

# DEAR HOME BUYER,

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Thank you for giving me the opportunity to help guide you through your home buying process.

Please be assured you will receive my very best service incorporating all my experience and training to make a committed effort to have this process understandable, hassle free and a pleasure for all involved.

The information in this handbook will educate and assist you with the following:

- Home shopping
- The buying process
- The purchase contract
- The loan process
- Explaining the escrow and title process
- Physical inspection process
- Home warranties

I look forward to working with you during your entire home buying process.

I welcome any questions you may have after reading this information.

Please feel free to contact me at any time.

Sincerely,

# ATTENTION HOMEBUYERS!

## DON'T MAKE A MOVE WITHOUT A REALTOR®

*“Finding a home without a REALTOR® is like finding a needle in a haystack.”*

As members of the National Association of REALTORS®, Real Estate Agents are bound by a strict Code of Ethics. Here's why working with a REALTOR® works for you in terms of your interests, convenience, budget and your peace of mind throughout the entire buying process.

- REALTORS® have the most information in one place about what is “on the market,” including homes listed by other REALTORS®. You won't waste time looking at homes that don't fit your needs.
- REALTORS® help you determine what you can afford and what financing options may be open to you.
- REALTORS® help you find the home best suited to your needs – size, style, features, location and accessibility to amenities that are important to you.
- REALTORS® can supply information on real estate values, taxes, utility costs, municipal services and facilities.
- REALTORS® have no emotional ties to a home, can be objective about it and can point out its disadvantages.
- REALTORS® will handle all the negotiations, offers and counter offers with the seller until an agreement is reached, and they will help you through the escrow process.

REPRODUCED WITH PERMISSION OF THE ARIZONA ASSOCIATION OF REALTORS®

# WORKING WITH YOUR REALTOR®

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REALTOR®s make their business to provide every service connected with your home search, from expert advice in the early stages through careful monitoring of your closing escrow. The more closely you work with one REALTOR®, the better your needs are known and more effectively you can be served, saving your time and possible grief.

It's a good idea to let your REALTOR® help you look for financing before you start your home search. Sellers will favor an offer from a buyer who has a loan status report (LSR), which includes the lender pre-qualification section completed by a lender with the AAR residential resale real estate purchase contract above a buyer who has only provided the buyer's loan information portion of the LSR. In addition, knowing where you stand concerning how much money a lender will lend you (based on your income and credit rating) put you in a good bargaining position. Be open with your lender about financial information-you are their client and they will keep information confidential.

Whenever you are out looking for a house always ask your REALTOR® to accompany you, whether you are looking at a resale home listed in the Multiple Listing Service (MLS), a "new" home, a "spec" home, or a "For Sale By Owner". Remember, your REALTOR® works for you and will handle the negotiations, protect your interest, and get the best deal possible for you, their boss.

When you have a comfortable fit with your REALTOR®, you may want to secure that relationship with a written agreement. You can accomplish this by completion of an AAR buyer-broker exclusive employment agreement. In this agreement you authorize your broker to accept compensation from the seller or the seller's broker even though your broker represents you!

# CHOOSING YOUR NEXT HOME

Rate the features of each home on a scale of 1 - 5 or N/A (1=Poor 2=Average 3=Good 4=Very Good 5=Excellent)

Address			Asking Price	Sq. Ft.	No. Bdrms/Baths	Neighborhood
Features	Landscaping	Exterior	Living Room	Family Room	Dining Room	Great Room
	Bathroom(s)	Master Bdrm	Master Bath	Other Bdrms	Fireplace	Pool
Most Memorable					First Impression	
Notes						Revisit?

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# THE HOME BUYING PROCESS

## THE HOMEBUYER'S OVERVIEW

**SELECT A LICENSED, QUALIFIED, REAL ESTATE AGENT**

**PRE-QUALIFICATION BY A LENDING INSTITUTION**

**PROPERTY SELECTION**

Resale  
New Construction

**OFFER TO PURCHASE**

**PRESENT OFFER TO SELLER**

Possible counter offer from Seller  
Possible rejection from Seller

**CONTRACT ACCEPTANCE BY SELLER**

Earnest money deposit  
Inspection of property  
Possible contingency after inspection

**MORTGAGE APPLICATION**

Credit report  
Appraisal of property by lender  
Verification of employment and financial background

**UNDERWRITING**

Approval of mortgage application  
Possible rejection of mortgage application

**TITLE COMPANY**

Conducts title search on property  
Reviews and prepares documents for close of escrow

**WALK-THRU**

**CLOSE OF ESCROW**

Signing of mortgage papers  
Recording of documents  
Keys – it's finally yours...CONGRATULATIONS!

# OVERVIEW OF THE LOAN PROCESS

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## **PRE-QUALIFICATION/INTERVIEW**

Application interview and lender obtains all pertinent documentation.

## **ORDER DOCUMENTS**

Order credit report, appraisal on property, verifications of employment, mortgage and/or rent, and funds to close, landlord ratings, and commitment of title insurance.

## **LOAN SUBMISSION**

The entire loan package is assembled and submitted to the underwriter for approval.

## **DOCUMENTATION**

All supporting documents are gathered. Lender checks on any problems. Requests for any additional items are made.

## **LOAN APPROVAL**

Parties are notified of loan approval and conditions.

## **DOCUMENTS ARE DRAWN**

Loan documents are completed and sent to Title Management Agency. Borrowers come into Title Management Agency for final signatures.

## **FUNDING**

Lender reviews the loan package. Funds are transferred by wire or check to Title Management Agency.

## **RECORDING**

Title Management Agency records the deed of trust at the Maricopa County Recorder's Office. The recording process officially closes the escrow.

