

BUYER'S GUIDE

TAKING THE LEAP



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exp
REALTY

Smart Living Hawaii Team

Thank you for considering Smart Living Hawaii Team brokered by eXp Realty to help you in the purchase of your property. We hope you find this buyer's guide helpful and informative and please don't hesitate to ask any questions along the way.

We are a partnership and have worked together as a team and come to you with over 65 years of real estate experience here on Oahu. We service Oahu and the Hawaii island and have great REALTOR® connections statewide, nationally and internationally. We are members of the Honolulu Board of REALTORS® as well as the Hawaii and National Associations of REALTORS®. Our agents abide by the REALTORS® Code of Ethics. These ethical standards of professional behavior are more stringent than the minimum standards prescribed by law. And we believe that honesty and integrity are of primary importance in our relationships with our clients, customers, and colleagues.

We bring very unique attributes to our partnership, our company and to you, our clients. Yumi's 45 years as a seasoned Broker agent, has extensive experience as a Broker-in-Charge, a mentor/coach for many agents over the years will give you the confidence in our abilities and expertise to assist you in finding your perfect home here in Hawaii. Christina's energetic and executing persona offers you the pulse of the real estate market. She closely monitors the business environment in Hawaii, nationally and internationally to keep on top of the trends and the future. She excels in building relationships through her networking, social media, blogging, podcasts, video and marketing strategies. She has recently started a nonprofit reaching Millennials, the Generation X and Active Baby Boomers: www.SmartLivingHi.org that also connects with our Facebook and our [Instagram](#) accounts, handle @smartlivinghawaii_org and [Podcast](#): <https://www.smartlivinghi.org/podcast>. Please visit our Smart Living site, Facebook, Instagram and/or Podcast pages and see the innovative platforms we integrate into our business plan to elevate our marketing, services and personal touch to you all. Last but not least, Ryan's skill set lies in marketing, interior design, fundraising and partnerships. He is attentive, thorough and creative with all he pursues.

Our primary goal is to assist our clients with their real estate endeavors and we are committed to ensuring our clients' real estate experience goes beyond their expectations. We truly believe in building a genuine relationship with you and look forward to the opportunity to assist you in finding the home of your dreams here in Hawaii or overseas! Thank you again and we look forward to working with you!

Sincerely,

Yumi, Christina & Ryan



Smart Living Hawaii Team



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Meet Our TEAM

Christina Laney Mitre

SMART LIVING HAWAII TEAM
FOUNDER & TEAM LEAD

REALTOR®-ASSOCIATE
CRS, GREEN, SRES
RS-67243

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CHRISTINA@LANEYRE.COM



Over seventeen years as a Hawaii Realtor and Smart Living Hawaii Team's innovator and lead, she is focused on building out her team statewide. She is passionate about developing sustainable communities, green and healthy homes and luxury high performance homes. She devotes most of her free time to the community through volunteering on boards like Catholic Charities Hawaii and the Eco Rotary Club of Kaka'ako. In addition to serving at her church, Inspire Church and numerous nonprofits that support Hawaii's Sustainable Initiatives, she started Smart Living Hawaii Foundation in 2017.



She is a podcast host interviewing sustainable leaders of Hawaii and a blogger on Green and Regenerative Real Estate. She is married with two beautiful children and enjoys the outdoors, especially trail running, hiking & ocean activities. Whether it's a eco service project planting trees, cleaning water sources, removing tons of trash, composting or farming, she brings the community together through volunteerism. Don't be surprised if she invites you to join in on one of her adventures. Just say yes, you will be happy you did!

Meet Our TEAM

Yumi Lanez

SMART LIVING HAWAII TEAM
PARTNER

REALTOR®
CRB, CRS, GREEN, GRI, RENE, SRES
RS-10898

808.371.9906
YUMI@LANEYRE.COM



Throughout her 43+ years in real estate, Yumi has successfully sold homes from Waikiki to Windward Oahu and Waianae to Hawaii Kai. Whether a first-time buyer or a seasoned property owner, Yumi is committed to serve with professionalism and integrity. Her expertise in marketing, contract negotiations and escrow follow-up, financing, and other related areas ensures timely transactions for her many satisfied clients - both buyers and sellers in all price ranges.

