



homebuyer's/seller's guide

New York & USA

New York, NY and USA Buyer's Guide

Whether it is a seller's market or a buyer's market, it is always highly recommended that you secure pre-approval for a mortgage unless you are purchasing the dwelling without financing.

The easiest way to do so is to contact a mortgage broker or banker. The time frame for approval can be as quick as 48 hours. The primary benefit to getting pre-approved is that in the event your dream deal materializes, the seller will be able to see you are pre-approved. By making the seller feel comfortable with your ability to obtain financing quickly, he or she will be immediately more prone to accept your offer.

Condominium apartments require a minimum of 10% down, while most cooperative apartments require a minimum of 25% down. However, these figures are estimates and many buildings require different down payment procedures. Keep in mind that the majority of New York City buildings are cooperatives.

After securing pre-approval for financing, the next step is to explore what is available in the marketplace with your real estate professional and find an apartment. Today's technology enables us to streamline our search in an efficient manner geared towards fulfilling your interests. However, it is still beneficial to go out with your agent for a few personal showings, so that you form a common frame of reference. This process enables your agent to sense exactly what you like and dislike, ultimately saving your time.

Upon finding the apartment, loft, or townhouse you want, we then begin the negotiation process. The time frame for this process varies from a day to a few weeks, depending on the availability of the parties involved and the complexity of the negotiations. In today's market, the price is not the only thing that is negotiable. It is crucial to cover all variables and aspects of the transaction, including assessments, fixtures, window replacements, air conditioners, rugs, floors, curtains, appliances, working fireplaces, washer dryers and so forth.

The next step is to sign a contract. The time range for this phase is between a couple of days to several weeks, depending on the complexity of the transaction. In most cases, it is extremely important that both the buyer and seller are represented by New York attorneys, experienced specifically in New York City real estate transactions. It is customary for the seller's attorney to draw up a contract of sale and forward it to the buyer's attorney so he or she can thoroughly protect the interests of the buyer, which is known as "due diligence." The attorneys then negotiate anything in the contract deemed necessary. Once the "due diligence" and negotiation process are completed, the buyer's attorney authorizes the buyer to sign the contract. The contract is then forwarded to the seller's attorney with 10% of the purchase price as a deposit. Once received, the funds are placed in an escrow account by the seller's attorney until the contract is countersigned, which makes the contract fully executed. There may be some contingencies built into the contract. Financing or mortgage contingencies enable the buyer to withdraw from the sale in the event he or she is unable to secure financing. In all cooperatives and some higher end condominiums, board approval is a contingency.

The next step entails applying for a mortgage and receiving a commitment letter from the lender. This can take anywhere from several weeks up to a couple of months. The mortgage application cannot be processed without an actual executed contract. Most condominium and cooperative boards require the commitment letter as part of the board package, provided the transaction is financed.

At this point, your real estate agent assists the buyer in preparing the cooperative board package or a condominium application. The board package and the condominium application must be completed and submitted to the managing agent to be presented to the board before a closing can be scheduled. Typically, the board package for a cooperative is much more extensive and usually asks for full financial disclosure, including; an asset and liability statement, a net worth statement, employment history, current position and compensation, tax returns, credit history and personal and financial reference letters. Some luxury cooperatives also inquire after educational history and affiliations with social clubs. (If you are not comfortable submitting this type of information, then a cooperative purchase will probably not be the most suitable option for you. The condominium application is typically less detailed and is less invasive.)

Upon completion of board packages and their submission to the buildings managing agent, the managing agent verifies that all information is in proper order and then forwards it for review by the co-op/condo board. In many cooperatives, the board will then request an interview with the prospective purchaser.

Once approved, all that is left is scheduling the closing date. The closing occurs within a week or two of approval. The managing agent of the building will set the date, and the attorneys will coordinate with the involved parties.

Selling Guide

First of all, we can assist you in properly pricing your home. The market is always changing, so our comprehensive database of recently sold apartments allows us to analyze and evaluate the offering prices for comparable homes and position your apartment for a timely sale at the highest price. Properties receive the greatest interest from prospective buyers when they initially enter the market; for that reason initial pricing is key. Buyers select a home by comparison shopping, so your home will have to have a fair market price in order for it to receive realistic offers.

