

maintenance

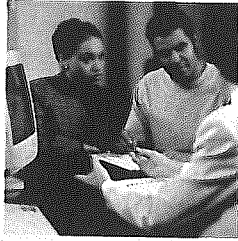


*Careful maintenance
pays off when
selling your home.*

What can I do if I have a fixed-rate loan and interest rates go down?

82 When interest rates drop significantly as they have in recent times, the homeowner should investigate the financial advantages of refinancing. Essentially, this means taking out a new loan to pay off your existing loan.

Refinancing may require paying many of the same fees paid at the original closing, plus origination fees. Most mortgage experts agree that if you can get a rate two percent less than your existing loan, and you plan on staying in your home for at least 18 months more, refinancing is a good investment.



Want to pay off your loan early? There are several ways.

- Save some extra money every month. With the interest you earn on savings, you may be able to make an extra payment at the end of the year
- Pay an extra twelfth of your principal and interest payment every month
- Send whatever extra you can every month
- Whichever method you choose, be sure to clearly indicate that the excess payment is to be applied to principal

What is the difference between pre-qualifying and pre-approval?

83 A pre-qualification consists of a discussion between you and a loan officer. The loan officer will collect information regarding your income, monthly debts, credit history and assets, and based on this information calculate an estimated mortgage amount for which you qualify. The pre-qualification is not a mortgage approval, but more an estimate of what you can afford.

A pre-approval, on the other hand, is a more comprehensive approach giving an actual decision on a home loan. With ERA® Mortgage, a credit report is ordered electronically and is received within 30-60 seconds. This is an actual credit approval, and it carries with it some considerable benefits. From this information, a loan approval is given agreeing to finance a home and specifying the total mortgage amount available to you.

What could be more comforting than the peace of mind that goes with knowing that your mortgage is fully approved?

You will have a greatly improved negotiating position when you are pre-approved for a mortgage. Sellers are more apt to negotiate with someone who already has a mortgage approval in hand. The pre-approval letter lets the seller know they are working with a serious cash buyer. A pre-approved buyer can also close on a property more quickly — another major consideration for a motivated seller. We strongly recommend it.

IN CASE OF EMERGENCY, BE PREPARED!

Make sure that everyone in the house, including children who are old enough to be left alone, knows where to find the following:

- The closest fire extinguisher, and how to use it.
- The fuse box or main circuit breaker, and how it works.
- The main gas shutoff valve, and how to turn it off.
- The main water shutoff valve, and how to turn it off.
- Emergency-services contact numbers (fire, police, ambulance) in your area.

How can I increase the energy efficiency of my home without spending a fortune?

86 Making your home more comfortable and efficient doesn't have to take a great deal of time and money. For a good start toward saving on your home heating, cooling, and other energy bills, here are five easy steps you can take:

1. Keep your thermostat set around 78 degrees in the summer, 68 degrees in the winter. By avoiding constant adjustments, you can stabilize your energy bills.

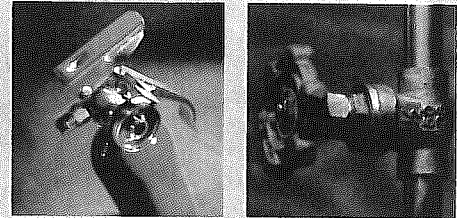
SAVINGS: You'll stay comfortable year round, and your heating/cooling bills won't make you uncomfortable either.

2. Dripping bathroom faucets and leaky showerheads are obvious waste culprits. Fortunately, they're easy to fix with a do-it-yourself book. Toilet tank water-savers can mean significant dollar savings, too.

SAVINGS: An average family can save about 20,000 gallons of fresh water a year with a few easy bathroom fix-ups.

3. Compact fluorescent lighting costs more than you're used to paying for the standard incandescent bulbs, but fluorescents last more than 10 times longer (over five years in many cases) and use just a quarter of the electricity.

SAVINGS: Over its lifetime each compact fluorescent bulb will save you \$40 to \$60 on your electric bill.



4. Fireplaces can be a big energy leak. Check dampers and screens to make sure warm air isn't escaping when the fireplace isn't in use. Consider installing an energy-saving firebox to help circulate heat. If the fireplace is just for decoration, cover the chimney.