Yumi began her real estate career in 1978 and obtained her broker's license in 1980. She earned the designations of Graduate Realtors Institute (GRI), Certified Residential Specialist (CRS), Senior Real Estate Specialist (SRES)



and Green Designation (GREEN)). She is a member of the National and Hawaii Association of Realtors, and the Honolulu Board of Realtors. Yumi also served on the Board of Directors of the Honolulu Board of Realtors, Kahala Associates and was the Broker-In-Charge at LIST Sotheby's International Realty. Acknowledged as one of Hawaii's Top 100 Realtors, Yumi is also a Corporate Relocation Specialist who assisted many families with their move to the islands.

Yumi was born in Hiroshima City, Japan and is a graduate of the University of California in Santa Barbara. Her interests are traveling, reading, church and family activities. Hawaii was a natural place for Yumi to settle with her husband Rick and their children, Christina and John-David.

Meet Our TEAM

Ryan Naka

SMART LIVING HAWAII TEAM
PARTNER

REALTOR®-ASSOCIATE

RS-67243

808.724.9357

RYAN@RYANNAKA.COM



Ryan was born and raised in Hawai'i and a proud graduate of the Kamehameha Schools. Ryan comes from a long line of judges, attorneys, and business owners. This sense of entrepreneurship continues through Ryan and his businesses. He is a partner with the Smart Living Hawaii Real Estate Team, and Founder of American Campaign Finance.

Giving back to the community is very important to Ryan as he serves as Director of Philanthropy & Marketing for Project Vision Hawai'i, a state-wide nonprofit committed to increasing access to health