Some factors to be considered when arriving at a fair market price:

What have similar sized homes in your location sold for?

What are the age and condition of your home?

Do your bathroom and kitchen require updating?

Have the values of homes been increasing or decreasing in your area?

Are there many properties in your building or area on the market?

Marketing, advertising, and promoting your property are our number one forte.

We evaluate the condition and features of your property and make recommendations as to what, if anything, should be done prior to bringing it to market.

We produce a customized information package. This includes building information listing amenities and services available to purchasers, professional digital photographs, 360-degree virtual tours, floor plans and financials for the property.

We also directly market the property by sending out postcards to prospective purchasers on our extensive waiting list. In addition, we use targeted mailings, personalized letters, flyers and brochures to ensure maximum exposure.

Our marketing plan includes advertising in the most widely read publications such as: the New York Times Magazine, New York Living, Quest, Homes Magazine, New York Times Classified, Wall Street Journal.

Our website is cutting edge. We have the ability to add unlimited photos, virtual tours, floor plans, and building information within twenty-four hours of securing your listing.

NY Living Solutions is a Real Estate Board of New York member and cooperates with all reputable firms. Immediately disseminating information about your property to the entire brokerage community in a professional manner ensures maximum exposure to qualified buyers.

Open houses are yet another valuable and effective way to get a high volume of prospective buyers into your home, especially if you are living there. We promote our open houses on many web sites including olr.com, newyorktimes.com and many others.

NY Living Solutions' experienced managers will insure that every offer is skillfully negotiated throughout every stage of the sale. We will generate frequent and detailed reports throughout the sales process, giving you advertising response, prospective buyer traffic and other valuable feedback. You will never wonder, "What is the status of my home sale?"

When an acceptable price has been agreed upon, NYLS will have their team of Closing specialists monitor and facilitate the transaction throughout that crucial time. Co-op board packages are always reviewed by several staff members to insure that no errors have jeopardized the sale.

Closing Costs

What is a closing? The closing is the grand finale. It is the event where the purchaser gives the seller monies in exchange for ownership. This bargained for exchange or consideration transfers ownership of the property. The seller will also need to sign different documents including a new deed. The place of closing is normally at the bank attorney's office. The parties present will be: seller, bank attorney, brokers, seller's attorney, buyer's attorney and title closer.

- What are typical closing costs?
- Appraisal Fee
- Attorney Fee
- Credit Report
- Document Preparation fee
- Escrow (Taxes, Insurance)
- Inspection Fee
- Insurance
- Interim Interest
- Mortgage Insurance Premium
- Origination Fee
- Points
- Recording Fee
- Survey
- Title Insurance and Search
- Condo Board Application or Co-op flip tax
- Managing agent fee

There are other fees, which may arise depending on whether the property is a condo or co-op. Our sales representatives would be happy to discuss these with you.

How long does it take to close? The average sale can take anywhere from 3-5 months to close depending on a host of different factors. These factors include but are not limited to: mortgage & financing, co-op board approval and the negotiation process.

How much money will I need to purchase? The amount of money needed to purchase will vary depending on whether the property is a single or two family dwelling, co-op or condo. We recommend being prepared to pay about 25% although some properties may accept a smaller percentage for qualification. You will also need to set aside additional monies for closing costs.

What is the contract of sale? The contract of sale represents the binding agreement between the purchaser and the seller. The contract of sale specifically details the rights and obligations of both parties and the terms of the sale.

