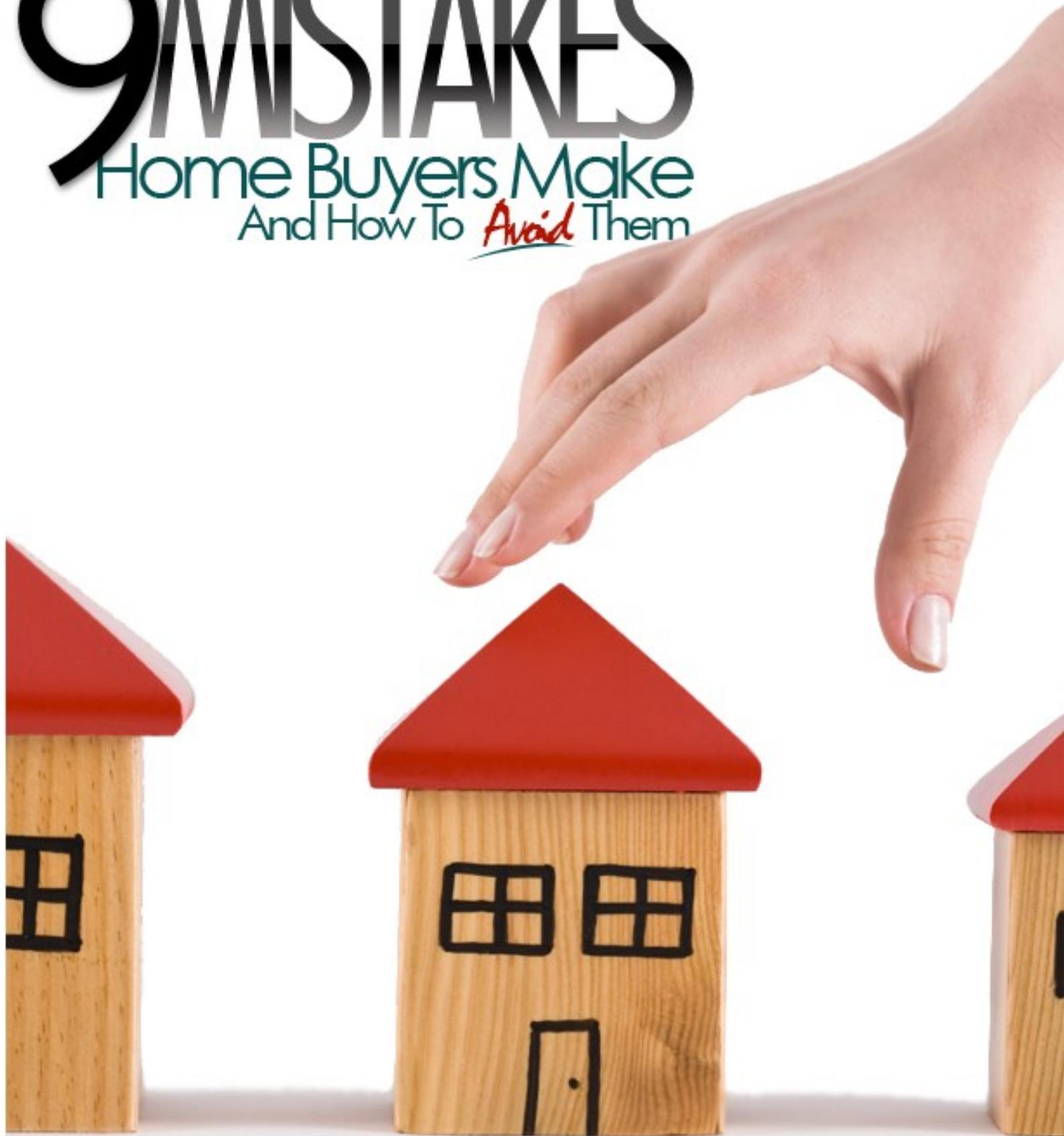


# 9 MISTAKES

Home Buyers Make  
And How To *Avoid* Them



Shane T. White  
ShaneTWhiteTeam.com

**Limit of Liability and Disclaimer of Warranty:** The author has used their best efforts in preparing this book, and the information provided herein is provided "as is." The author makes no representation or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaims any implied warranties of merchantability or fitness for any particular purpose and shall in no event be liable for any loss of profit or any other commercial damage, including but not limited to special, incidental, consequential, or other damages in connection with or arising out of furnishing, performance, or use of this book or program files.