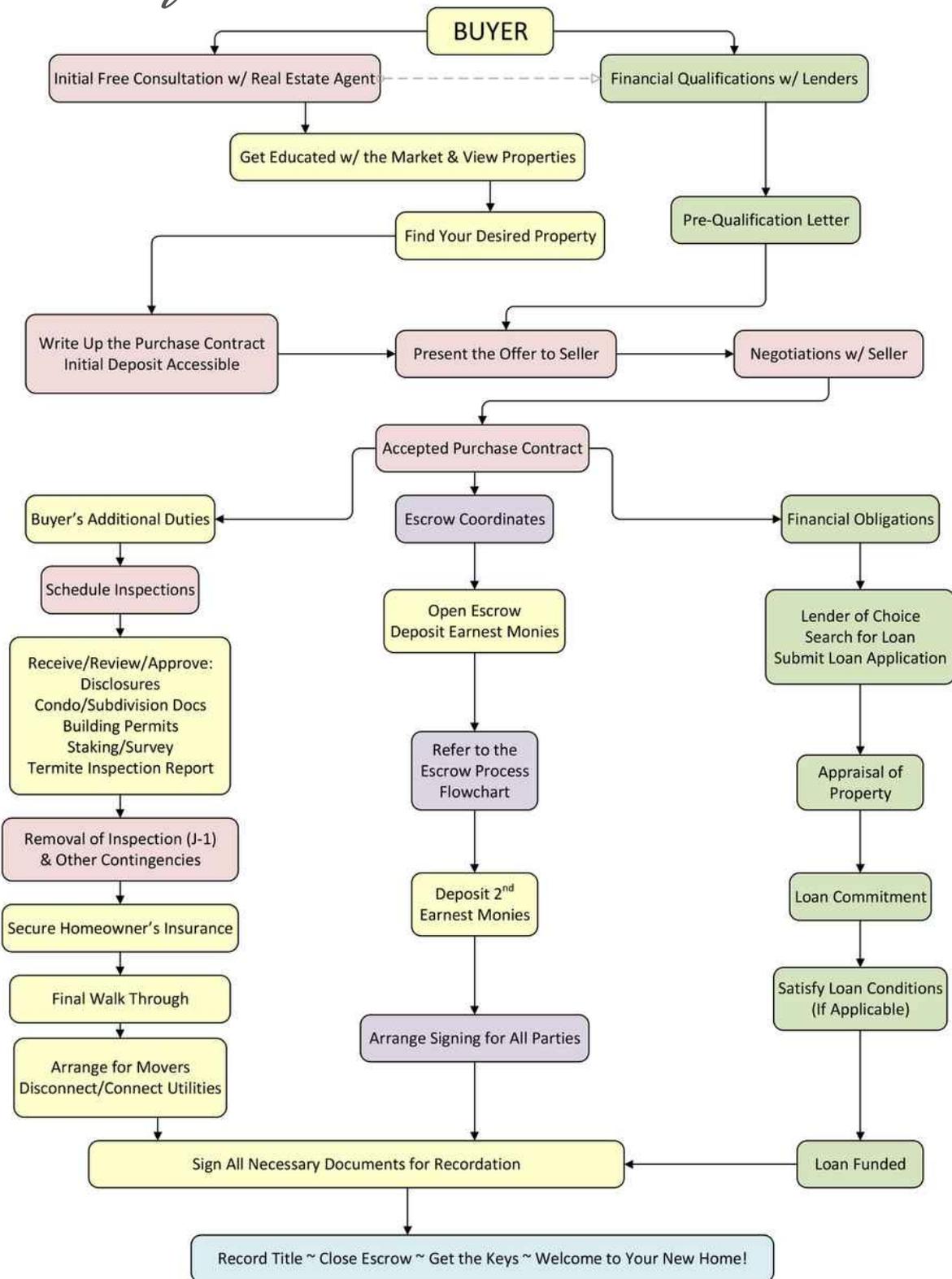


and human services for access-challenged communities and vulnerable populations. Ryan also serves as a board member for Lima No'eau Career Academy, a newly-emerging charter school which aims to bring world-class education to students who face barriers to a quality learning experience.

Ryan brings his passion for building relationship and exceptional services to every client he encounters.

WHAT TO EXPECT

Buyer's Flow Chart



CLOSING COSTS

Buyers vs Sellers

Closing costs encompass the additional funds necessary to finalize the home sale transaction. These expenses include fees associated with securing your loan, charges from the escrow company, and prorated ownership costs such as property taxes, insurance, and maintenance fees. Let's work together with your lender to avoid any surprises related to these expenses.

Depending on the type of loan you are obtaining and the market, certain concessions can be made between buyers and sellers. For example, a VA loan has non-allowable fees that the veteran cannot pay. Therefore, the lender/seller would need to cover those costs. Another example would be where a seller would offer concessions to make their listed property more attractive to buyers.



Typical Buyer Fees

- 40% of title insurance premium
- 50% of escrow fees
- Cost to draft mortgage, note or agreement of sale
- All costs associated with obtaining loan, including origination fees
- Document preparation and recording costs
- Condominium or association transfer fees and prorated monthly fee
- Prorated property taxes
- Appraisal
- Home inspection

Typical Seller Fees

- 60% of title insurance premium
- 50% of escrow fees
- Real estate commissions (buying & listing agents)
- Document preparation and recording costs
- Prorated association fee
- Prorated property taxes
- Costs for survey
- Termite inspection report (TIR) & any required remedy
- Conveyance taxes
- HARPTA or FIRPTA (withholding taxes)

PREPARING TO BUY

Calculating Closing Costs

Property Address: _____
 Purchase Price: \$ _____ Earnest Money Deposit (1st & 2nd) : \$ _____ / \$ _____
 Balance of Down Payment: \$ _____ Mortgage Loan Amount: \$ _____

Mortgage Loan Costs:

Appraisal	\$ _____
Credit Report	\$ _____
Loan Fees	\$ _____
Document Fees	\$ _____
Notary Fees	\$ _____
Interest Reserves	\$ _____
Real Property Tax Reserve	\$ _____
Private Mortgage Insurance	\$ _____
Other	\$ _____

Escrow & Recording Costs:

Escrow Fees	\$ _____
Notary Fees	\$ _____
Certificate of Title	\$ _____
Recording Lease & Mortgage	\$ _____
Title Insurance	\$ _____
Other	\$ _____

Other Costs:

_____	\$ _____
_____	\$ _____
_____	\$ _____

TOTAL ESTIMATED CLOSING COSTS: \$ _____

TOTAL DOWN PAYMENT AND CLOSING COSTS: \$ _____

ESTIMATED MONTHLY PAYMENT \$ _____

Interest Rate @ _____ % \$ _____

Maintenance/Association Fees \$ _____

Property Taxes \$ _____

Lease Rent \$ _____

Other: \$ _____

TOTAL \$ _____

The above figures are estimates; prorations of property taxes, lease rent, and extraordinary expense are not included. This information, while deemed to be from reliable sources, cannot be guaranteed.

FREQUENTLY ASKED

Financial Questions



WHAT IS THE DIFFERENCE BETWEEN "PREQUALIFIED" AND "PREAPPROVED?"

A prequalification consists of a discussion between a home buyer and a loan officer. The loan officer collects basic information regarding the customer's income, monthly debts, credit history and assets, and then uses this information to calculate an estimated mortgage amount for the home buyer. The prequalification is not a full mortgage approval, but estimates what a home buyer can afford.

