication or the use of any form of application or publication for the purchase, rental, or lease of a housing accommodation.



The provisions of this paragraph shall not apply: (1) to the rental of a housing accommodation in a building which contains housing accommodation for not more than two families living independently of each other, if the owner or member of his family restricts the rental of all rooms in a housing accommodation to the individuals of the same sex or (2) to the rental of a room or rooms in a housing accommodation, if such a rental is by the occupant of the housing accommodation or by the owner of the housing accommodation, and he or a member of his family resides in such housing accommodation.

#### FAIR HOUSING AMENDMENTS ACT OF 1988

This Act strengthened the enforcement of the 1968 Fair Housing Law. It also provided substantial additional protection for handicapped persons seeking housing and limited restrictions on purchasers or renters on account of age or familial status. Sellers or landlords who would decline to sell or rent to persons on account of handicap or familial status are advised to consult an attorney beforehand.

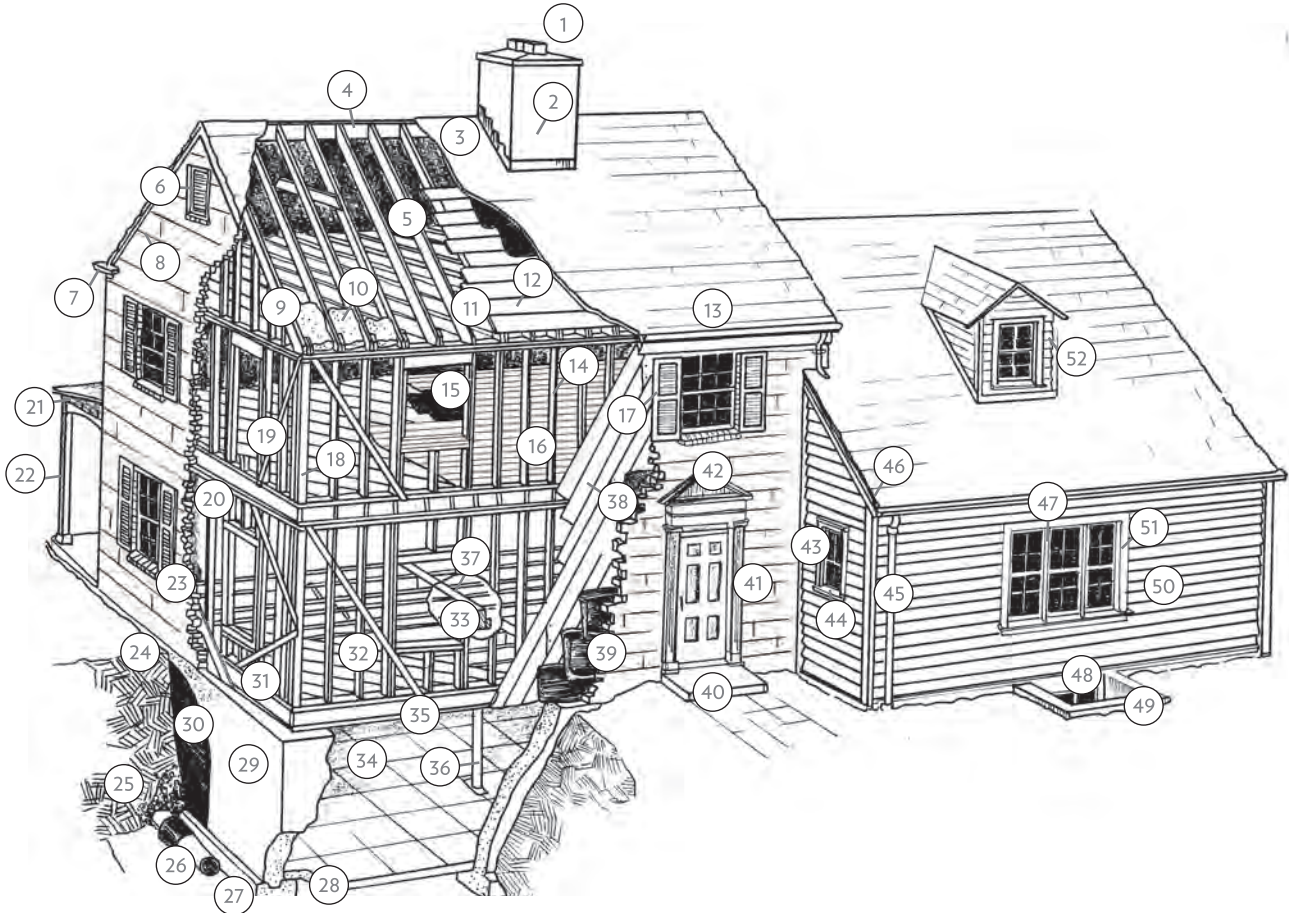
#### ARTICLE 10 OF THE NATIONAL ASSOCIATION OF REALTORS CODE OF ETHICS

REALTORS® shall not deny equal professional services to any person for reasons of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. REALTORS® shall not be parties to any plan or agreement to discriminate against a person or persons on the basis of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. (Amended 1/14)



# Diagram of a House

COMMONLY USED TERMS TO HELP IDENTIFY THE COMPONENTS OF YOUR NEW HOME



- |                                |                                 |                               |                              |
|--------------------------------|---------------------------------|-------------------------------|------------------------------|
| <b>1</b> Chimney flues or pots | <b>14</b> Stud                  | <b>27</b> Footing             | <b>40</b> Stoop              |