**Financial Disclaimer:** This publication is sold with the understanding that the author is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional should be sought. In conformity with U.S. Treasury Department Circular 230 this document and any tax advice contained herein is not intended to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code, nor may any such tax advice be used to promote, market or recommend to any person any transaction or matter that is the subject of this document.

**Trademarks:** This book identifies product names and services known to be trademarks, registered trademarks, or service marks of their respective holders. They are used throughout this book in an editorial fashion only. Use of a term in this book should not be regarded as affecting the validity of any trademark, registered trademark, or service mark.

<b>Introduction .....</b>	<b>4</b>
<i>Who Am I?.....</i>	<i>4</i>
<i>About This Guide.....</i>	<i>5</i>
<b>Mistake #1 - Not Getting Your Finances In Order .....</b>	<b>6</b>
<b>Mistake #2 - Not Securing Financing Before Making an Offer .....</b>	<b>8</b>
<b>Mistake #3 - Making a Major Purchase Before Closing .....</b>	<b>9</b>
<b>Mistake #4 - Buying The Wrong House .....</b>	<b>10</b>
<b>Mistake #5 - Shortcutting the Home Inspection .....</b>	<b>14</b>
<b>Mistake #6 - Making a Lowball Offer .....</b>	<b>17</b>
<b>Mistake #7 - Not Including Contingencies in the Contract .....</b>	<b>18</b>
<b>Mistake #8 - Under Estimating the Costs Involved with Closing and Home Ownership .....</b>	<b>19</b>
<b>Mistake #9 - Not Working With An Experienced Buyer's Agent .</b>	<b>20</b>
<b>Why Work With Me? .....</b>	<b>21</b>
<i>How My Services Work .....</i>	<i>21</i>
<b>Helpful Resources .....</b>	<b>22</b>
<b>Glossary.....</b>	<b>25</b>

Contents

# Introduction

**B**uying a new home is a major financial decision. It can be a bit scary and overwhelming when you start the process. In theory, it sounds fairly simple: you research homes for sale, tour a few homes you like, make an offer, and soon, you are ready to move in.

But, in the back of your mind, you may have certain fears: What if you can't get a mortgage? What if you overextend yourself financially and can't afford payments? What if you buy the wrong home?

Buying a home can be an emotional process. It's normal to feel excited when you find the "perfect" home you can see yourself living in. But it's precisely this time when you must take a step back, get your emotions in check and keep your cool. I wrote this guide to help you avoid the top 9 common mistakes home buyers make when purchasing a home.

## Who Am I?



and surrounding Texas Hill Country real estate.

I am the licensed Broker/Owner of RE/MAX Town & Country and the team leader for The Shane T. White Team. I am married to Paige and have 2 daughters. After completing my Bachelor's degree in

You may be asking, "Why should I listen to you?" Let me introduce myself. My name is Shane White and I specialize in helping home buyers find their perfect home in Bertram, Leander, Liberty Hill, Georgetown

Business Management from Texas A&M in 1997, I worked as a homebuilding superintendent for two large builders in Houston until 2000. I have since found my passion in leading my team in helping people buy and sell real estate in and around my local community of Liberty Hill, just north of Austin, TX. I have earned the Certified Residential Specialist designation. My team consistently earns Top Producer Awards for RE/MAX and I was recently interviewed by Howard Brinton of STAR Power Systems to be featured as a STAR on his Star of the Month Club. I love being involved in my community including being the lead singer in the praise band at his church. I look forward to making your real estate dreams come true!

## About This Guide

My team has worked with a lot of buyers over the years, and we have seen many deals almost fall apart because of these 9 costly mistakes home buyers make. To help you avoid those pitfalls, I've written this guide especially for home buyers in the Liberty Hill, Bertram, Leander, Georgetown and surrounding Texas Hill Country area.

# Mistake #1: Not Getting Your Finances In Order

**B**efore you start looking for a home, take a hard look at your current financial situation. Without knowing exactly what you can and cannot afford, you are setting yourself up for the heartbreak that comes with finding and falling in love with your dream home only to realize that you can't get financing. Here are three key numbers to know:

**1) What are your current monthly expenses?** Make a list of all your monthly expenses such as student loans, car payments, credit card debts, phone and internet charges, groceries, and other common monthly purchases. How much do you spend each month on expenses not directly related to your rent or mortgage payment? Now, how much income do you bring in each month? What's left over for housing?