A pre-approval, on the other hand, is a comprehensive approach using basic information as well as electronic credit reporting. Pre-approvals, in most cases, are true mortgage commitments. The lender commits to financing your home and indicates the total mortgage amount available to you.

WHAT TYPES OF MORTGAGE PROGRAMS ARE OFFERED?

Currently, there are over 50 different mortgage products available, including.

- 15, 20 and 30-year fixed rate loans adjustable rate loans
- new construction financing
- VA and FHA loans
- 5 and 7 -year balloon loans
- and many more

HOW LONG DOES IT TAKE TO PROCESS A MORTGAGE APPLICATION?

Usually about 45 to 60 days, although it can take as few as seven days and as long as 90 days for some transactions. The actual time depends on how quickly the lender can get an appraisal of the property, a credit report and verification of employment and bank accounts.

FREQUENTLY ASKED

Financial Questions

WHAT DOCUMENTS WILL I HAVE TO PROVIDE?

Be prepared to provide verification of income (including a pay stub and recent tax returns), bank account numbers and details on your long-term debt (credit cards, auto loans, child support, etc.). If you're self-employed you may also be required to provide financial statements for your business. In recent years, lenders have been required to obtain more specific information from borrowers in order to package and sell loans to investors. If you were lending someone such a large amount of money, you'd want detailed financial information.

COULD ANYTHING DELAY APPROVAL OF MY LOAN?

If you provide the lender with complete, accurate information, everything should go smoothly. You may face a delay if the lender discovers credit problems—a history of late payments or nonpayment of debts, or a tax lien. You may then be required to submit additional explanations or clarifications. You should also be sure to notify your lender if your personal or financial status changes between the time you submit an application and the time it's funded. If you change jobs, get an increase (or decrease) in salary, incur additional debt or change your marital status, let the lender know promptly. You may be delayed if the home you selected fails to appraise for the agreed purchase price.

WHAT'S INCLUDED IN MY HOUSE PAYMENT?

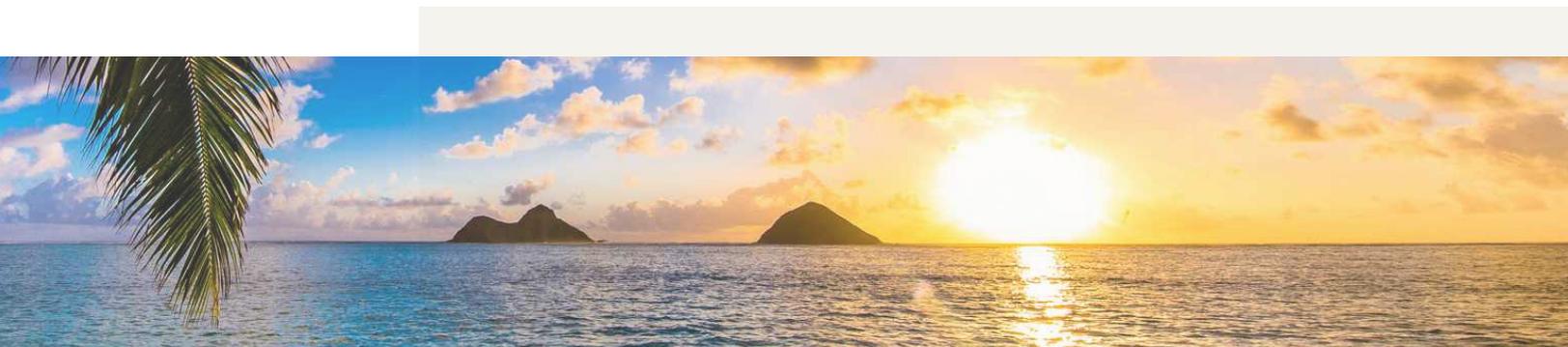
Principal and interest on your loan. Depending on the terms of your loan, the payment also may include hazard (homeowners) insurance, mortgage insurance and property taxes.

CAN I PAY THOSE OTHER THINGS SEPARATELY?

Not if it's an FHA or VA-insured loan. With most other loans, you can pay your own taxes and insurance if you borrowed no more than 80 percent of the purchase price or appraised value of your home. Check with your lender to be sure.

WHEN DO MY MORTGAGE PAYMENTS START?

Usually about 30 days after closing. The actual date of your first payment will be included in your closing documents.