SAVINGS: An energy-efficient fireplace can be an economical and cozy source of supplemental heat.

5. Help your home systems and appliances do their jobs by keeping filters clean and operating parts oiled. Clean air conditioning filters and wall units each year. Change furnace filters frequently, and keep your furnace motor oiled. A professional inspection once a year will keep things running smoothly.

SAVINGS: Doing the little things adds up to lower electric bills and fewer appliance replacement costs.

Can proper maintenance increase the value of my home?

84 Yes. There's no question that careful maintenance can pay off when it's time to sell your home. As we explained in the "Selling" section of this book, a neat, well-maintained house can be expected to generate more traffic, and quite possibly a faster sale for a better price, than a comparable house in less desirable condition. The same goes for home improvements, even smaller ones like minor kitchen remodeling or new bathroom wall coverings.



Maintenance Tip: Eliminating heat loss will not only save you money now, but may add value to your house when it comes time to sell.

Even if you're not planning on moving in the foreseeable future, keeping up with routine maintenance will pay big dividends in the long run. For one thing, it will save you considerable time, trouble and expense when you are finally ready to sell. And it's certain to make homeownership a more rewarding, worry-free experience for you and your family.

Best of all, home maintenance doesn't have to cost a lot, in terms of either time or money. Even if you're not a weekend do-it-yourselfer, there are steps you can take right now to keep your home in top shape, inside and out.

What are some home maintenance tasks I can do myself?

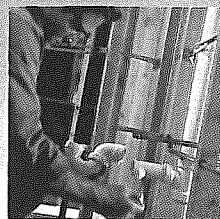
85 You can get more enjoyment in your home, and save money along the way, just by making a quick inspection every few months. The following inspection checklist includes some important safety, economy, and comfort considerations that you shouldn't overlook.

INSIDE CHECKUPS

- Make sure handrails and posts on stairways are secure. Replace when necessary with inexpensive bracket hardware.
- Test all household alarms, especially smoke alarms; change batteries frequently. And don't forget the doorbell.
- Make sure drains are running smoothly. Check traps and basement waste pipes, then check the main water line and shutoff valve.
- Inspect the basement for any damp spots, especially in corners. If you catch these areas early, a little waterproofing compound will usually do the trick.
- Wrap your cold-water pipes with foam rubber insulation. It prevents pipe "sweating" in the summer and freezing in the winter.

OUTSIDE CHECKUPS

- Keep gutters sloped toward the downspout, and keep them free of leaves and twigs.
- Keep basement windows in good order. Consider window well covers to keep out leaves and rain.
- Flashing is where a roof or wall meets a chimney or skylight. Check the seals in these areas to see if they're secure.
- Replace individual shingles when missing, worn or loose.
- Use wire screening to keep insects and birds from nesting in roof ventilation areas.
- Lubricate garage door hardware and hinges.
- Fill and seal driveway cracks when necessary.



What's one sure way to keep my home energy bills under control?

87 Insulating your home is one of your best protections against high heating and cooling bills. It's also the best way to keep your home comfortable in every season.

Start with any unfinished attics and crawl spaces — that's where you'll notice savings of heat and money. Then consider adding insulation to the ceilings and walls between your living space and an unheated basement or garage.

Finally, don't forget that windows and doors can be some of your home's biggest energy wasters. Check weather-stripping, replace broken parts, and use storm windows and doors to stay draft-free.

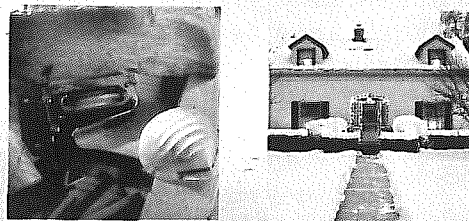
What kind of insulation do I need?

88 The main considerations when selecting insulation for your home are ease of installation, cost and durability. Because there are several different materials and forms to choose from (blanket, board, loose, etc.), it's best to talk with a building professional or salesperson to determine your particular needs.

HOW TO MEASURE INSULATION FOR YOUR HOME.