One of the most common mistakes home buyers make is overextending themselves financially. Your new home purchase shouldn't add more stress to your life. You want to make sure that your monthly payments are something you can comfortably afford. It may be tempting to "pinch pennies" to afford that beautiful new home, but you don't want to spend every dime of your earnings paying your mortgage payments. Make sure you can afford your other expenses such as putting food on your table, buying clothes and furniture, and going out once in awhile.

“One of the most common mistakes home buyers make is overextending themselves.”

**2) What is your credit score?** Pull your credit reports and make sure they are accurate. Credit reports often contain errors that can drag down your credit score and cost you more money in interest rates and loan fees. You can request a free copy of your credit report at <http://www.annualcreditreport.com/>.

The higher your credit score, the better your mortgage terms will be, so if you have a lower score, take time to improve it by paying down revolving credit card debt to no more than 30% usage and making payments on time. It is better to clean up your credit before applying for a mortgage because the lower your score, the higher up-front fees and interest rates will be.

### 3) What can you afford?

Be honest with yourself about what you can afford. If you try to scrimp and save to buy a home just above your price range, you may find yourself struggling financially down the road.

ShaneTWhiteTeam.com

## Mistake #2: Not Securing Your Financing Before Making An Offer

Once you know your financial situation, schedule an appointment with a mortgage lender to get pre-qualified for a mortgage. One of the major pitfalls home buyers make is having their real estate agent write up an offer for a home only to discover at the last minute that they don't qualify for the loan.

By getting preapproved before you make an offer, you let sellers know that you are serious about buying a home and that you are able to close the deal. Smart home sellers won't accept offers without financing preapproval, but if you do find one who is willing to move forward without that assurance, you may find that your deal quickly falls through if you can't secure a loan in a timely fashion.

**“ By getting preapproved before you make an offer, you let sellers know that you are serious about buying. ”**

Preapproval also helps you determine how much you can comfortably afford so you don't try to buy a home outside of your price range and will help you compare the different types of mortgage options to find the one that is best for you.

Real estate agents are not underwriters. They don't have access to your financial history and can't tell you what you can and can't qualify for, so it's a good idea to work with a mortgage lender as early as possible.

## Mistake #3: Making A Major Purchase Before Closing

Once you have completed your pre-approval process, don't buy anything on credit or make a major purchase. This includes purchases like cars, appliances, expensive computers or electronics, or new furniture.

By opening a new credit card account or taking out a car loan, your credit score may drop, especially your new home purchase, as it will use up a considerable proportion of your total credit limit.

Don't think lenders aren't watching. They are - and will often continue to check your score in the weeks before closing.

Small alterations in your credit ratios can cause an underwriter to deny your loan, and, if your loan contingency has expired or has been removed, you may forfeit your deposit in addition to losing the home.

**“ Don't think lenders aren't watching. They are - and will continue to check your score. ”**

## Mistake #4: Buying The Wrong House

It can be easy to get swept up in the excitement of buying a new home, but before you let your emotions run wild, take a step back and look at the home with fresh eyes. The first thing every home buyer should do is make a list of priorities that are most important to them.

**What can't you live without?**

**What would be nice to have but not essential?**

**What don't you want?**

Before you close escrow, review your list. Did you get what you wanted? Here are a few things to check:

- \* **Do you like the neighborhood?** Each neighborhood has a personality. What types of people live in the area? What are the schools like? Are the amenities such as restaurants, public transportation, religious organizations, or shopping close by? Have you visited the neighborhood at various times during the day? Have you met the neighbors - and do you like them?
- \* **Does the home have resale value?** Buying the nicest home in a not-so-nice neighborhood may hurt your resale value. The street your home is on can add or subtract value to your home.
- \* **What do you like best about the home?** Is it the floor plan, the size and condition, the lighting, or is it more surface things like the home décor? Don't judge the home based on the way it is decorated. It's easy to fall in love with a home that is decorated in a way you find appealing or be instantly turned off by ugly décor, but try to focus on the home's core features. Décor is easily changed.
- \* **If you are considering a fixer-upper, do you have the resources to complete the job?** Be realistic about what you can and can't do to improve the home. It may be tempting to think you can save thousands by fixing up the place yourself, but be careful. Sometimes the repairs can cost more than you think. Small kitchen renovations can run you \$30,000. A standard bathroom renovation might cost as much as \$20,000.