# SELECTING YOUR LENDER

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**The following information will assist you in selecting the lender that best suits your needs:**

## **Researching Your Lender's Qualifications**

- Do ask your lender how long they have been in your specific marketplace.
- Do ask your lender how long they have been in business.
- Does this lender provide a broad package of loans and options?
- How many loans does your lender close within a year?
- What is the lender's reputation within the community it serves?
- How quickly will your lender lock in the rate that is quoted?
- How long will this rate remain locked?

## **The "Do Not"s in the Selection Process**

- Do not assume that interest rates quoted yesterday will be the same tomorrow.
- Do not base your decision to select a loan program on a telephone quote.
- Do not assume that a lending institution has only one loan program to meet your criteria. Lenders can offer many different programs to fit a variety of loan scenarios.



# TYPES OF LOANS

**ADJUSTABLE RATE MORTGAGE:** Adjustable rate mortgages have an interest rate that is adjusted at certain intervals based on a specific index during the life of the loan.

**BALLOON PAYMENT LOAN:** A fixed rate loan that is amortized over 30 years but becomes due and payable at the end of a certain term. May be extendable or may roll-over into another type of loan.

**BUY-DOWN LOAN:** Buy-Down loans are fixed rate loans where the interest rate and the payment are reduced for a specific period of time by paying the interest up front to subsidize the lower payment.

**COMMUNITY HOMEBUYER'S PROGRAM:** A fixed rate loan for the first time buyers with a low down payment (usually 3 to 5%), no cash reserve requirement, and easier qualifying ratios. This loan is subject to the borrower meeting income limits and attending a four-hour training course on home ownership.

**CONVENTIONAL LOAN:** Conventional loans are sometimes more lenient with the appraisal and condition of the property. Conventional loans are not government insured and usually have higher down payment requirements.

**FHA LOANS:** FHA loans are insured by the Federal Housing Administration under H.U.D. They offer a low down payment and are easier to qualify for than conventional loans. Appraisal and property condition rules will be applied and loan amounts limited.

**FIXED RATE LOAN:** A fixed rate loan has one interest rate constant throughout the life of the loan.

**GRADUATED PAYMENT MORTGAGE:** A fixed rate loan that has payments starting lower than a standard fixed rate loan, which then increases by a predetermined amount each year for a set of number of years.

**NON-QUALIFYING LOAN (ASSUMABLE):** Non-qualifying loans are preexisting loans, which can be assumed by a buyer from the seller of a property without going through the qualifying process. The buyer pays the seller for their equity and then starts making payments.

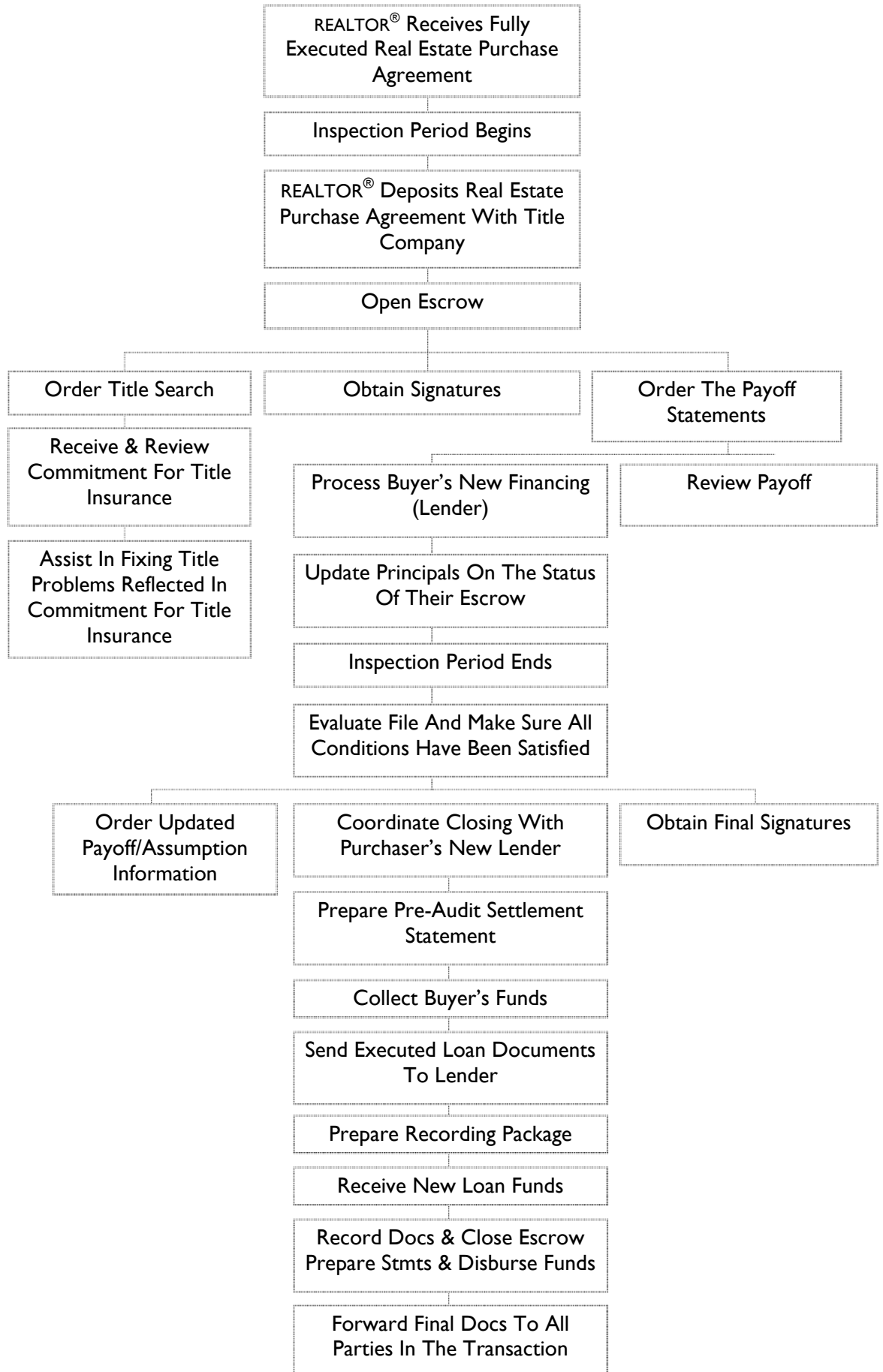
**VA LOAN:** VA loans are guaranteed by the Veterans Administration. A veteran must have served 180 days active service.