Closing Costs

Cooperative Apartment

For Seller:

Broker	Typically 6%, depending on size and marketing
Own Attorney	\$1,500 and up
Managing Agent	\$450
Flip Tax (if any)	Consult Managing Agent
Stock Transfer Tax	0.05 per share
Move-Out Deposit or Fee	\$1,000
New York City Transfer Tax	1% of price up to \$500,000. 1.425% of entire price when exceeds \$500,000
New York State Transfer Tax	0.4% (.004) of price
Payoff Bank Attorney (if Seller has mortgage)	\$350
UCC-3 Filing Fee (if seller has mortgage)	\$30

For Buyer:

Own Attorney	\$1,500 and up
Bank Fees: applications, credit, appraisal, bank attorney and misc.	\$1,600
Short-Term Interest	one month max*
Move-In Deposit or Fee	\$1,000
Managing Agent or Co-op Attorney	\$600
Lien Search	\$300
Maintenance Adjustment	one month tax*
Mansion Tax	1% of entire price only when price exceeds \$1,000,000

*Prorated for month of closing

Condominium/Townhouse

For Seller:

Broker	Typically 6%, depending on size and marketing
Own Attorney	\$1,500 and up
Managing Agent	\$450
Move-Out Deposit or Fee	\$1,000
New York City Transfer Tax	1% of price up to \$500,000. 1.425% of entire price when exceeds \$500,000
New York State Transfer Tax	0.4% (.004) of price
Misc. Title Company Fees (if Seller has mortgage)	\$200

For Buyer

Own Attorney	\$1,500 and up
Bank Fees: application, credit, appraisal, bank attorney and misc.	\$1,600
Short-Term Interest	one month max*
Real Estate Tax escrow	2-6 months**
Recording Fees	\$200
Mortgage Tax	1.75% of amount of Mortgage on loans under \$500,000 or 1.875% of entire amount on loans over \$500,000
Fee Title Insurance	Approx. \$450 per \$100,000
Mortgage Title Insurance	Approx. \$200 per \$100,000
Misc. title Charges	\$300

Managing Agent's Fee	\$250
Adjustments:	
Common charges	One month max*
Real Estate Taxes	1 to 6 months**
Mansion Tax	1% of entire price when price exceeds \$1,000,000

*Prorated for month of closing

**expect to pay eight months' Real Estate Taxes-combined between Seller as an adjustment and escrow established by lender.

Note: When purchasing a condominium unit from a Sponsor, the purchaser will be required to pay New York City and New York State Transfer Taxes (See "A" above for amounts) as well as the Sponsor's attorney's fee (typically around \$1,000).

Multi-Family Residential/Commercial Property

For Seller:

Broker	Typically 6%, depending on size and marketing
Own Attorney	\$5,000
New York City Transfer Tax	1.425% of price up to \$500,000 2.625% of entire price when it exceeds \$500,000
New York State Transfer Tax	0.4% (.004) of price
Payoff Bank Attorney (if Seller has mortgage)	\$350
Miscellaneous	\$200
Transfer Security Deposit	T.B.D.

For Buyer

Own Attorney	\$5,000 and up
Bank Fees:	
Points	2%
Application, credit, appraisal, bank attorney and miscellaneous	\$5,000-\$10,000
Short-Term Interest	one month max*
Mortgage Tax	2.75% of entire amount on loans over \$500,000
Real Estate Tax Escrows	2-6 months
Fee Title Insurance	Approx. \$450 per \$100,000
Mortgage Title Insurance	Approx. \$200 per \$100,000
Miscellaneous Title Charges	\$1,000
Adjustments:	
Rents*	T.B.D.
Real Estate Taxes	1 - 6 months

*Prorated for month of closing

Glossary

Abstract of Title - A written history of all the transactions that bear on the title to a specific piece of land. An abstract of title covers the time from when the property was first sold to the present.

Acceleration Clause - The section in a mortgage document that allows the lender to speed up the payment date in the event of a default, making the entire principal amount due.

Adjustable Rate Mortgage (ARM) - A mortgage in which the interest rate varies during the term of the mortgage. Also called a Variable Rate Mortgage.

Amortization Schedule - A timetable for payment of a mortgage reflecting the amount of each payment applied to interest and principal and the balance remaining.

Annual Percentage Rate (APR) - The total yearly cost of a mortgage stated as a percentage of the loan amount; includes such items as the base interest rate, primary mortgage insurance, and loan origination fee (points).

Appraisal - A professional opinion or estimate of the market value of a property.

Appreciation - An increase in the value of a property due to changes in market conditions or improvements to the property.