By asking yourself these five questions before you buy a new home, you are much more likely to be happy with your purchase.

ShaneTWhiteTeam.com

There is a lot to consider when buying your new or next home. You want to make sure that you get the BEST house for YOU. Choosing the right home, the right neighborhood, the perfect layout - it can become overwhelming. It doesn't have to be if you journal your thoughts and think about what the most important factors you want in your new home are.

### Wants

Specific carpeting, paint, exterior color  
Pool  
Jacuzzi  
Hardwood floors, tile, carpet  
Bay windows  
Built-in entertainment center  
Brass lighting fixtures  
Skylights  
A pretty view

### Needs

Adequate square footage for comfortable living  
Sufficient bedrooms for your family  
Sufficient bathrooms  
Comfortable eat-in kitchen  
A backyard for your children or pet  
Easy access to school

Feel free to use the worksheet on the next page to brainstorm on what the most important things to have in your new home are. This can be a great exercise to help clearly separate your wants from your needs.

## Wants vs. Needs Checklist:

Item	Need	Want
Location	<input type="checkbox"/>	<input type="checkbox"/>
Style	<input type="checkbox"/>	<input type="checkbox"/>
Age	<input type="checkbox"/>	<input type="checkbox"/>
Living Area-Square Footage	<input type="checkbox"/>	<input type="checkbox"/>
#Bedrooms	<input type="checkbox"/>	<input type="checkbox"/>
#Baths	<input type="checkbox"/>	<input type="checkbox"/>
Eat-in Kitchen	<input type="checkbox"/>	<input type="checkbox"/>
Living Room	<input type="checkbox"/>	<input type="checkbox"/>
Family Room	<input type="checkbox"/>	<input type="checkbox"/>
Den/Office	<input type="checkbox"/>	<input type="checkbox"/>
Garage	<input type="checkbox"/>	<input type="checkbox"/>
Pool	<input type="checkbox"/>	<input type="checkbox"/>
Spa	<input type="checkbox"/>	<input type="checkbox"/>
Gated Community	<input type="checkbox"/>	<input type="checkbox"/>
Gulf Access Waterfront	<input type="checkbox"/>	<input type="checkbox"/>
Freshwater Frontage	<input type="checkbox"/>	<input type="checkbox"/>
Recreational Facilities	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>

## Mistake #5: Shortcutting The Home Inspection

If you are strapped for cash, one way you might consider saving a few dollars is to skip the home inspection. But shortcutting the home inspection can lead to disaster down the road.

A home inspection can find all the costly flaws before you buy. You don't want to move into your new home and learn the home has mold or termites, the foundation is unstable, the roof leaks, or the electrical system needs work.

Before signing any contract, do yourself a favor and hire a professional inspector. For \$500 or less, an inspection will give you peace-of-mind that your home is as perfect as you imagine it is.

### Questions To Ask Before Hiring A Home Inspector

Buying a home is often a complicated and expensive process, and the home inspection is an important part of the transaction. An experienced and reliable inspector will examine the physical condition of the entire property from the roof and attic down to the basement and building foundation and everything in between. This includes doors, windows, walls, ceilings, floors, electrical work, plumbing, insulation and more. Buying a home is a big investment, and hiring the right home inspector can ensure you know exactly what you are buying. Use the following list of questions to help you choose a skilled and trustworthy inspector.

#### 1) What exactly do you inspect?

An inspector should examine every aspect of the building and the surrounding property, and he/she should be able to give you a good idea of any repairs the home may need as well as if the home meets all necessary building codes and guidelines in your state.

#### 2) How long have you been an inspector?

The more years an investor has been working, the more inspections he or she has completed.

### **3) How many inspections have you performed?**

Again, the more experienced the inspector, the more likely he or she will catch any problems or find any damage.

### **4) Do you have any additional certifications or continuing education you've completed?**

If an inspector has gone out of his/her way to receive more training, this shows they are serious about their job and likely up-to-date on any new inspection guidelines.