# LOAN INFORMATION

## The following information will be needed at your loan application:

- Copy of accepted earnest money contract.
- Residence addresses for the past 2 years (landlord addresses if applicable).
- Name and address of employers for past 2 years with W-2's, 1099's, etc.
- Pay stubs showing gross monthly salary and all deductions, for 1 month period.
- Names, addresses, account numbers, and balances of all checking and savings accounts.
- Last 2 statements on all checking, savings, investments, IRAs, etc., accounts.
- Names, addresses, account numbers, balances, and monthly payments on all open charge accounts.
- Addresses, loan information, and lease agreements on all other real estate owned.
- Estimated value on all furniture, clothing, jewelry, and other personal property.
- Face value and cash value of life insurance, retirement accounts, and profit sharing accounts.
- Certificate of eligibility and/or DD214 for VA loans.
- Money for credit report and appraisal.
- If self-employed, 2 years tax receipts with all schedules, YTD P&L statement with balance prepared by a CPA.
- If incorporated, 2 years corporate tax returns.
- Divorce decree, if applicable.
- Complete bankruptcy papers, if applicable.

# THE ESCROW PROCESS



# OPENING ESCROW

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## WHAT IS “ESCROW”?

Webster’s vest pocket dictionary defines ESCROW as:

“Deposit to be delivered upon fulfillment of a condition.”

As an escrow holder, Title Management Agency’s duty is to act as the neutral third party. We hold all documents and all funds, pursuant to the purchase contract and escrow instructions, until all terms have been met and the property is in insurable condition; then, we record the final documents. We do not work for the seller or for the buyer; however, we are employed by ALL parties and act only upon MUTUAL WRITTEN INSTRUCTION.

“Opening Escrow” occurs when your REALTOR® brings in a fully signed contract with your earnest money deposit. We will accept the contract with the final signatures of a party to be forthcoming.

Your escrow officer reviews the contract, receipts in the earnest money, orders the Commitment for the Title Insurance, and prepares the documents required to close escrow. All of the documents are double checked by your escrow officer; however, it is the final responsibility of your REALTOR® to review the documents, explain them to you, and make any necessary changes or submit approval.

# YOUR ESCROW CLOSING APPOINTMENT

Your escrow officer will call you to make an appointment for you to sign your lender's package as well as your deed, affidavit, and all other required documents. You should allow a minimum of 60 minutes for the process. If you would like, ask your REALTOR® and/or your loan officer to be present in case you should have questions.

Bring the following items to your appointment.:

## **IDENTIFICATION**

There are several acceptable forms of identification, which may be used during the escrow process. The following forms of identification may be presented:

- ◆ A current or non-expired state issued driver's license
- ◆ A state issued identification card
- ◆ U.S. Passport

Please note: If the Lender requires, you may be asked to present your Social Security Card. Identification must be present in order for your signatures to be notarized. If you are not a U. S. citizen, it is preferable to have an Alien Resident Card and a state issued identification card. Please check with Title Management Agency to confirm their specific requirements.

## **GOOD FUNDS**

Please plan ahead so that the necessary funds will be available at the time of the closing. Your escrow officer will prepare a pre-audit for you prior to your signing, which will indicate the amount of funds required by you to close. The law requires us to have GOOD FUNDS, which consist of a CASHIERS CHECK drawn on an Arizona banking or Savings institution or WIRE TRANSFER.

## **INSURANCE**

Order your insurance before the loan is approved, and be certain that the policy complies with your lender's requirements. Proof of homeowner's insurance on the property must be provided for your lender. Bring in the name, company, address and phone number of your insurance agent.

## **LENDER'S REQUIREMENTS**

Make sure you have satisfied your lender's requirements before coming to Title Management Agency, to sign your mortgage and escrow documents.

# TITLE INSURANCE

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## WHAT IS TITLE INSURANCE?

**DEFINITION:** A contract where by the insurer for valuable consideration agrees to indemnify the insured in a specified amount against loss through defect of title to real estate wherein the latter has an interest either as a purchaser or otherwise.

**PURPOSE:** The Title Insurance services of Title management Agency are designed to afford real property owners, lenders, and others with interest in real estate, the maximum degree of protection from adverse title claims or risks. The financial assurance offered by a Title Insurance Policy from Title Management Agency is, of course, the primary aspect of title protection. The Policy affords protection both in satisfying valid claims against the title as insured and in defraying the expenses incurred in defending such claims.

## THE TITLE SEARCH

Title companies work to eliminate risks by performing a search of the public records or through the title company's own plant. The search consists of public records, laws and court decisions pertaining to the property to determine the current recorded ownership, any recorded liens or encumbrances or any other matters of record which could affect the title to the property. When a title search is complete, Title Management Agency issues a Commitment for Title Insurance (pre-lim) detailing the current status of title.