Assumable Mortgage - A mortgage that a buyer can assume or take over from the seller of the property.

Balloon Note - A note that usually calls for a final payment greater than that of the regular periodic payments.

Binder - A preliminary agreement secured by the payment of earnest money under which a buyer offers to purchase real estate.

Biweekly Mortgage - A mortgage that requires 1/2 the normal monthly payment every two weeks. Over the course of the year, 26 half payments are made which is equivalent to 13 full mortgage payments. As a result of this extra payment, the loan amortizes much faster than a loan with normal monthly payments.

Blanket Mortgage - A mortgage encumbering more than one piece of property.

Bridge Loan - A short-term loan in effect from the end of one loan to the beginning of another loan, or prior to permanent financing.

Broker Premium - Premium paid to mortgage broker as the "middleman" in the mortgage process between the lender and the borrower. Lenders offer brokers wholesale rates; brokers add a surcharge to cover the cost of underwriting to arrive at the rates charged to borrowers.

Buy Down - Obtaining a lower interest rate by paying additional points to the lender.

Cap - A provision of an Adjustable Rate Mortgage limiting how much the interest rate or mortgage payments may increase or decrease.

Certificate of Occupancy - Document issued by a local governmental agency that states a property conforms to local building standards for occupancy and is in compliance with public health and building codes.

Certificate of Title - A statement provided by a title company or attorney stating that the title to the real estate is legally held by the current owner.

Clear Title - A title that is free of liens or legal questions as to ownership of a piece of property.

Closing - Time when new mortgage and note are signed by parties in title or parties taking title to real property.

Closing Costs - Costs associated with securing a mortgage loan. On a purchase loan, funds are usually brought to closing whereas, in a refinance or 2nd mortgage, the costs are usually borne from the loan proceeds.

Commission - Fee paid to a mortgage broker for assisting in a mortgage transaction. Real estate brokers receive a commission based on the sales price of a property.

Commitment - see Mortgage Commitment

Comparables or "comps" - Refers to "comparable properties," which are used for comparative purposes in the appraisal process. Comps are recently sold properties that are similar in size, location and amenities to the home for sale. Comps help an appraiser determine the fair market value of a property.

Conforming Loan - Amount A Fannie Mae(FNMA) established maximum loan amount based on the property's legal number of units(1 family, 2 family, etc.) Loan amounts up to this maximum dollar amount are considered "conforming loans."

Contract of Sale - Written contract signed by both parties in which the seller agrees to sell and the buyer agrees to buy under certain specific terms and conditions.

Conventional Mortgage - A mortgage made by a bank or other private institution and not insured by a governmental agency.

Covenant - A written restriction on the use of land, most commonly in use today in homeowners associations.

Credit Report - A report detailing a consumers credit history including payment history on revolving and installment accounts. A credit report may also include information found from public records such as judgments, tax liens and bankruptcies.

Debt-to-Income Ratio - The percentage of a person's monthly earnings used to pay all debt obligations. Lenders consider two ratios, constructed in slightly different ways. The first, called the front-end-ratio, the ratio of the monthly housing expenses including principal, interest property taxes and insurance (PITI) is compared to the borrower's gross, pretax monthly income. In the back-end-ratio, a borrower's other debts such as auto loans and credit cards, are also figured in. Lenders usually take both into account and set an acceptable ratio. Some lenders take only the back-end-ratio into account.

Deed - An instrument in writing duly executed and delivered that conveys title to real property.

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

Discount Points - A charge made by the lending institution to the borrower that is based on the mortgage amount. A point is one percent of the principal mortgage amount.

Down Payment - The amount paid for the purchase of a property in addition to the mortgage, but not including any closing costs.

Easement - The right to enter or use a portion of the land of another for a specific purpose.

Encroachment - Construction, such as a wall, fence, building, etc., on the property of another.

Encumbrance - A lien, charge or liability against a property.

Equal Credit Opportunity Act - A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status or receipt of income from public assistance programs.

Equity - The interest or value, which the owner has in real estate over and above the liens against it.