### **5) What kind of inspection report do you provide and when will I receive it?**

An inspection report typically includes a summary of the examination of the property and lists any potential issues that may affect you, the buyer.

### **6) How long will the inspection take?**

Keep in mind, to thoroughly examine a property, a good home inspector will take 3-4 hours. Be wary of any inspector who says it will take less time.

### **7) What is the cost for a home inspection?**

The cost for a home inspection varies depending on the location and the extent of the services, but a general home inspection usually ranges from \$400 to \$700.

### **8) Can you make any repairs for problems you found during the inspection?**

Many associations and state governments strictly prohibit this practice as a conflict of interest, but some inspector associations and regulations might allow the inspector to perform repair work on problems uncovered in the inspection. It's a good idea to do your own research and find out what is acceptable in your state.

### **9) Can I observe the home inspection?**

A professional inspector will allow a home buyer's participation, and it is the perfect opportunity to point out the good and bad findings during the inspection. Any inspector who does not allow you to observe and ask questions should raise a red flag.

**10) Do you offer additional inspection services, such as radon testing, well testing, and insect or termite infestation inspection?**

Depending on the property you are considering, you may not need all of these additional services, but it is a good idea to know whether or not the inspector can do the testing or point you to someone who can.

By asking these questions, you will find a home inspector who can help you decide if the home you are interested in buying is really worth the price. If an inspector happens to find problems or needed repairs, you have several options - 1) negotiate that the seller makes the repairs before closing, 2) buy the home "as is," or 3) walk away.

## Mistake #6: Making A Low Ball Offer

**E**veryone wants a great deal. But if you are serious about buying a particular home, don't make a ridiculously low offer. This will only upset or offend the seller, virtually guaranteeing you won't get the home.

Before you make your offer, collect all the facts, figures and numbers you need to make a realistic offer. Have your real estate agent run an appreciation analysis to prove that it will be a good long-term investment. Then, offer a price that you feel comfortable with.

Sometimes buyers delay making an offer because they think if they wait, market prices will decrease even further. In reality, real estate prices ebb and flow and it's not easy to determine how much lower a home price will go. If you wait too long, other buyers or a professional real estate investor may snap up the property before you have the chance to make an offer, so if you want a particular home, make an offer now.

Another common reason home buyers make lowball offers is because the home doesn't fulfill 100% of their wants and needs. They think that the home is "almost perfect" and if they can get it for a drastically reduced price, they will take it, but they aren't quite ready to fully commit to buying a home when their "perfect" home may be just around the corner.

**“ Finding your “perfect” home is almost always a unrealistic goal. ”**

## Mistake #7: Not Including Contingencies In The Contract

**C**ontingencies are your legal "out" if something goes wrong during the buying process. When you sign a sales contract, you will usually have to put up 1% to 3% in "earnest money." If you pull out of the deal later on and you don't have contingencies spelled out in your agreement, you can lose that entire amount.

Contingencies include things like allowing you to renegotiate if the home appraisal comes in below the agreed upon price or opting out of the deal if the home inspection shows major flaws or you don't get the financing you applied for.

If you don't have a contingency clause in place to protect you in those cases, or if you lose your job during the home buying process, it can hurt to lose \$2,000 to \$6,000 on a \$200,000 home.

## Mistake #8: Under Estimating The Costs Involved With Closing And Home Ownership

**B**efore you make an offer on a home, be prepared to pay an additional 1.5% of your home purchase price in additional costs such as:

- \* **Home inspection fees** - Add in the cost of a professional home inspection so you aren't tempted to skip it.
- \* **Lawyer or notary fees** - You may need to work with a lawyer to ensure all the legal aspects of your home purchase are completed.
- \* **Property tax and utility bill adjustments** - Any amount the seller has prepaid will be adjusted so they get what is owed to them, and vice versa. The most common adjustments involve property taxes and utility bills that have been prepaid.
- \* **Property insurance** - Make sure you have adequate insurance to protect your home and personal belongings. Standard policies usually cover theft and wind, fire, lightning, hail and explosion damage. If you need earthquake or flood insurance, that's usually more.
- \* **Moving costs** - Budget for the costs of movers, decorating, and fees for setting up your utilities, phone and cable.
- \* **Home ownership costs** - Budget for the cost of maintaining your new home, such as water, heating, electricity, and property taxes. To get a better idea of home ownership costs, ask to see the seller's last six months of electric and water bills so you will have a realistic idea of what the costs will be. High bills can tell you if, for instance, the home is poorly insulated or the heating system needs replaced. A good rule-of-thumb is to budget at least 1% of the home's value for yearly maintenance expenses.