How much insulating material you need to protect your home depends on the material's "R-value." That's the rating of how well the material can block the flow of heat. The higher a material's R-value, the better it is as an insulator. For example, fiberglass has an R-value

of 3.1, while urethane board has an R-value of 5.9. Therefore, 12 inches of fiberglass and six inches of urethane would give you roughly the same amount of insulation.



Is it worth the money to call a professional just to handle maintenance?

89 When everything in your home seems to be running fine, it's very tempting just to let maintenance go until next year. Do your best to overcome that temptation.

Get into the habit of sticking to a regular schedule of maintenance for the systems and equipment in your home. You'll catch most little problems before they get big, and that can add up to enormous equipment and energy savings. Of course, the added benefit is the peace of mind that comes with being sure that everything in your home is running the way it was meant to.

If your home is covered by an **ERA® Home Protection Plan®** (please see page 35) and you need assistance, simply follow service instructions included in your warranty contract. If you have any questions, or need professional repair service, help is available to you 24 hours a day, 365 days a year.

A

Abstract of title: A condensed version of the history of title to a piece of land that lists any transfers in ownership, as well as any liabilities attached to it, such as mortgages.

Acceptance: An acceptance is a promise by the offeree to be bound by the exact terms proposed by the offeror. The acceptance must be communicated to the offeror.

Acknowledgment: A declaration made by a person to a notary public, or other public official authorized to take acknowledgments, that the instrument was executed by him and that it was his free and voluntary act.

Acre: A measure of land equal to 43,560 square feet.

Adjustable Rate Mortgage (ARM): A mortgage with rates and terms that can change. The adjustable rate loan has become commonplace, with allowable ranges as to time intervals, percentage of increase or decrease and total increases or decreases likely to change as market conditions change.

Adjustments: Money that the buyer and sellers credit each other at the time of closing. Often includes taxes and down payment.

Agency: A relationship created when one person, the principal, delegates to another, the agent, the right to act on his or her behalf in business transactions and to exercise some degree of discretion while so acting. An agency gives rise to a fiduciary relationship and imposes on the agent, as the fiduciary of the principal, certain duties, obligations, and high standards of good faith and loyalty.

Annual Percentage Rate (APR): An expression of the relationship of the total finance charge to the total amount to be financed as required under the federal Truth-in-Lending Act. Tables available from any Federal Reserve bank may be used to compute the rate, which must be calculated to the nearest one-eighth of 1 percent. Use of the APR permits a standard expression of credit costs, which facilitates easy comparison of lenders.

Appraisal: An estimate of the monetary value of a property on the open market; an estimate of a property's type and condition, its utility for a given purpose or its highest and best use.

"As-is": Words in a contract intended to signify that no guarantees, whatsoever, are given regarding the subject and that it is being purchased exactly as it is found.

Asking (list) price: The price placed on a property for sale.

Assessment: The imposition of a tax, charge or lien, usually according to established rates.

Assignment: A transfer of property rights from one person to another, called the assignee.

Assessor: Municipal or county official who determines the value of property for taxation.

B

Balloon mortgage: A short-term loan, usually at a fixed interest rate, paid back in equal monthly payments, with a final "balloon" payment for the remaining balance.

Broker: Person licensed to represent homebuyers or sellers for a fee.

Brokerage: For a commission or fee, bringing together parties interested in buying, selling, exchanging, or leasing real property.

Building inspection: An overall inspection of a home or building performed by a qualified contractor or inspector. The inspection usually covers all major systems including foundation, plumbing, electrical, roof, heating and air conditioning.

Buyer listing: An agreement where a buyer agrees to pay a commission if a broker locates a property that the buyer purchases.

Buyer's agent: Agent who represents the buyer in the real estate transaction.

Buyer-agency agreement: A principal-agent relationship in which the broker is the agent for the buyer, with fiduciary responsibilities to the buyer. The broker represents the buyer under the law of agency.

Buyer's broker: A licensee who has declared to represent only the buyer in a transaction, regardless of whether compensation is paid by the buyer or the listing broker through a commission split.

C

Cap: The maximum allowable increase, for either payment or interest rate, for a specified amount of time on an adjustable rate mortgage.

Closing: The final transfer of the ownership of a house from the seller to the buyer, which occurs after both have met all the terms of their contract and the deed has been recorded.