# WHY TITLE INSURANCE?

## WHY TITLE INSURANCE?

In every real estate transfer the matter of a title examination invariably arises. The home buyer often questions whether title insurance is really necessary, particularly when an examination of the title has been completed by an experienced title examiner, or Real Estate Attorney, and the examination of all available title records shows no adverse information which question the marketability of the title. But . . . does an examination of title records necessarily remove all concern for title problems eventually surfacing?

The answer is NO . . . and that is why title insurance exists and why it plays such an important role in protecting the real estate interests and equity of policyholders.

## WHAT ARE THE RISKS?

There are many title troubles that can arise to cause the loss of your property or mortgage investment. Hidden risks, which are title troubles that are not disclosed even by the most careful search of public records, are the most dangerous. Hidden risks can make your title worthless. Your attorney's examination may be the finest that skill, experience and legal knowledge can produce, but your title may be fatally defective.

Here are some title troubles that frequently occur. You may not discover them when you buy real estate, but months or years later, they can result in the loss of your property or an expensive lawsuit:

- Deeds by persons of unsound mind
- Deeds to or from defunct Corporations
- Defective acknowledgments
- Duress in execution of instruments
- Erroneous reports furnished by tax officials
- False personation of the true owner of land
- Forged documents, i.e., deeds, releases, etc.
- Misrepresentation of wills
- Mistakes in recording legal documents
- Surviving children omitted from a will
- Errors in indexing
- Capacity of foreign fiduciaries
- Birth or adoption of children after date of will
- Deeds delivered after death of grantor/grantee, without consent of grantor
- Marital rights of spouse purportedly, but not legally, divorced
- Undisclosed divorce of spouse who conveys as consort's heir
- Deeds from a bigamous couple
- Deeds by minors
- Deeds in lieu of foreclosure given under duress
- Deeds by persons supposedly single, but married
- Administration of estate of persons absent but not deceased
- Inadequate descriptions on conveyances
- Claims of creditors against property sold by heirs or devisees
- Federal condemnation without filing of notice
- Deed of community property recited to be separate property
- Falsification of records
- Undisclosed or missing heirs
- Instruments executed under fabricated or expired Power of Attorney

# TITLE INSURANCE

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## TWO KINDS OF POLICIES

*It is important to know that there are two kinds of title insurance.*

**LENDER'S TITLE INSURANCE** protects only the interest of the lender. Lenders, knowing the many things that can snarl title to real property usually – and rightly – insist upon lenders title insurance to protect their stockholders and/or investors.

**OWNER'S TITLE INSURANCE** protects the interests of the buyer. Both kinds of title insurance are available in most areas in a single, low cost “package” that protects both lender and buyer for as long as they or their heirs have any interest in the property.

The title insurer, without expense to you, will defend you against insured claim upon the title to your property. The one-time premium is small. The protection is great.



# COMMON WAYS TO HOLD TITLE

## HOLDING TITLE TO REAL ESTATE IN ARIZONA

### COMMUNITY PROPERTY

Because Arizona is a community property state, there is a statutory presumption that all property acquired by husband and wife during the marriage except property acquired by gift, devise or descent, is community property. Community property is an estate of co-ownership between married persons only. Neither spouse, acting individually, may transfer or encumber real estate that is vested as community property. Upon death of one of the spouses, the descendant's interest will pass by will (if one exists) or intestate succession (if no will exists).

### COMMUNITY PROPERTY WITH RIGHT TO SURVIVORSHIP

A community property estate between married persons that vests the title to real property in the surviving spouse provided it is expressly declared in the deed. This vesting has the tax benefits of holding title as "community property" and the ability to avoid probate through "survivorship rights." If a married couple acquires title as community property with right of survivorship they must specifically accept the community property with right of survivorship to avoid the presumption of community property.

### JOINT TENANCY WITH RIGHT OF SURVIVORSHIP

Joint tenancy with right of survivorship is a method of co-ownership that gives title to the real property to the surviving tenant(s) upon death of a joint tenant owner. Title to real property can be held in joint tenancy by two or more individuals either married or unmarried. If a married couple acquires title as joint tenants with the right of survivorship they must specifically accept the joint tenancy to avoid the presumption of community property.

### TENANCY IN COMMON

Tenancy in common is co-ownership where parties do not have survivorship rights and each owns a specific undivided interest in the entire title.

### SOLE AND SEPARATE

Sole and separate property is real property owned by a spouse before marriage or any acquired after marriage by gift, descent or specific intent to hold the title separate from the marital community. If a married person acquires title as sole and separate property, his or her spouse must execute a disclaimer deed.

# TITLE COMMITMENT

This explanation may help you understand the contents of the title commitment you receive from Title Management Agency .

**SCHEDULE A:** This is the information submitted to our title department by the escrow officer. It contains the basic information given to us by the buyer or REALTOR<sup>®</sup>, such as the legal description of the property, sales price, loan amount, lender, name and marital status of buyer and seller.

**SCHEDULE B:** The schedule B "exceptions" are items which are tied to the subject property. These include Covenants, Conditions and Restrictions (CC&R'S), easements, homeowners association bylaws, leases and other items which will remain of record and transfer with the property. They are referred to as "exceptions" because the buyer will receive a clear title "except" the buyers right will be subject to conditions in the CC&R's, recorded easements, etc. The buyer is asked to sign a receipt for the Schedule B documents which states the buyer has read and accepts the contents.

**REQUIREMENTS:** These are items that Title Management Agency needs to delete and or record in order to provide a clear title to the property. Items that need to be addressed include:

- Current property tax status
- Any assessments that are owed such as those for a homeowners association
- Any encumbrances (or liens) on the property

Sometimes items show up against a property because another person has a name similar to an involved party. This is one reason we ask for an identity statement, to determine if items are inaccurate and can be deleted.