| <b>2</b> Chimney               | <b>15</b> Flooring paper        | <b>28</b> Keyway              | <b>41</b> Trim pilaster      |
| <b>3</b> Flashing              | <b>16</b> Finish flooring       | <b>29</b> Foundation wall     | <b>42</b> Pediment door trim |
| <b>4</b> Ridge board           | <b>17</b> Shutter               | <b>30</b> Waterproof membrane | <b>43</b> Double-hung window |
| <b>5</b> Collar beam           | <b>18</b> Corner post           | <b>31</b> Knee brace          | <b>44</b> Windowsill         |
| <b>6</b> Vent; louver          | <b>19</b> Subfloor              | <b>32</b> Bridging            | <b>45</b> Downspout          |
| <b>7</b> Cornice return        | <b>20</b> Lintel; header        | <b>33</b> Floor joists        | <b>46</b> Rake mold          |
| <b>8</b> Brick veneer          | <b>21</b> Porch frieze board    | <b>34</b> Sill plate          | <b>47</b> Mullion            |
| <b>9</b> End rafter            | <b>22</b> Porch post            | <b>35</b> Corner brace        | <b>48</b> Basement window    |
| <b>10</b> Insulation           | <b>23</b> Brick sill            | <b>36</b> Steel column        | <b>49</b> Areaway wall       |
| <b>11</b> Double top plate     | <b>24</b> Grade line            | <b>37</b> Beam; girder        | <b>50</b> Bevel siding       |
| <b>12</b> Roof decking         | <b>25</b> Cinder or gravel fill | <b>38</b> Wall sheathing      | <b>51</b> Window trim        |
| <b>13</b> Gutter               | <b>26</b> Drain tile            | <b>39</b> Building paper      | <b>52</b> Dormer             |

# Glossary of Terms

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## ACCEPTABLE OFFER

An acceptable offer is not binding to either party until the contracts have been signed by both parties and delivered back to the buyer's attorney.

## ADJUSTABLE-RATE MORTGAGE (ARM)

A loan in which the interest rate can adjust up or down according to an interest rate index at set adjustment periods. The initial monthly payments will be lower with an ARM than with a fixed-rate mortgage and payments will fluctuate according to index performance.