# Mistake #9: Not Working With An Experienced Buyer's Agent

**W**hen it comes to purchasing one of the biggest investments in your life, you want to make the strongest and best decision possible. Having the right agent to represent your best interests is a key element in the process.

When choosing a real estate professional to help you find your home and navigate through the transaction (contract to close), consider these questions. These will help you interview and select the best agent for your particular needs.

1. Are you a full time REALTOR®? How long have you been in real estate?
2. How long have you been representing buyers and what designations do you have in the real estate industry?
3. What differentiates you from other REALTORS® in this market?
4. What role do you play and how do you help in the process once we find a home and go into contract?
5. How do you get paid and what are the fee structures?
6. Do you have a list of references that I may contact that can share their experience in working with you?
7. Do you have a website that gives me the opportunity to register and save my own searches so I can folder my favorite homes?
8. How will you keep in contact with me over this buying process?

**“ Having the right agent to represent your best interest is a key element. ”**

## Why Work With Me?

**W**e are dedicated to helping you find the right home. Here are some of our additional services:

- Save you money during the home buying process by negotiating the most favorable price and terms
- Show you a wide range of homes for sale that meet your requirements - including new builds, For Sale By Owner, or even unadvertised homes for sale.
- Be your trusted advisor who empowers you to make the best decision, looks out for major obstacles and pitfalls, and protects you throughout the buying process so you get the best terms and value.

### **How Our Services Work**

I want to make the process of buying a home as easy as possible. Here's how we might work together:

- During our initial consultation you will learn the first steps involved so that when you find the right home you are ready to put an offer in and be strongly positioned with the seller for presenting your offer
- Receive a list of properties that have sold in the market that shows the days on market, average selling price, conditions of those homes and more so that you are educated on today's market conditions
- Help you select homes that meet the requirements you are looking for
- Walk you through the offer process and the paperwork so that is it hassle-free and straight forward
- Negotiate directly with the seller's agent and/or owner on your behalf
- Assist in the details such as the home inspection so that you are informed every step of the way
- Keep you informed effectively during contract to close so you feel comfortable during the entire process

## Helpful Resources

### Successful Buying Tips:

1. Become a pre-approved buyer. As a pre-approved buyer, you have better leverage when it comes to negotiating with the seller. The pre-approval process is simple and will help show sellers that you are a serious buyer.
2. Beat your competition to the best listings. Staying on top of market trends is vital when you're looking for a home. Like any other homebuyer, you want the best home at the best price possible. Of course, these are the homes that never stick around for too long so you'll need to make every effort to keep yourself aware of the latest and best listings. Seeking the assistance of a professional Buyer's Specialist will help you stay well-informed and updated on a regular basis.
3. Research market trends in your area of interest. Familiarizing yourself with the area that you are interested in will help you get a better idea of what homes are selling for as well as how long they are typically on the market. Be sure to investigate price ranges for the type of home you want. Having the help of a Buyer's Specialist is a serious advantage when it comes time to make an offer.
4. Prove that you are a serious buyer. There are many different ways to prove to the seller that you are sincerely interested in buying their home. One way is by getting pre-approved, which will later give you the edge in an offer situation. An even better way to accomplish this is to put down a larger payment to catch the attention of the seller.
5. Don't settle too fast. Buying a home might be one of the largest investments of your lifetime. Because of this, your primary goal should be to make sure that you get the best deal possible for the home you are interested in. A Buyer's Specialist can help you make a sound decision when it comes to accepting an offer.
6. Keep your offer simple. The purchase contract should be kept simple and without any unnecessary conditions, especially repairs. A seller will be more interested in an offer that is not going to be slowed down or delayed by things that do not severely affect the value of the home.

7. Don't go it alone. With an ever changing market, today's homebuyers will find it very difficult to go through the buying process on their own. Having an experienced Buyer's Specialist who can keep your best interests in mind, makes a significant impact when buying a home and maximizing your investments.