*If you have any questions about the commitment or how to read it, contact your REALTOR<sup>®</sup> or your escrow officer!*

# CLOSING COSTS

*Any questions pertaining to loan fees and charges should be directed to your loan officer.*

*Your escrow officer will review and explain your settlement statement at closing. The following is designed to help you understand some of the costs associated with closing and to show you cost saving policies offered through Title Management Agency.*

## **SOME TYPICAL CLOSING COSTS**

### **TITLE INSURANCE PREMIUM**

Fee paid by an individual to insure the buyer has a marketable title and the lender is in first lien position.

### **REAL ESTATE COMMISSION**

Fee paid to real estate broker for services rendered in listing, showing, selling, and consummating the transfer of property.

### **TRANSFER/ASSUMPTION CHARGES**

Fee charged by the lender to allow a new purchaser to assume the existing loan. Recording fees are assessed by the County Recorder's Office to record documents of a real estate transaction.

### **LOAN FEES**

Fees charged by a lender in connection with the processing of a new loan. These may include points, origination fee, credit report, appraisal, etc.

### **ESCROW FEES**

Fees charged by an escrow agent for services rendered in preparing documents and collecting/disbursing funds necessary to consummate a real estate transaction.

### **ADDITIONAL SETTLEMENT CHARGES**

Taxes, insurance, impounds and interest prorations, termite inspection fee, home warranty, Homeowners Association transfer, etc.

## **RESALE RATE**

Resale by an owner insured by Title Management Agency within two years from the sale of the owners policy: 25% of the basic rate based on the amount of the prior policy if the prior policy and new policy are both standard coverage.

Resale of residential transactions under a standard/residential policy of title insurance issued by any company within prior five years covering the identical property and new policy to be issued is standard or residential policy: 80% of the basic rate based on the amount of the prior policy ...Insurance in excess of the prior policy shall be charged at 100% of the applicable rate of the new policy to be issued.

## **THIRD PARTY TRANSACTION**

This rate is available in cases where the applicant is taking title to the property with the intention of conveying the same to a third party. The title policy may be held and issued to the ultimate purchaser with 24 months.

**CHARGE:** 125% of the applicable insurance rate for the type of policy coverage requested which charge shall be paid upon first acquisition. If the amount of the resale is greater than the first acquisition, then an increased liability charge shall be made at the applicable per unit rate for the amount of the increase. Hold open policy may be extended after 24 months at the rate of 15% of the applicable rate per unit.

# WHAT DO I PAY FOR?

Your contract and any applicable government regulations determine who pays which closing costs. Your REALTOR® and/or loan officer can explain these costs to you.

## **The Buyer Generally Will Pay:**

- Lenders title policy premium, if new loan
- Escrow fee, one half (except seller pays all on VA)
- Document preparation, if applicable
- Notary fees, if applicable
- Recording charges for all documents in buyers' names
- Homeowners association transfer fee, per contract
- Two months homeowners association fee
- All new loan charges (except those lender requires seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Assumption/change of records fees for takeover of existing loan
- Beneficiary statement fee for assumption of existing loan
- Home warranty premium per contract
- Hazard insurance premium for first year
- All prepaid items, such as interest, or funds for an escrow account
- Courier fees if applicable
- Professional home inspection
- Add termite inspection per contract

## **The Seller Generally Will Pay:**

- Owner's title insurance premium
- Realtor's commission
- Escrow fee, one half (except seller pays all on VA)
- Any loan fees required by buyer's lender, i.e., FHA, VA
- All loans in seller's name (unless buyer assumes existing loan)
- Interest accrued on loan being paid off, statement fees, reconveyance fees, prepayment penalties
- Home warranty premium per contract
- Homeowners association transfer fee, per contract
- Homeowners association disclosure Fee
- Any unpaid homeowners association dues
- Any judgments, tax liens, etc., against seller
- Recording charges to clear all documents of record against seller
- Property taxes: pro-rated to the date the title is transferred plus any delinquent taxes
- Any bonds or assessments per contract
- Courier fee if applicable
- Septic fees per contract
- Any repairs per contract

# CLOSING COSTS... AN EXPLANATION

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## **APPRAISAL FEE**

This charge, which may vary significantly from transaction to transaction, pays for a statement of property value for the lender. The appraisal is performed by an independent appraiser or by a member of the lender's staff. In the event you fail to repay the loan according to the provisions of your mortgage contract, the lender must determine whether the value of the property is sufficient to secure the loan. Please note that failure to repay your loan may result in foreclosure by the lender. The appraiser inspects the house and the neighborhood, and considers sales prices of comparable houses and other factors in determining the value. The appraisal report contains photos and other information of value. It provides the factual data upon which the appraiser bases the appraisal value. The appraisal neither gives rights to the purchaser nor necessarily detects disclosure defects in the property or title to the property. While most reasonable lenders are willing to furnish you a copy of the appraisal upon request, they are not required to do so unless State law requires it. Therefore, it is important that you reach an understanding with your lender if you wish to see the appraisal report, preferably at the time of payment of the appraisal fee.

The appraisal fee may be paid by either the buyer or the seller, as agreed in the sales contract. In some cases, this charge is included in the mortgage insurance application fee.

## **CITY/COUNTY PROPERTY TAX**

The lender may require a regular monthly payment to the reserve account for property taxes.

## **CREDIT REPORT FEE**

This fee covers the cost of the credit report, which shows how you have handled other credit transactions. The lender uses this report in conjunction with information you submitted with the application regarding your income, outstanding bills, and employment to determine whether you are an acceptable credit risk and to help determine how much money to lend you.

Whenever you encounter credit-reporting problems, you have protection under the fair credit laws.

# CLOSING COSTS... AN EXPLANATION

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## **HAZARD INSURANCE**

This type of insurance protects you and the lender against loss due to fire, windstorm and natural hazards. Coverage may be included in a Homeowner's Policy, which insures against additional risks that may include personal liability and theft.