Closing costs: Expenses of the sale (or loan refinancing) that must be paid in addition to the purchase price (in the case of the buyer's expenses) or be deducted from the proceeds of the sale (in the case of the seller's expenses). Some closing costs result from legal requirements; others are a matter of local custom and practice.

Commission: The compensation paid to a licensed real estate broker or by the broker to the salesperson for services rendered, usually a percentage of the selling price of the property.

Comparables: Houses and properties that are similar in style, appearance, construction quality, and usefulness to a particular property in a certain location.

Comparative Market Analysis (CMA): Realistic estimate of a home's current market value based on the most salient points of the local real estate market.

Contingency: A provision in a contract that requires a certain act to be done or a certain event to occur before the contract becomes binding.

Contract: A legally enforceable agreement to do, or not to do, a particular thing for a consideration.

Contract of sale: The agreement between the buyer and seller on the purchase price, terms, and conditions necessary to both parties to convey the title to the buyer.

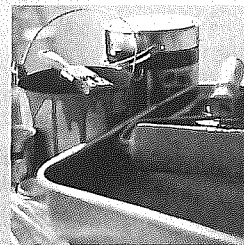
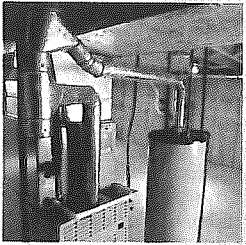
Conventional mortgage: Mortgage not FHA-insured or guaranteed by the VA, known by this name because it is the most popular home financing method.

Counteroffer: Offer made by the buyer or seller in response to the other's bid.

Curb appeal: Common term for everything prospective buyers can see from the street that might make them want to take a closer look at a house for sale.

What maintenance records do I need to keep? :

90 For easy reference in case of a repair or maintenance question, it's a good idea to keep a record of the brand, model number, and serial number of your major appliances and systems. Your records should also show the equipment installation dates (when known), as well as performance checks and service calls. Keeping these records can help you keep your home running smoothly the way checking your odometer can help you keep your car in top shape. Having such a



Maintenance Tip: Have your water heater checked and serviced regularly — neglect can lead to flooding and problems with other appliances.

handy reference source (see the "Keep your home in good working order and watch its value grow" worksheet earlier in this section) can help protect your investment for as long as you own your home, and it's impressive proof of consistent maintenance to prospective buyers:

D

Deed: A written instrument that, when executed and delivered, conveys title to or an interest in real estate.

Down payment: Buyer's payment to the sellers at time of closing for that percentage of the purchase price required by the buyer's mortgage loan.

Dual agency: Representing both the buyer and the seller in the same real estate transaction. By law, all states require that dual agency be disclosed to all parties in the transaction.

E

Earnest money: Money paid by the buyer, at the time of making an offer or entering into a contract to purchase, which is intended to show the buyer's good-faith intention to complete the purchase. Generally, earnest money is applied against the purchase price, but may be forfeited if the buyer fails to complete the purchase.

Equity: The interest or value that an owner has in a property over and above any indebtedness.

Escrow: The process by which money and/or documents are held by a disinterested third person (a stakeholder) until satisfaction of the terms and conditions of the escrow instructions (as prepared by the parties to the escrow) have been achieved. Once these terms have been satisfied, delivery and transfer of the escrowed funds and documents takes place.

Escrow account: The trust account established under the provisions of the license law for the purpose of holding funds on behalf of the principal or some other person until the consummation or termination of a transaction.

Exclusive Agency (EA): A written listing agreement giving a sole agent the right to sell a property for a specified time, but reserving to the owner the right to sell the property himself without owing a commission. The exclusive agent is entitled to a commission if he or she personally sells the property or if it is sold by anyone other than the seller. It is exclusive in the sense that the property is listed with only one broker. The multiple-listing service must accept exclusive-agency listings submitted by participating brokers.

Exclusive right to sell (ERS):

A listing agreement which gives the listing agent the right to sell the property for a specified time, with the right to collect a commission if the property is sold by anyone, including the owner, during the listing period.

F

Fair market value: The highest price an informed buyer will pay, assuming there is not unusual pressure to complete the purchase.