**TITLE GUARANTY
HAWAII**

TITLE & TENANCY

	Tenancy in Severalty	Tenancy in Common	Joint Tenancy	Tenancy by the Entirety
TENANCY DEFINITION	Property held by one party, severed from all others.	Property held by 2 or more persons, with no right of survivorship.	Property held by 2 or more individuals (no corporations, partnerships, etc). Includes right survivorship.	Property held by a married couple or Hawaii registered Reciprocal Beneficiaries. Includes right of survivorship.
CREATION OF THE TENANCY	Any transfer to one party.	By express act; also by failure to express the tenancy.	Express intention plus 4 unities of time, title, interest and possession (with statutory exception)	Express intention. When terminated, automatically defaults to Tenancy in Common when the following event occurs: Divorce of a married couple: termination of a reciprocal beneficiary relationship; dissolution of a civil union.
POSSESSION	Total	Equal right of possession.	Equal right of possession.	Equal right of possession.
TITLE TO THE PROPERTY	One title in one property.	Each co-owner has a separate legal title to his undivided interest; will be equal interests unless expressly made unequal.	One title to the whole property since each tenant is theoretically deemed owner of whole; must be equal undivided interests.	One title in the tenancy unit.
CONVEYANCE OF INTEREST	No restrictions (check re-lease of martial rights, if any).	Each co-owner's interest may be conveyed separately by its owner; purchaser becomes tenant in common.	Conveyance if 1 co-owner's interest other breaks his tenancy; purchaser becomes tenant in common.	Cannot convey w/o the tenant.
EFFECTS OF DEATH ON THE TENANCY	Entire property subject to probate.	Decedent's fractional interest subject to probate. The property passes, by will to devisees or to the heirs, who take as tenants in common. No survivorship rights.	No probate - cannot be disposed of by will; property automatically belongs to surviving co-tenants (last one holds in severalty).	Right of survivorship - no probate.
CREDITOR'S RIGHTS	Subject to creditor's claims.	Co-owner's fractional interest may be sold to satisfy a creditor who then becomes tenant in common.	Joint tenancy is broken and purchaser becomes tenant in common. Creditor gets nothing (as to the property) if debtor tenant dies before sale.	A judgment creditor only of both tenants can execute on property. Federal liens may attach to the property.

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SMART LIVING HAWAII TEAM

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BUYER'S GUIDE

HOME PREFERENCES

Buyer Worksheet

BUYER NAME: _____ BUYER NAME: _____

EMAIL: _____ EMAIL: _____

PHONE: _____ PHONE: _____

MAILING ADDRESS: _____

DESIRED LOCATION
Look and feel of preferred area.

PRICING & FINANCING
What is your price range? If you need financing, are you pre-qualified yet?

TIMEFRAME
Do you need to sell a current home? Are you leasing? When does your current lease end?

INTERIOR
Number of Bedrooms? Bathrooms? Total square feet? Other interior requirements?

EXTERIOR
Lot size? Garage? Pool? Pet needs? Other exterior requirements?

HOME SEARCH

Getting Started

Understanding your preferences is crucial when embarking on a home search. Often, new homebuyers are captivated by idealized features showcased on television or Pinterest, causing them to view listed homes through a romanticized lens. Ask yourself: is a farmhouse sink truly essential for your happiness in choosing a home?

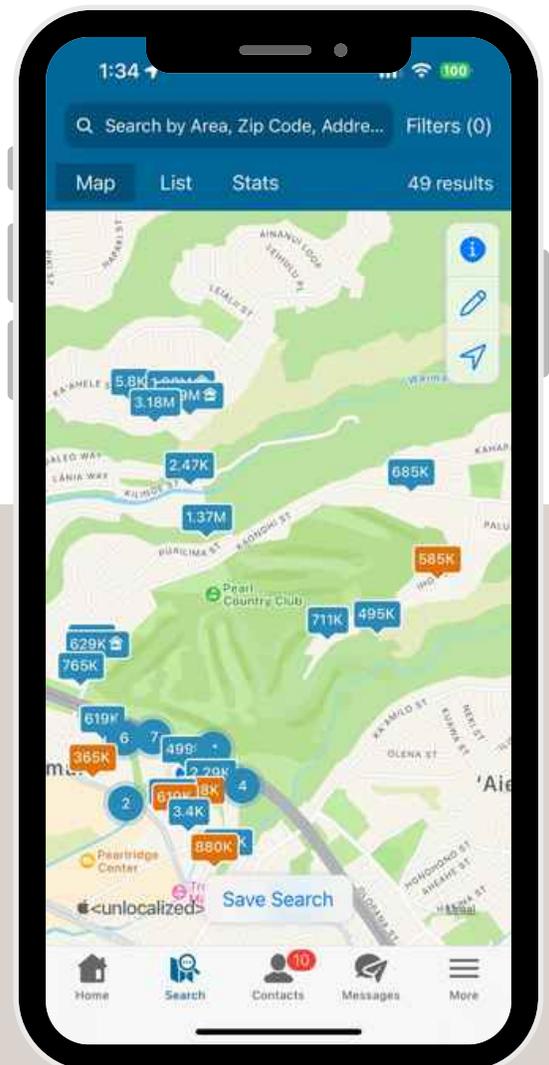
Visiting open houses are highly recommended because it gives you an opportunity to see what the homes layout feels like and also see how you like the surrounding neighborhood. Remember to wear footwear you can easily slip on and off. We will be happy to put together a list of open houses for you. We can attend with you, or you can go on your own. It's typical for agents that are hosting an open house to ask you to sign-in. Let the host agent know that we are your realtors – this will let them know you are already represented.