A hazard insurance or homeowner's policy may not protect you against loss caused by flooding. If your mortgage is Federally insured and your property is within a "special flood hazard area," identified by FEMA, you may be required by Federal law to carry flood insurance on your home. Such insurance may be purchased in participating communities under the National Flood Insurance Act.

## **HAZARD INSURANCE PREMIUM**

The lender determines the amount of money that must be placed in the reserve in order to pay the first insurance premium, when due. Lenders often require payment of the first year's premium at settlement.

## **INTEREST**

Lenders usually require that borrowers pay, at settlement, the interest that accrues on the mortgage from the date of the settlement to the beginning of the period covered by the first monthly payment. For example, suppose your settlement takes place on June 16, and your first regular monthly payment will be due on August 1, with interest charges for the month of July. On the settlement date, the lender will collect interest for the period from June 16 to July 1.

## **ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE**

You may be required to prepay certain items such as: accrued interest, mortgage insurance and hazard insurance premiums, at the time of settlement.

# CLOSING COSTS... AN EXPLANATION

## **LENDER INSPECTION FEES**

This charge covers inspections, often of newly constructed housing, made by personnel of the lending institution or an outside inspector.

## **LOAN DISCOUNT**

Often called “points,” a loan discount is a one-time charge used to adjust the yield on the loan to what market conditions demand. It is used to offset the constraints placed on the yield by State or Federal regulations. Each “point” is equal to one percent of the mortgage amount. For example, if a lender charges four points on a \$60,000 loan, this amounts to a charge of \$2,400.

## **MORTGAGE INSURANCE APPLICATION FEE**

This fee covers processing costs of the application for private mortgage insurance, which may be required on certain loans. It may also cover both the appraisal and application fee.

## **MORTGAGE INSURANCE PREMIUM**

Mortgage insurance protects the lender from loss due to payment default by the borrower. The lender may require you to pay your first premium or a lump sum premium covering the life of the loan in advance on the day of settlement. The premium may cover a specific number of months, a year in advance, or the total amount. With this insurance protection, the Lender is willing to make a larger loan, thus reducing your down payment requirements. This type of insurance should not be confused with mortgage life, term or disability insurance designed to pay off a mortgage in the event of physical disability or death of the borrower.

## **RESERVES DEPOSITED WITH LENDERS**

Reserves (sometimes called “escrow” or “impound” accounts) are funds held in an account by the lender to assure future payment for reoccurring items such as real estate taxes and hazard insurance.

Normally, a setup fee is required to establish a reserve account at the time of settlement. A portion of your regular monthly payments will be added to the reserve account. RESPA places limitations on the amount of reserve funds, which may be required by the lender.

# INSPECTIONS

The AAR contract provides a multi-tiered inspection period. Numerous items may be inspected, such as the property itself, the title report and the CC&Rs, and the seller properly disclosure. If within the allowed inspection period/periods the buyer, for a reason, does not approve any inspected item, the buyer may follow the remedies provided on the contract.

The buyer's inspection process could include any or all of the following inspections as well as those mentioned above.

## **STRUCTURAL PEST CONTROL**

- An inspection to determine the existence, if any, of active infestation by wood destroying organisms.
- Section I, on the report, will reflect items that need immediate attention due to active infestation. The lender will usually require that the work be performed prior to funding the loan.
- Section II, on the report, will reflect items that may cause infestation, and if not corrected, may cause damage.

## **PHYSICAL INSPECTION**

- This inspection encompasses roof, plumbing, electrical, heating and any other accessible area of the structure.
- The home inspection company will provide a written report, with recommendations for repair or further inspection by a specialist. Please note that home inspection charges range from \$150 to \$300, depending on the size of the home.

## **OTHER INSPECTIONS**

- Water Conservation
- Well and Septic
- Seismic
- Hazardous Materials
- Zoning and Building Permit Compliance
- Contractors Home Inspection
- Chimney Inspection
- Heating and Air Conditioning
- Structural Engineering
- Energy Audit



# HOME WARRANTIES

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As a homeowner, or a potential homeowner, it is important to understand the advantages of Home Warranty protection. The Home Warranty policy covers the repair and/or replacement of major mechanical and major appliances, such as plumbing and heating and air conditioning units. Be aware that there are a variety of plans available, and you should select the plan that meets your needs and your budget.

## **BENEFITS OF HOME WARRANTY COVERAGE TO THE SELLER**

Offering a home warranty plan is a great marketing feature when selling your home. A warranty plan may protect you from legal disputes arising from malfunctioning plumbing, appliances, etc. after the sale of your home.

## **BENEFITS OF HOME WARRANTY COVERAGE TO THE BUYER**

A home warranty plan assists in deferring costs that may arise from malfunctioning plumbing, appliances, etc.

Please note that optional coverage is available for swimming pools, washers/dryers, spas and well pumps.

# SAFETY TIPS: PROTECT YOUR HOME

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## DAILY SAFETY TIPS

- Keep interior and exterior lights on while you are away.
- Make sure all windows are protected with secure locks.
- Secure windows and Arcadia doors with a steel or wood brace.
- Keep bushes and trees trimmed to prevent possible hiding places.
- Keep emergency numbers near all telephones.
- It is not advisable to leave a key hidden outside of your home. If absolutely necessary, place the key in a very discrete location.
- Don't leave your keys out, whether in your home, office, etc. where someone can steal or duplicate them.
- Make sure you have accessible, working flashlights.
- Leave the television or radio on to give the appearance of someone being at home.
- Keep your garage door closed and the entry door from your garage into your house locked.
- Consider getting a dog; barking dogs usually discourage burglars.
- Install the following safety features:
  - Deadbolt locks on all entry doors
  - Motion detection lights outside
  - Secure entry doors (solid wood or steel)
  - A security system
- Leave your family name off of your door and mailbox. A well-known burglary tactic is to call information to obtain the homeowner's telephone number.