Escrow - A written agreement between two or more parties providing that certain instruments or property be placed with a third party to be delivered to a designated person upon the fulfillment or performance of some act or condition.

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

Fair Market Value - A fair price for a home based on recent sales of properties of similar size and quality in the neighborhood.

Federal Housing Administration (FHA) Mortgage - A mortgage loan made by a lender and insured by the Federal Housing Administration.

FHLMC (Freddie Mac) Federal Home Loan Mortgage Corporation - A federal agency purchasing first mortgages, both conventional and federally insured, from members of the Federal Reserve System and the Federal Loan Bank System.

First Mortgage - The primary mortgage on a property. If a foreclosure occurs, the first mortgage is repaid before any "junior" mortgages.

Fixed Rate Mortgage - A mortgage in which the monthly payments remain the same for the term of the loan. This loan is self-liquidating.

Flood Insurance - Insurance indemnifying against loss by flood damage, required by lenders in areas designated (federally) as potential flood areas.

FNMA (Fannie Mae) - A quasi-government agency, now publicly owned, which purchases mortgages from the original mortgage lenders.

Foreclosure - A procedure whereby property pledged as security for a debt is sold to pay the debt in the event of default in payment or terms.

Free and Clear - A property that has no liens.

Ginnie Mae (GNMA) - Nickname for the Government National Mortgage Association. A government-owned corporation within the U.S. Department of Housing and Urban Development (HUD). Created by Congress in 1968, GNMA offers a special assistance loan program.

Good Faith Estimate (GFE) - A written estimate of closing costs that a lender must provide a prospective homebuyer within three days of submitting a mortgage loan application.

Hard Money Loans - Mortgage loans that are made to borrowers who have significantly adverse credit. These loans are usually made by private investors or funding companies.

Hazard Insurance - Insurance protecting against loss to real estate caused by fire, natural causes, vandalism, etc., depending upon the terms of the policy.

Home Equity Line Of Credit (HELOC) - A mortgage loan, usually in second position, that allows the borrower to obtain cash drawn against the equity of his home, up to a predetermined amount.

Home Equity Loan - A home equity loan is a second mortgage or lien on your home. Home equity loans can be a very powerful tax-deductible financial tool. Since home equity credit is a type of mortgage, it shares lower interest rates and the tax advantages of mortgages. You can borrow up to \$100,000 of your available home equity for virtually any purpose, and, in most cases, 100% of the interest paid each year is tax deductible (ask your tax advisor).

Homeowner's Insurance - An insurance policy that combines personal liability insurance and hazard insurance coverage for a residence and its contents.

Housing Ratio - The ratio of the monthly housing payment (PITI) to total gross monthly income, Also called Payment-to-Income Ratio or Front-End-Ratio.

HUD - The U.S. Department of Housing and Urban Development.

HUD-1 Statement - A document with an itemized listing of closing costs payable at the closing or settlement meeting when mortgaging property. The closing costs can include a commission, loan fees and points and sums set aside for escrow payments, taxes and insurance. It is signed by the mortgagor(s). This statement form is published by the Department of Housing and Urban Development (HUD).

In Rem - A proceeding against the realty directly, as distinguished from a proceeding against a person. (Used in taking land from nonpayment of taxes, etc.)

Index - A published interest rate not controlled by the lender to which the interest rate on an Adjustable Rate Mortgage (ARM) is tied. The index and the interest rate linked to it may increase or decrease.

Interest - The amount of money earned by the principal during a specified period of time.

Interest Rate - A percentage that when multiplied by the principal determines the amount of money that the principal earns over a period of time, usually one year.

Joint-Tenancy - A form of ownership where two parties own a property equally.

Judgement - The decision of a court of law stating that one individual is indebted to another and fixing the amount of indebtedness. Judgements when recorded become a lien on real property owned by the defendant.

Jumbo Loan - Loan size that is larger than the limit established by Fannie Mae or Freddie Mac.

Junior Mortgage - A mortgage of lesser rank than the first mortgage. A mortgage second in line to a previous mortgage. Also see "first mortgage".