## ADJUSTMENT CAP

The maximum percentage the interest rate can go up or down each time it is adjusted.

## ADJUSTMENT PERIOD

The time period between interest rate changes on an ARM. You can select an adjustment period from six months up to ten years.

## AMORTIZATION

The payment of debt in regular installments of principal and interest, reducing the mortgage balance owed.

## ANNUAL PERCENTAGE RATE (APR)

The interest rate reflecting the annual cost of the mortgage annually. It is usually higher than the advertised rate because it takes into account points and other credit costs, allowing comparison of real costs.

## APPRAISAL

An estimate of the current value of a property based upon recent, similar home sales within the area, the current condition of the home, real estate market conditions, and other factors.

## ASSUMPTION OF MORTGAGE

A buyer's agreement to assume liability under an existing note secured by a mortgage or deed of trust. The lender must approve the buyer in order to release the original borrower (usually the seller) from liability.

## BALLOON PAYMENT

A lump sum principal payment due at the end of certain types of mortgages or other long-term loans.

## CERTIFICATE OF OCCUPANCY (CO)

A certificate issued by the municipality's building inspector declaring that the house and any improvements have been constructed in compliance with all applicable state, county, and town codes and confirms that the homeowner has legal permission to use these improvements.

## CLOSING

The meeting during which the deed to the home is legally transferred from the seller to the buyer and final documents involving the sale and its financing are signed.

## CLOSING DISCLOSURE

The financial disclosure summary accounting for all funds received and expended at closing, including deposits for taxes, hazard insurance, and mortgage insurance.

## COMMITMENT

An agreement or written guarantee from a lending institution to provide a loan of a specific amount on specified terms to finance a home purchase.

## CONDOMINIUM

A form of real estate ownership in which the owner has title to a particular unit of a multi-unit complex and also has a proportional interest in certain common areas. The unit's interior surfaces generally serve as boundaries of the owned space.

## CONTINGENCY

A condition agreed upon by both parties that must be satisfied before a contract is binding.

## CONVERSION CLAUSE

A provision in some ARMs offering the option to change the ARM to a fixed-rate mortgage, usually after the first adjustment period.

## COOPERATIVE (CO-OP)

A form of multiple ownership in which a corporation or business trust entity holds title to a property and grants occupancy rights to shareholders by means of proprietary leases or similar arrangements.

## COVENANTS, CONDITIONS, AND RESTRICTIONS

Documents that control the usage, and stipulate the requirements and restrictions of, a property.

## CREDIT REPORT

A report compiled by one or more credit bureaus that details credit history, credit inquiries, and facts about all accounts ever opened with respective credit lines and on-time or late payment behavior.

## DEED

A legal document that transfers ownership of a property (i.e., title) from the seller to the buyer.



## DUE-ON-SALE CLAUSE

An acceleration clause requiring full payment of a mortgage or deed of trust when the secured property changes ownership.

## EASEMENT

A right conferred by grant or agreement that allows use of another owner's land for a specific purpose.

#### ENCROACHMENT

Construction (e.g., a fence, driveway, or building) that intrudes on another owner's property.

#### EQUITY

An owner's financial interest in a property, representing the property's current market value minus the mortgage balance.

#### ESCROW

A procedure in which a third party acts as a stakeholder for both buyer and seller, assuming responsibility for handling the paperwork and the distribution of funds.

#### ESCROW ACCOUNT

An account maintained by the lender to pay for future taxes, hazard insurance, and other items. A portion of your monthly mortgage payment (exceeding principal and interest) is deposited into this account for such usage.

#### FEE SIMPLE

The most comprehensive form of real estate ownership, in which the owner has unrestricted power to dispose of the property as desired, including leaving by will or inheritance.

#### FINANCE CHARGE

The total charge for obtaining a loan, including interest payments, any interim interest paid at closing, origination fee, and other charges levied by the lender.

#### FIXED-RATE MORTGAGE

A mortgage in which the interest rate and monthly payments remain the same over the life of the loan.