## VACATION TIPS

- Stop mail and newspaper deliveries
- Consider using a house sitter to watch your home.
- Request, "trusted" neighbors to periodically check your home.
- Place all interior lights on a timer to give the illusion of someone being home.
- Leave your normal message on your answering machine; NEVER leave a message announcing your extended absence or vacation plans.
- Never disclose travel plans to someone you do not trust.
- Alert your alarm company of extended absence or vacation for security purposes.

# THE ARIZONA TAX CALENDAR

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<b>January 1</b>	Current taxes become a lien not yet payable. First day to file exemption with the Assessor's Office.
<b>February 1</b>	On or before this date Assessor is required to notify property owners of any increase in taxes or of delinquent taxes for previous years sold at auction. (3 year redemption period.)
<b>February 15</b>	Last day to file an appeal with the Assessor's Office if the property owner feels values are excessive or violate the limitation of increases.
<b>February 28</b>	Last day to file exemptions
<b>March 1</b>	Second half taxes for the previous year are now due and payable
<b>May 1</b>	Second half taxes for the previous year are now delinquent.
<b>July 25</b>	Tax Roll is certified.
<b>September 15</b>	Tax statements mailed from mid September to October 1st.
<b>October 1</b>	First half current year taxes are now due and payable (may pay full year).
<b>November 1</b>	First half current year taxes are now delinquent.

# IMPORTANT PROPERTY TAX INFORMATION

## ANNUAL TAX STATEMENT

- Annual statements are billed for the calendar year, although they are not issued until the fall of the current year. (September or October)
- Taxes may be paid in two halves:
  - The first installment is due September 1st and delinquent November 1st
  - The second installment is due March 1st of the following year and delinquent May 1st.
- Always check the property description on the tax statements to avoid paying on the wrong property. To assure proper posting of payments and information to your address, please furnish your parcel number when making any payments or inquiries at the Assessors or Treasures office. This number can be found on paperwork supplied to you by Title Management Agency and is usually in the following format: 123-45-678. Sometimes this number is followed by a capital letter.
- The law does not recognize failure to receive a tax statement as reason for waiving interest. The Treasurer must assess interest on all delinquent payments.

## NEW OWNERSHIP

- The transfer of ownership information may take six (6) months or more to process; therefore, new owners may not receive a tax bill for property purchased after November 1st of the previous year. If a tax statement has not been received by October 15th, the new owner MUST contact the Treasure for the statement so that that payment can be made before the first half becomes delinquent. Again, November 1st. The phone number is 602-506-8511.

## VALUE NOTIFICATION

- On or before January 31st of each year, an Assessment Notice is sent from the Assessor to each property owner, at the last known address. The Notice includes information for the new tax year, such a property full cash value, assessed value, classification and assessment ratio.
- During a 45-day period after receipt of assessment notice, valuations can be protested through the County Assessor. For information call the assessors office at 602-506-3406

# MOVING CHECKLIST

## OLD RESIDENCE

### CHANGING ADDRESS

- Forward address at Post Office
- Credit card accounts
- Publications
- Bank accounts

### UTILITIES TO CANCEL

- Telephone (check for refund)
- Gas & Electric (check for refund)
- Water (check for refund)
- Garbage
- Propane
- Cable (check for refund)

### MOVING PREPARATION

- Defrost refrigerator
- Auto transportation needs
- Pet transportation needs
- Travel cash/checks
- Hand carry valuables
- Leave keys
- Leave garage openers

### MEDICAL SERVICES TO OBTAIN

- Medical records
- Dental records
- Veterinarian records
  
- **School transcripts for kids**

## NEW RESIDENCE

### CHANGING ADDRESS

- Postman to hold mail for arrival

### UTILITIES

- Telephone; new number
- Gas and electric
- Water
- Garage
- Propane
- Cable

### GOVERNMENT LICENSES & SERVICES

- Apply for state driver's license
- Register car
- Update driver's license
- Register to vote
- Register children in school

### MEDICAL SERVICES

- New doctor
- New dentist
- New veterinarian

# MOVING EXPENSES

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*When you meet the IRS's definition of a qualifying move, the following items are tax deductible:*

## **TAX DEDUCTIBLE MOVING EXPENSES:**

- The cost of trips to the area of a new job to look for a home. Your home shopping expedition does not have to be successful for the cost to be deductible.
- The cost of having your furniture and other household items shipped, including the cost of packing, insurance, and storage for up to 30 days.
- The cost of getting your family to the new hometown, including food and lodging expenses on the trip.
- The cost of lodging and 80 % of food expenses for up to 30 days in the new hometown, if these temporary living expenses are necessary because you have not yet found your ideal home or it is not ready when you arrive.
- Certain costs associated with the sale of your old home and purchase of the new one. These expenses, including real estate commission, legal fees, state transfer taxes and appraisal and title fees, could be used either to reduce the gain on the sale of the previous home or to boost the basis of the new one. But it's usually beneficial to count them as moving expenses up to the allowable dollar limits, because that gives you an immediate tax benefit.