ShaneTWhiteTeam.com

## Moving Checklist

### Before You Move:

- Notify post office, charge accounts, credit card companies, utility companies, past employer (for tax return purposes), subscriptions, family and friends, etc. of address change
- Close out local bank accounts and set up new bank account, if necessary
- Notify insurance companies of new location for coverage
- Obtain school records, legal records and other important documents
- Obtain medical records and history, transfer prescriptions, and research/request referrals for doctors, dentists, specialists, etc. in new town
- Use up perishables, defrost freezer, clean refrigerator
- Prepare large appliances and rugs for proper moving
- Disconnect utilities and get refunds for any deposits made
- Notify and register children in new school
- Request a relocation package from your REALTOR® or the city's Chamber of Commerce

### On Moving Day:

- Double check rooms, closets, and cabinets for possible items left behind
- Make sure children have books and games to keep entertained during travel
- Prepare pets for transportation
- Carry jewelry and important documents on your person
- Leave all old keys needed for new tenant with your REALTOR®

### At Your New Address:

- Check on utility services - gas, electric, water, telephone, etc.
- If relocating to new state, register car within 5 days of arrival and apply for state driver's license
- If staying within the state, obtain a driver's license with your new address on it
- Register children in school if you haven't done so already
- Set up new patient appointments with doctors, dentist, etc.
- Explore your neighborhood!

**Accelerate**—This term often refers to a “acceleration clause” option that may or may not be in your mortgage or deed of trust that requires you to pay the entire loan balance if the loan is in default.

**Affidavit**—An affidavit is a sworn statement, usually given under oath and in the presence of a notary.

**Appraisal**—When your home is appraised, a licensed or authorized person will provide you with an estimate on the value of your home.

**Appreciation**—The amount your home’s value has increased since your purchase.

**Assignment**—The process of transferring property to be held in trust or used for the benefit of lenders.

**Bid**—The amount offered for a property that is for sale at auction.

**Certificate of Sale**—This document is given to the winning bidder at a foreclosure sale and states their rights to the property.

**Clear Title**—This indicates that the title to the property is not burdened by any claims or liens.

**Credit Bid**—This is a bid placed on behalf of the lender at a foreclosure sale and must be the same as or less than the balance of the defaulted loan.

**Decree**—An official judicial decision.

**Deed**—A document that allows the transfer of property ownership from one party to another.

**Deed-In-Lieu Of Foreclosure**—Voluntarily conveying the rights of a property from the borrower to the lender.

**Deed Of Trust**—A three party security instrument between the borrower, the lender and trustee, that conveys the legal title to property as security for loan repayment.

**Default**—When a borrower fails to make a payment as originally agreed in the promissory note, the mortgage or deed of trust is said to be in default.

**Deficiency Judgment**—This follows a foreclosure sale and requires the borrower to pay the remaining balance of the loan.

**Equitable Title**—The right to possession and the right to obtain the legal title if a preceding condition has been sufficiently met.

**Equity**—The net value of an asset. In regards to real estate, this is the difference between the mortgage amount on a property and the property's current value.

**Escrow**—An item, money, or documents that are deposited with a third party and that are to be delivered once a condition is fulfilled. For example, a deposit paid by a borrower to a lender to pay taxes and insurance premiums when they are due, or the deposit of funds or documents with an escrow agent or attorney that are disbursed ones the sale of real estate is closed. In some areas of the country, escrows of taxes and insurance premiums are referred to as reserves or impounds.

**Escrow Accounts**—A segregated trust account where escrow funds are held.

**Escrow Analysis**—The occasional examination of escrow accounts in order to determine if the current monthly deposits will be enough to pay the taxes, insurance and other bills when they are due.

**Fair Market Value**—This is the value of a property if it would be sold on the open market.

**Forbearance**—The act of not taking legal action even though a mortgage is in arrears. A forbearance is usually only granted when the borrower makes arrangements considered satisfactory in order to pay the amount that is owed at a later date.

**Foreclosure**—The enforced sale of a property to repay the debt owned on it once in default status.

**Free And Clear**—Owning property without any debt.

**Hazard Insurance**—This form of insurance compensates the insured in case of damage or property loss.

**Investment Property**—A property other than the borrower's primary residence, an investment property is one that is purchased to generate income from rental, tax benefits or a profitable resale.