Lease-Purchase Mortgage - A financing option that allows a potential homebuyer to lease a property with the option to buy. Often constructed so the monthly rent payment covers the owner's first mortgage payment, plus an additional amount as a savings deposit to accumulate cash for a downpayment. A seller may agree to a lease-purchase option if the housing market is saturated and the seller is having difficulty selling the property

Lessee - A person to whom property is rented under a lease ("tenant").

Lessor - A person who rents property to another under a lease ("landlord").

Lien - A legal right or claim upon a specific property, which attaches to the property until a debt is satisfied.

Life Estate - An estate in real property for the life of a living person. The estate then reverts back to the grantor or to a third party.

Lis Pendens - A legal document filed in the office of the county clerk giving notice that an action or proceeding is pending in the courts affecting the title to the property.

Loan Application - A document required by a lender prior to loan approval. The application includes detailed information about the borrower and the property.

Loan Origination Fee or Points - Charge by a lender or broker connected with originating a loan. This is different than discount points, which are used to buy down the rate of interest.

Loan to Value (LTV) - The percentage of loan available toward the value of the property.

Lock-in - A written agreement guaranteeing the homebuyer/owner a specified interest rate provided the loan is closed within a set period of time. There is sometimes a point that is paid in advance to lock-in at a specific rate/time.

Margin - The number of percentage points added to the index on a one-year adjustable rate mortgage (ARM). For example, if the index rate is 9 percent and the margin is 3 percent, then the fully indexed rate is 12 percent.

Market Value - The highest price that a buyer would pay and the lowest price a seller would accept on a property. Market Value may be different from the price of property could actually be sold for at a given time.

Mortgage - A legal document that establishes real estate as the security for the loan, which finances that real estate. Colloquially, the term "mortgage" is sometimes used to refer to the loan itself.

Mortgage Banker - The lender that originates the mortgage loan; the one making the loan directly and closing the loan.

Mortgage Broker - An individual or company that brings borrowers and lenders together for the purpose of loan origination. Unlike a mortgage banker, brokers do not fund the loan but work on behalf of several lenders. Brokers typically require a fee or a commission for their services.

Mortgage Commitment - A written offer of a mortgage loan by a lending institution. Often in the form of a letter, the commitment specifies the terms and conditions of the mortgage loan being offered to the prospective borrower.

Mortgage Note - A written agreement to repay a loan. The agreement is secured by a mortgage, serves as proof of indebtedness and states the manner in which it should be paid. The note states the actual amount of the debt that the mortgage secures and renders the mortgagor personally responsible for repayment.

Mortgagee - The institution or person who is the lender or creditor on a mortgage loan.

Mortgagor - The institution or person who is the borrower or debtor on a mortgage loan.

Negative Amortization - An increase in principal balance, which occurs when the monthly payments do not cover all of the interest cost. The interest cost, which is not covered by the payment, is added to the unpaid principal balance.

No Income Check Loan - This program is designed for the entrepreneur or self-employed that choose not to have their income revealed or just have difficulty proving their income. The rate tends to be higher on a No Income Check Loan.

No-Documentation Loans or NO-DOC - NO-DOC means No verification of income or even job. Rates will vary depending on LTV and credit scores.

Note - A written instrument that acknowledges a debt and promise to pay.

Origination Fee - A fee imposed by a lender to cover certain processing expenses in connection with making a real estate loan. It is usually a percentage of the loan amount.

Owner Financing or Seller-take-back - A property purchase transaction in which the seller of the property provides all or part of the financing.

Owner of Record - The individual named on a deed that has been recorded at the county recorders office.

Part 41 - Regulations on High Cost Mortgages in NY. For more information, visit <http://www.banking.state.ny.us/41ppt/index.htm>

Piggy Back Loan - A second loan on a home, usually up to 15%-20% of the property's purchase price. If you make a 10% downpayment on a home, one way to avoid paying for private mortgage insurance (PMI) is to get two loans. Here's how it works: you get a loan for 80% of a property's purchase price at a standard interest rate and then get a second, "piggy back" loan at 10% of the purchase price, though at a higher rate. This type of financing is commonly called 80-10-10. If the first loan is less than \$227,150, you can opt for a 75-15-10 arrangement, which will give you a lower interest rate on the first loan. To figure out if getting a second makes sense for you, compare your monthly costs with a piggy back loan versus PMI.