*Before making any judgments about the deductibility of any moving expense, please contact your accounting professional.*

# USEFUL PHONE NUMBERS

## YOUR REAL ESTATE CONTACTS

REALTOR®: \_\_\_\_\_

Insurance Company: \_\_\_\_\_ Policy No.: \_\_\_\_\_

Home Warranty Company: \_\_\_\_\_ Policy No.: \_\_\_\_\_

Title Insurance Company -- Title Management Agency: \_\_\_\_\_

## EMERGENCY - 911

### HOSPITALS

BOSWELL MEMORIAL	623.977.7211
DEL E. WEBB MEMORIAL	623.214.4000
CHANDLER REGIONAL	480.963.4561
THUNDERBIRD SAMARITAN	602.588.5555
DESERT SAMARITAN	480.835.3000
MESA LUTHERAN	480.834.1211
VALLEY LUTHERAN	480.981.2000
PARADISE VALLEY	602.867.1881
GOOD SAMARITAN	602.239.2000
JOHN C. LINCOLN	602.943.2381
JOHN C. LINCOLN – DEER VALLEY	623.879.6100
PHOENIX CHILDREN'S	602.546.1000
ST. JOSEPH'S	602.406.3000
SCOTTSDALE HEALTHCARE – SHEA	480.860.3000
SCOTTSDALE HEALTHCARE – OSBORN	480.481.4000
TEMPE ST. LUKE'S	480.968.9411
ARROWHEAD	623.561.1000

### UTILITIES

SRP	602.236.8888
APS	602.371.7171
COX COMMUNICATIONS	602.277.1000
SOUTHWEST GAS	602.861.1999
QWEST (Residential)	800.244.1111

# USEFUL PHONE NUMBERS

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## UTILITIES: WATER SERVICES

Apache Junction	480.982.6030
Avondale	623.932.5610
Black Canyon	623.374.9408
Carefree	480.488.9100
Cave Creek	480.488.3331
Chandler	480.782.2280
El Mirage	623.933.1228
Fountain Hills	480.837.9522
Gilbert	480.503.6800
Glendale	623.930.3190
Goodyear	623.932.3015
Guadalupe	480.350.8361
Litchfield Park	623.935.9367
Mesa	480.644.2221
Paradise Valley	480.947.5044
Peoria	623.773.7433
Phoenix	602.261.8000
Queen Creek	480.987.3240
Scottsdale	480.312.2461
Sun City	623.876.4020
Surprise	623.876.4020
Tempe	480.350.8361
Tolleson	623.936.8500
Youngtown	623.876.4020



# USEFUL PHONE NUMBERS

## CITY GOVERNMENT

Apache Junction	480-982-8002	Litchfield Park	623-935-5033
Avondale	623-932-2400	Maricopa County	602-506-3011
Black Canyon	623-374-5512	Mesa	480-644-2011
Buckeye	623-386-4691	Paradise Valley	480-948-7411
Carefree	480-488-3686	Peoria	623-773-7000
Cave Creek	480-488-1400	Phoenix	602-262-6011
Chandler	480-782-2220	Queen Creek	480-987-9887
El Mirage	623-972-8116	Scottsdale	480-312-6500
Fountain Hills	480-837-2003	Sun City	623-977-5000
Gilbert	480-503-6000	Surprise	623-583-1000
Glendale	623-930-2000	Tempe	480-967-2001
Goodyear	623-932-3910	Tolleson	623-936-7111
Guadalupe	480-730-3080	Youngtown	623-933-8286

## CHAMBERS OF COMMERCE

Apache Junction	480-982-3141	Litchfield Park	623-932-2260
Avondale	623-932-2260	Mesa	480-969-1307
Black Canyon	623-374-9797	Paradise Valley	480-948-7411
Buckeye	623-386-2727	Peoria	623-979-3601
Carefree	480-488-3381	Phoenix	602-254-5521
Cave Creek	480-488-3381	Queen Creek	480-720-4040
Chandler	480-963-4571	Scottsdale	480-945-8481
El Mirage	623-583-0692	Sun City	623-583-0692
Fountain Hills	480-837-1654	Surprise	623-583-0692
Gilbert	480-892-0056	Tempe	480-967-7891
Glendale	623-937-4754	Tolleson	623-932-2260
Goodyear	623-932-2260	Youngtown	623-583-0692
Guadalupe	480-730-3080		

## MISCELLANEOUS

City Bus Transportation	602-253-5000
Motor Vehicle Dept.	602-255-0072
Animal Shelter	602-506-7387
Silent Witness	602-261-8600
Arizona Republic	602-444-8000
Post Office	800-275-8777

# GLOSSARY

Agency	A legal relationship in which someone (principal) hires someone else (agent) to represent them to a third party.
Assessed Value	The value placed on a property by the Central Appraisal District as a basis for taxation.
CC&R's	Covenants, Conditions, and Restrictions. A document that controls the use, requirements, and restrictions of a property.
Chain of Title	A history of conveyances and encumbrances affecting the title of real property.
Convey or Conveyance	Process of transferring ownership of property from one person to another.
Courier Fee	Charges for deliveries
Deed	A document which, when properly executed and delivered, conveys title of real property.
Disclosure	To make known or public. When dealing with real property, all disclosures should be made in writing.
Earnest Money	Money deposited by a buyer as evidence of good faith.
Encumbrance	Anything that affects or limits the ownership of real property, such as liens, mortgages, easements or restrictions of any kind.

# GLOSSARY

Escrow	The deposit of documents and funds with instructions to a neutral third party to carry out the provisions of an agreement or contract.
Escrow Fee	Charges by Title Management Agency to service the transaction and to hold money and documents.
Fair Market Value	The price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure.
Homeowner's Title Policy	Insures the buyer against loss due to any defect of the title not excepted to or excluded from the policy.
Principle	The employer of an agent in an agency relationship.
Recording Fee	Charge by the County Clerk to record documents in the public records.
Settlement Statement	The financial disclosure statement that accounts for all the funds received and expected at the closing of the escrow.
Time is Of The Essence	Demands punctual performance in a binding contract.
Title	In dealing with real property, title means ownership.
Zoning	Act of city authorities specifying type of use for which property may be used.