After pre-approval, the next step is to list all of the features of a home that you would like, and to qualify them as follows:

MUST-HAVES - Your non-negotiable's when purchasing a home

SHOULD-HAVES - Things you want in a home, but could live without or add later

WISH LIST - Things you don't expect in a home, but its a great bonus



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Christina's app



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Ryan's app



FIRST TIME HOME BUYERS

Hawaii HomeOwnership Center



SMART LIVING HAWAII'S COMMITMENT TO YOU

The Smart Living Hawaii Team is dedicated to assisting first-time homebuyers, especially Kama'aina, in their journey to purchase a home in Hawaii. Despite the high home prices in the islands, we partner with organizations like Hawaii HomeOwnership Center, which support first-time buyers in realizing their dream of owning a home.

As a valued client, we want to invest in YOU and are proud to offer you a lifetime membership with the Hawaii HomeOwnership Center, including self-paced educational classes that prepares buyers like you.



Hawaii HomeOwnership Center's home-ownership preparation program provides classes, homeownership coaching, and post-purchase services (workshops and coaching for homeowners). The one-time lifetime membership fee is for life and covers everyone in the "buying unit" or intended household.

HOME BUYER EDUCATION CLASS OPTIONS:

They have 2 vehicles for the home-buyer education class - the live sessions (live instructor at scheduled times via Zoom - so the classes are not in-person) are provided in segments and you can click here for the page or use the home page link I provided earlier and scroll down past the picture of the man with his son and click on the button "Homebuyer Class Registration - Webinars for Members".

<https://bit.ly/HHOC-classes>

If the live sessions don't work for you, the self-paced option is an alternative where you would log into the Framework course (website you can log in/out of at your convenience - there are chapter tests and you would need to complete a follow up session with one of the HHOC staff to get the completion certificate and receive local information about the purchase process).

GETTING STARTED:

After you decide on which homebuyer education course is best for you, please contact us and we will sign you up for your lifetime membership with Hawaii HomeOwnership Center - We will cover the cost for the membership & educational classes!

Email us at info@smartlivinghi.com to learn more and sign up.

A Buyer Representation Agreement is a legal document that formalizes your working relationship with a particular buyer's representative, detailing what services you are entitled to and what your buyer's rep expects from you in return. While the language used in the document is formal, homebuyers should view it as an important and helpful tool for clarifying expectations, developing mutual loyalty, and most importantly, elevating the services you will receive.

1. **Receive a higher level of service.** If you've formalized an agency relationship with a buyer's rep, you can expect to be treated like a client instead of a customer. What's the difference? Clients are entitled to superior services, relative to customers. While the details vary from state to state, and from one buyer's agent to another, you can generally assume that being a client means that you've formed a fiduciary, or agency, relationship with your buyer's rep.
2. **Get more without paying more.** Oftentimes the listing broker has already agreed to pay a buyer's broker's commission. If they haven't, you can ask your buyer's rep to avoid showing you any such homes. Or you can still view the home, knowing that you'll need to factor your broker's commission into any offer you may write.
3. **Avoid misunderstandings.** A Buyer's Representation Agreement clarifies expectations, helping you understand what you should and shouldn't expect from your buyer's rep, and what they will expect from you, which usually centers on loyalty.
4. **Agency relationships are based on mutual consent.** While most representation agreements specify a time period, they can be terminated early if both parties consent. Most buyer's reps are willing to end the agreement early if the working relationship isn't going well. Some buyer's reps also offer representation agreements for as little as one day, for the purpose of giving both parties a brief trial period to explore working together.
5. **Strength as a team.** When you and your buyer's rep work together within a formalized agency relationship, you have created a team dedicated to helping you achieve the best possible home-buying experience.