PITI - Principal, interest, taxes and insurance- the components of a monthly mortgage payment.

Planned Unit Developments (PUD) - A subdivision of five or more individually owned lots with one or more other parcels owned in common or with reciprocal rights in one or more other parcels.

Points - Charges levied by the broker or lender and usually payable at closing. One point represents 1% of the face value of the mortgage loan.

Power of Attorney - A written document authorizing a person to act on the behalf of another person. That person does not have to be an attorney.

Pre-approval - The process goes a step further than prequalification. It means the broker or lender has verified the borrower's earnings (unless stated), assets, etc. The borrower receives a letter stating the lender is willing to grant a mortgage for a specified amount, within a period of time.

Pre-qualification - An early evaluation by a lender of a potential homebuyer's credit report plus earnings, savings and debt information. The homebuyer gets a nonbinding estimate of the mortgage amount the borrower would qualify for, or how much house the borrower can afford. Buyers who pre-qualify can go a step further and seek pre-approval.

Pre-pays - Those expenses of property which are paid in advance of their due date and will usually be prorated upon sale, such as taxes, insurance, rent, etc.

Prepayment Penalty - A charge imposed by a mortgage lender on a borrower who pays off the mortgage loan early in its term. The prepayment penalty is specified in the note.

Prime Rate - The lowest commercial interest rate charge by a bank on short term loans to their most credit worthy customers.

Private Mortgage Insurance (PMI) - Insurance provided by non-government insurers that protects lenders against loss if a borrower defaults. Fannie Mae generally requires private mortgage insurance for loans with loan-to-value(LTV) percentages greater than 80%.

Processor - An employee at a mortgage company responsible for collecting documentation from borrowers and banks. Their duties include the gathering of income information, mortgage verifications/payoffs, homeowners insurance, ordering appraisal and title or any other conditions

that a lender requests to facilitate the closing of a mortgage loan.

Purchase Money Mortgage - A mortgage given by a guarantee in part payment of the purchase price of real estate.

Quit Claim Deed - A deed, which transfers whatever interest the maker of the deed may have in the particular parcel of land. A quit claim deed is often given to clear the title when the grantor's interest in a property is questionable. By accepting such a deed, the buyer assumes all the risks. Such a deed makes no warranties as to the title, but simply transfers to the buyer whatever interest the grantor has.

Rate Lock - A commitment issued by a lender to a homebuyer/homeowner guaranteeing a specific interest rate for a specified amount of time.

Real Estate Agent - A person licensed to negotiate and transact the sale of real estate on behalf of the property owner.

Real Estate Settlement Procedures Act (RESPA) - A consumer protection law that requires lenders to give homebuyers advance notice of closing costs, which are payable at closing or settlement meeting.

Real Property - Land and generally whatever is erected upon or affixed thereto.

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

Rescission - The cancellation of a contract. When refinancing a mortgage on a principal residence, the law gives the homeowner three days (rescission period) to cancel the contract.

Recording - The act of writing or entering in a book of public record instruments affecting the title to real property.

Refinance - A mortgage, which replaces an existing mortgage.

Reverse Mortgage - A mortgage used by the elderly that provides income as long as they live in exchange. Payments made cause the loan principal to increase.

Sales Agreement - A written contract signed by the buyer and the seller of a house stating the terms and conditions under which the property will be sold.

Second Mortgage - A subordinated lien, created by a mortgage loan, over the amount of a first mortgage. Second mortgages generally carry a higher rate than a first since they represent a higher risk for an investor.

Secondary Mortgage Market - The buying and selling of existing mortgages.