**Investor**—A person or institution that invests in mortgages or mortgage-backed securities.

**Judicial Foreclosure**—A court action process by a court of law.

**Landlord**—The owner of the property which is leased or rented to a person or business, called the tenant, lessee or renter.

**Lien**—Charge on real or personal property in order to satisfy a debt.

**Legal Description**—A formal description of the property that is adequate enough for it to be located by reference to approved recorded maps and/or government surveys.

**Lender**—A bank, mortgage company, etc. who temporarily lends money on the condition that it is repaid with interest.

**Lender Placed Insurance**—Insurance placed on a property by a lender in order to protect their insurable interest on collateral securing a loan.

**Loan Servicer**—A function of a mortgage bank that includes the receipt of payments, customer service, escrow administration, investor accounting, collections and foreclosures. A loan servicer is also called a loan administrator.

**Lis Pendens**—A legally recorded notice that informs of a pending lawsuit.

**Mortgage**—A written pledge of property used for security for the repayment of a loan to the lender.

**Non-Judicial Foreclosure**—This foreclosure process is utilized when a mortgage or

deed of trust includes a power of sale clause in which the borrower pre-authorizes the sale of the property to pay the balance on a loan in the case of default.

**Notary**—A public officer who is licensed in their state to certify the validity of any other person's signature.

**Notice Of Trustee Sale**—This notice provides specific information regarding a loan in default and what future procedures that are about to take place. A notice of sale is required to be recorded in the county where the property is located and advertised in the security document as the state law dictates.

**Partial Claim or Partial Release**—You may qualify for a low interest or even interest-free loan to bring your loan current if you have insured your mortgage through an insurer, usually the Federal Housing Administration. The loan is repaid at a later date, usually when you pay off your first mortgage or sell the home.

**Personal Property**—Defined as temporary or movable property.

**Posting**—Publishing, announcing or advertising by attaching a notice to an object physically.

**Postponement**—In foreclosure sales, a postponement means to announce at the original sale or to post notices of a new date and time of the foreclosure.

**Pre-Foreclosure Sale or Short Sale**—This is an option that involves selling the home in order to prevent foreclosure. A lender may agree to accept less than what is owed on the home if you owe more than the home's value. Always speak with a tax preparer to learn about the possible tax consequences for you regarding a short sale or pre-foreclosure sale.

**Right Of Redemption**—The borrower's right to reacquire a property that was lost due to a foreclosure.

**Reinstatement**—A lump sum paid on a specific date that covers the full amount owed in addition to any past due monthly payments and fees.

**Repayment Plan**—In this arrangement, a borrower agrees to make additional

payments to reduce past due amounts while continuing to make regularly scheduled payments.

**Request For Notice**—A legally recorded document which requires a trustee to send a copy of the Notice of Default or Notice of Sale about a specific deed of trust that is in foreclosure to the person or party who filed the document.

**Subject To**—Purchasing property that has an existing lien on the title without assuming any personal liability for paying those liens.

**Title**—Often referred to as a deed, the title is evidence of a person's right in real property.

**Trustee**—A neutral party that advertises the sale of a foreclosure property and also conducts the auction in order to sell it to the highest bidder.

**Trustee Sale**—An auction of real property by a trustee. A trustee sale is often known as a sheriff's sale.

**Work-Out**—Also called a “restructure”, a work out is an alternative action to foreclosure that is beneficial to both lender and borrower. Work out options include loan modifications, short sales and various forms of forbearance.

**Upset Bid**—A higher bid placed on a property after a foreclosure sale than the one placed during an actual foreclosure sale.

**Writ**—A written mandatory process that is issued in the name of a judicial officer or court which commands the person it is intended for to do or to refrain from doing a specific act.

**Source:** [www.hud.gov/offices/hsg/sfh/buying/glossary.cfm](http://www.hud.gov/offices/hsg/sfh/buying/glossary.cfm)

Our mission is to provide the highest level of customer service by incorporating knowledge, integrity, professionalism and commitment. Our team is dedicated to exceeding our client's expectations.

**The Shane T. White Team**  
**RE/MAX Town & Country**

13561 Hwy. 29 West

Liberty Hill, Texas 78642

Phone: (512) 515-LAND (5263)

Fax: (512) 515-5931

Email: shanetwhite@remax.net

ShaneTWhiteTeam.com