Provided by the National Association of Realtors, Accredited Buyer's Representative



BUYER'S REP *Agreement*

If you've started looking for a home—and a real estate professional to assist you—your buyer's representative may ask you to sign a Buyer Representation Agreement. What is this form? Why should you sign it?

GLOSSARY

- Adjustable Rate Mortgage (ARM): A mortgage with an interest rate that changes over time in line with movements in the index. ARMs are also referred to as AMLs (adjustable mortgage loans) or VRM (variable rate mortgages)
- Adjustment Period: The length of time between interest rate changes on an ARM. For example, a loan with an adjustment period of one year is called a one-year ARM, which means that the interest rate can change once a year.
- Amortization: Repayment of a loan in installments of principal and interest, rather than interest-only payments.
- Annual Percentage Rate (APR): The total finance charge (interest, loan fees, points) expressed as a percentage of the loan amount.
- Appraisal: An estimate of the property's value.
- Assumption of Mortgage: A buyers' agreement to assume the liability under an existing note that is 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 some mortgages or other long-term loans.
- Binder: Sometimes known as an offer to purchase or an earnest money receipt. A binder is the acknowledgment of a deposit along with a brief written agreement to enter into a contract for the sale of real estate.
- Buydown: Permanent-prepaid interest that brings the note rate on the loan down to a lower, permanent rate. Temporary-prepaid interest that lowers the note rate temporarily on the loan, allowing the buyer to more readily qualify and to increase payments as income grows.
- Cap: The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.
- Cash Reserves: The amount of the buyers liquid cash remaining after making the down payment and paying all closing costs.
- CC&Rs: Covenants, conditions and restrictions. A document that controls the use, requirements and restrictions of a property
- Certificate of Commitment: The lenders approval of a VA loan, which is usually good for up to six months.
- Certificate of Reasonable Value (CRV): A document that establishes the maximum value and loan amount for a VA guaranteed mortgage.
- Chattel: Personal property
- Closing Statement: The financial disclosure statement that accounts for all of the funds received and expected at the closing, including deposits for taxes, hazard insurance, and mortgage insurance.
- Condominium: A form of real estate ownership where the owner receives title to a particular unit and has a proportionate interest in certain common areas. The unit itself is generally a separately owned space whose interior surface (walls, floors and ceilings) serve as its boundaries.
- Contingency: A condition that must be satisfied before a contract is binding. For instance, a sales agreement may be contingent upon the buyer obtaining financing.
- Conversion Clause: A provision in some ARMs that enables home buyers to change an ARM to a fixed rate loan, usually after the first adjustment period. The new fixed rate is generally set at the prevailing interest rate for fixed rate mortgages. This conversion feature may cost extra.
- Cooperative: 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.
- CRB: Certified Residential Broker. To be certified, a broker must be a member of the National Association of Realtors, have five years experience as a licensed broker and have completed required Residential Division courses.
- CRS: Certified Residential Specialist.
- Debt Ratios: The comparison of a buyer's housing costs to his or her gross or net effective income, and the comparison of a buyer's total long-term debt to his or her gross or, net effective income. The first ratio is housing ratio; the second ratio is total debt ratio.
- Due-On-Sale Clause: A clause that requires a full payment of a mortgage or deed of trust when the secured property changes ownership.
- Earnest Money: The portion of the down payment delivered to the seller or escrow agent by the purchaser with a written offer as evidence of good faith.