#### INDEX

A published rate used to determine changes in the interest rate of an ARM over the term of the loan.

#### INSPECTION

A comprehensive and exhaustive examination of a home by a licensed inspector. Often required as part of a mortgage and home loan process.

#### JOINT TENANCY

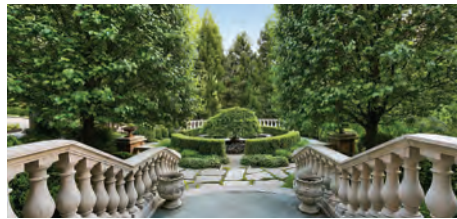
An equal undivided ownership of property by two or more persons. Upon the death of any owner, the survivors assume the decedent's interest in the property.

#### LIEN

A legal hold or claim on property as security for a debt or charge.

#### LIFETIME ADJUSTMENT CAP

The maximum interest rate that can be charged on an ARM.



#### LOAN TO VALUE RATIO (LTV)

The ratio of the loan amount to the value of the property. Different loan programs have different maximum LTVs.

#### MANSION TAX

A NY State tax levied on all home sales of \$1,000,000 and over.

#### MARGIN

The percentage added to the index rate for each interest rate adjustment on an ARM.

#### MORTGAGE LIFE INSURANCE

A life insurance policy whose coverage decreases as the mortgage balance declines. If the borrower dies while the policy is still in force, the debt is automatically covered by insurance proceeds.

#### NEGATIVE AMORTIZATION

An increase in the mortgage balance occurring when monthly payments do not cover the interest cost. The uncovered interest is then added to the unpaid principal balance.

#### ORIGINATION FEE

A fee charged by the lender for work involved in evaluating, preparing, and submitting a proposed mortgage.

#### POINT

A one-time charge equal to one percent (1%) of the total loan amount. Points may be tax-deductible in some cases.

#### PRE-APPROVAL

The commitment a lender makes to a potential borrower of a loan amount based on a completed loan application. This application contains credit reports, income, debt, and savings information. The commitment is subject to the borrower meeting qualification requirements at time of purchase and review of collateral by an underwriter.

#### PREPAYMENT PENALTY

A fee charged to the mortgagor for payment of a loan before it is due.

#### PRIVATE MORTGAGE INSURANCE (PMI)

Insurance written by a private company to protect the lender against loss if the borrower defaults on the mortgage.

#### RATE CAP

The limit of how much the interest rate may change on an ARM at each adjustment and over the life of the loan.

#### RATE LOCK

A guarantee of a specific current interest rate through the closing date if it occurs within a specific time period.

#### REAL ESTATE SALES CONTRACT

A contract for the sale of real estate, in which the purchaser promises to pay the agreed purchase price and the seller agrees to deliver title to the property.

#### SURVEY

A measurement or drawing determining the exact location, boundaries, and other physical features of a property.

#### TERM

The length of time it will take to pay a mortgage in full.

#### TITLE INSURANCE POLICY

A policy that protects the purchaser and/or lender against loss resulting from defects in title.



# Our Services

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## BRANCH OFFICES

Our 30 offices across New York City's northern suburbs comprise the most extensive real estate service in the region. More than just places to work, each is deeply integrated into its community; a home for agents and visitors alike.

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HoulihanLawrence.com



## MORTGAGE

Thoroughbred Mortgage is an independently owned mortgage bank affiliated with Houlihan Lawrence. Dedicated to providing you with a superior customer experience and long term financial security for you and your family, we will find the tailored solution that meets your homebuying or refinancing needs.

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## TITLE

Thoroughbred Title Services helps you save money by passing through closing cost savings directly to you. For the first time in New York State, our underwriter has initiated a 10% discount. Thoroughbred Title Services has streamlined the closing process and reduced service fees by an additional 5% – 16%, for a total savings of 15% – 26%.

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