Section 32 Mortgages - What Loans Are Covered? A loan is covered by the law if it meets the following tests: the annual percentage rate (APR) exceeds by more than 10 percentage points the rates on Treasury securities of comparable maturity; or the total fees and points payable by the consumer at or before closing exceed the larger of \$451 or 8 percent of the total loan amount. (The \$451 figure is for 2000. This amount is adjusted annually by the Federal Reserve Board, based on changes in the Consumer Price Index.) The rules primarily affect refinancing and home equity installment loans that also meet the definition of a high-rate or high-fee loan. The rules do not cover loans to purchase or initially construct your home, reverse mortgages, or home equity lines of credit (similar to revolving credit accounts).

Servicer - An organization that collects monthly mortgage principal and interest payments from

homeowners and manages escrow accounts for paying taxes and homeowner's insurance premiums. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.

Settlement - See closing

Stated Loan - A mortgage product available to borrowers who do not wish to prove their income. It is usually designed for self-employed borrowers or borrowers that would rather state their income rather than submit proof of income.

Sub-Prime or sub prime - A sub-prime loan is any loan in which the borrower has challenges in obtaining mortgage financing because of poor credit, hard to document income or assets, or any unique situation that would prevent them from obtaining funding through "conforming" lenders.

Subordination Clause - A clause, which permits the placing of a mortgage at a later date that takes priority over an existing mortgage.

Survey - Map made by a licensed surveyor who measures land and charts its boundaries, improvements and relationship to the property surrounding it.

Tax Lien - Lien for nonpayment of taxes.

Tax Sale - Public sale of property at an auction by a government authority as a result of nonpayment of taxes.

Teaser Rate - A low initial rate on a mortgage. This is often used to induce people into the loan since the start rate is low.

Tenants-by-Entirety - A form of ownership in which husband and wife are co-owners with rights of survivorship.

Tenants-in-Common - An undivided interest in property taken by two or more persons. The interest need not be equal. Upon death of one or more persons, there is no right of survivorship.

Title - Evidence that an owner of land is in lawful possession thereto; evidence of ownership.

Title Insurance - A policy of insurance, which indemnifies the holder for any loss sustained by reason of defects in the title.

Title Search - An examination of the public records to determine the ownership and encumbrances affecting real property.

Transfer Tax - Tax paid to the city, county, state or other government entity upon sale of a property.

Truth-in-Lending Act or Regulation Z - A federal law requiring a disclosure of credit terms using a standard format. This is intended to facilitate comparisons between the lending terms of different financial institutions.

Underwriting - The decision whether to make a loan to a buyer/homeowner based on credit, income, employment history, assets, etc.

Unencumbered - Free of liens and other encumbrances. Free and clear.

Unmarketable Title - Not saleable. A title, which has serious defects.

Unrecorded Deed - A document that transfers title from the grantor to the grantee without recording(e.g. providing public notice).

Vendor - The person who transfers property by sale. Another word for "seller". Commonly used in land contract sales.

Verification of Deposit (VOD) - A document signed by the borrower's bank or other financial institution verifying the account balance and history.

Verification of Employment (VOE) - A document signed by the borrower's employer verifying his/her employment. Some investor's will accept a VOE verbally from an employer.

Verification of Mortgage (VOM) or Mortgage Verification - A form sent to a potential investor or lender that provides a loan summary, which includes payments, made and detailed loan statistics and information.

Veterans Administration (VA) - A government agency guaranteeing mortgage loans with no down payment to qualified veterans.

Waive - To knowingly abandon, relinquish, or surrender a right, benefit, or claim.

Wraparound Mortgage - A new mortgage that includes the remaining balance on an old mortgage, plus a new amount.

Yield - Ratio of income from an investment to the total cost of the investment over a given period of time.

All Non-US resident purchasers - Please Note

Some of the above do not apply to foreign investors, for example buying co-ops will not apply. And one very important fact to draw attention to is that the "10% deposit" for condo purchase currently WILL NOT apply to foreign investors. They will need to put down 30-40% as a deposit if they are looking for a loan. All cash buyers can still put down only 10%.

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Specialist advice should be obtained before taking, or refraining from taking, action based upon the comments in this document, which is only intended as a brief note. It is not a substitute for specific legal advice upon specific facts. The London Office accepts no liability in so far as is permitted by law for losses resulting from any person acting or refraining from acting in reliance upon this material.



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