GLOSSARY

- Escrow: A procedure in which a third party acts as a stakeholder for both the buyer and the seller, carrying out both parties' instructions and assuming responsibility for handling all of the paperwork and distribution funds
- Equity: The difference between what is owed and what the property could be sold for.
- FHA Loan: A loan insured by the Federal Housing Administration (of the Department of Housing and Urban Development) .
- Federal Home Loan Mortgage Corporation (FHLMC): Called "Freddie Mac"; a part of the secondary market, particularly used to purchase loans from savings and loan lenders within the Federal Home Loan Bank Board
- Federal National Mortgage Association (FNMA): Popularly known as "Fannie Mae." A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by the VA, as well as conventional home mortgages.
- Fee Simple: An estate in which the owner has unrestricted power to dispose of the property as he wishes, including leaving by will or inheritance. It is the greatest interest a person can have in real estate
- Finance Charge: The total cost a borrower must pay, directly or indirectly, to obtain credit according to Regulation Z.
- Fixed Rate Mortgage: A conventional loan with a single interest rate for the life of the loan.
- Fully Indexed Rate: The maximum interest rate on an ARM that can be reached at the first adjustment.
- Gift Letter: A letter from a relative stating that an amount will be gifted to the buyer, and that said amount is not to be repaid.
- Government National Mortgage Association (GNMA): Called "Ginnie Mae"; a governmental part of the secondary market that deals primarily in recycling VA and FHA mortgages, particularly those that are highly leveraged
- Graduated Payment Mortgage: A residential] mortgage with monthly payments that start at a low level and increase at a predetermined rate
- GRI: Graduate, Realtors Institute A professional designation granted to a member of the National Association of Realtors@ who has successfully completed courses covering Law, Finance and Principles of Real Estate.
- Home Inspection Report: A qualified inspector's report on a property's overall condition. The report usually includes an evaluation of both the structure and mechanical systems.
- Home Warranty Plan: Protection against failure of mechanical systems within the property Usually includes plumbing, electrical, heating systems and installed appliances.
- Home Warranty Plan: Protection against failure of mechanical systems within the property Usually includes plumbing, electrical, heating systems and installed appliances.
- Index: A measure of interest rate changes used to determine changes in an ARM's interest rate over the term of the loan.
- Initial Interest Rate: The introductory interest rate on a loan; signals that there may be rate adjustments later in the loan.
- Joint Tenancy: An equal undivided ownership of property by two or more persons. Upon the death of any owner, the survivors take the decedent's interest in the property
- Jumbo Loans: Mortgage loans that exceed the loan amounts acceptable for sale in the secondary market; these jumbos must be packaged and sold differently to investors and therefore have separate underwriting guidelines.
- Lien: A legal hold or claim on property as security for a debt or charge.
- Loan Commitment: A written promise to make a loan for a specified amount on specified terms.
- Loan- To- Value-Ratio: The relationship between the amount of the mortgage and the appraised value of the property, expressed as a percentage of the appraised value.
- Lock-in: The fixing of an interest rate or points at a certain level, usually during the loan application process. It is usually done for a certain period of time, such as 60 days, and may require a fee or premium in the form of a higher interest rate.
- Margin: The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.
- Mortgage Life Insurance: A type of term life insurance often bought by home buyers. The coverage decreases as the mortgage balance declines. If the borrower dies while the policy is in force, the mortgage debt is automatically covered by insurance proceeds.

GLOSSARY

- **Negative Amortization:** Occurs when monthly payments fail to cover the interest cost. The interest that isn't covered is added to the unpaid principal balance, which means that even after several payments the borrowers could owe more than they did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that aren't high enough to cover the interest.
- **Origination Fee:** A fee or charge for work involved in evaluating, preparing, and submitting a proposed mortgage loan. The fee is limited to 1 percent for FHA and VA loans.
- **Payment Cap:** The maximum amount the payment can adjust in any given time frame.
- **PITI:** Principal, Interest, Taxes and Insurance.
- **Planned Unit Development (PUD):** A zoning designation for property developed at the same or slightly greater overall density than conventional development, sometimes with improvements clustered between open, common areas. Use may be residential, commercial or industrial.
- **Point:** An amount equal to one percent of the principal amount of the investment or note. Lender assesses loan discount points at closing to increase the yield on the mortgage to a position competitive with other types of investments.
- **Prepayment Penalty:** A fee charged to a borrower who pays a loan before it is due. Not allowed for FHA or VA loans.
- **Private Mortgage Insurance (PMI):** Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.
- **Purchase Agreement:** A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under stated terms and conditions. Also called a sales contract, earnest money contract, or agreement for sale.
- **Rate Gap:** The difference between where the rate is now and where it could adjust to on an ARM. Also used to compare the difference between a current conventional rate and that of an ARM.
- **Realtor®:** A real estate broker or associate active in a local real estate board affiliated with the National Association of Realtors.®
- **Regulation Z:** The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.
- **Tenancy in Common:** A type of joint ownership of property by two or more persons with no right of survivorship.
- **Title Insurance Policy:** A policy that protects the purchaser, mortgagee or other party against losses.
- **VA Loans:** A loan, made by a private lender, that is partially guaranteed by the Veterans Administration.

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