FHA: The Federal Housing Administration, which insures mortgage loans made by approved lenders in accordance with FHA regulations.

FHA-insured mortgage:

A mortgage with low down payment requirements, insured by the Federal Housing Administration and made available through banks and other lenders.

Fiduciary: The relationship of trust, honesty and confidence between agent and principal; the faithful relationship owed by an agent to the principal.

Fixed rate mortgage:

A mortgage with an interest rate that doesn't vary for the term of the loan.

For Sale By Owner (FSBO): Some owners choose to sell their own property without the aid of a real estate broker. "For Sale By Owner" properties can be a source of listings when the owner is unsuccessful in selling their property.

H

Home equity loan: A loan (sometimes called a line of credit) under which a property owner uses his or her residence as collateral and can then draw funds up to a prearranged amount against the property.

Homeowners' insurance: A type of insurance policy designed to protect homeowners from financial losses related to the ownership of real property. In addition to covering losses due to vandalism, fire, hail, etc., most policies also provide theft and liability coverage. Flood related damage requires a separate flood insurance policy or rider.

Home warranty: A policy purchased by a buyer or seller as an assurance against unexpected home repair costs.

House closing: The final transfer of the ownership of a house from the seller to the buyer, which occurs after both have met all the terms of their contract and the deed has been recorded. Also known as just "closing."

I

Impound account: Also known as an escrow account.

Inspection: A formal survey of a home's structure and systems, often performed by a licensed professional.

Inspection clause: A stipulation in an offer to purchase that makes the sale contingent on the findings of a home inspector.

Interest: A charge paid to a lender for borrowed money.

L

Lease-purchase agreement: An agreement between a tenant and landlord that a portion of monthly rent may be credited toward eventual purchase of the rental property.

Lease purchase: A contract in which an owner leases his house (usually for one to five years) to a tenant for an increased monthly rent, and which gives the tenant the right to buy the house at the end of the lease period for a price established in advance, with the incremental rent increase being used to form a down payment. Buyers should be wary of this type of contract since they may lose their extra rent/down payment money should the owner suffer financial setbacks before the purchase has been completed.

Lender's agent: A person who represents the lender holding the mortgage at closing.

Listing: A contract in which the seller agrees to pay a commission to the agent who finds a purchaser who can meet the specified terms.

Listing agreement: A written employment agreement between a property owner and a real estate broker authorizing the broker to find a buyer or a tenant for certain real property. Listing can take the form of open listings, net listings, exclusive-agency listings, or exclusive-right-to-sell listings. The most common form is the exclusive-right-to-sell listing.

Listing broker: The broker in a multiple-listing situation from whose office a listing agreement is initiated, as opposed to the cooperating broker, from whose office negotiations leading up to a sale are initiated. The listing broker and the cooperating broker may be the same person.

M

Market: A place where goods can be bought and sold and a price established.

Market analysis: A regional and neighborhood study of economic, demographic and other factors made to determine supply and demand, market trends, and other factors important to buying/leasing and selling real property.

Market value: The price that a willing buyer and a willing seller, both given full information, and neither under pressure to act, would agree upon. Also known as Fair Market Value.

Mortgage: A contract providing security for the repayment of a loan, registered against property, with stated rights and remedies in the event of default. Lenders consider both the property and financial worth of the borrower in deciding on a mortgage loan.

Mortgage broker/company: A person or firm that acts as an intermediary between borrower and lender; one who, for compensation or gain, negotiates, sells or arranges loans and sometimes continues to service the loans; also called a loan broker. Loans originated by the mortgage broker are closed in the lender's name and are usually serviced by the lender. This is in contrast to mortgage bankers, who not only close loans in their own names but continue to service them as well.

Mortgage insurance: A kind of insurance policy that will pay off the mortgage balance in the event of death, and in some policies, disability. Premiums are paid with the regular monthly mortgage payment.

Mortgage loan: A loan which utilizes real estate as security or collateral to provide for repayment should you default on the terms of your loan. The mortgage or deed of trust is your agreement to pledge your home or other real estate as security.

Mortgage note: A signed promise to repay a mortgage loan in regular monthly payments.

Multiple-Listing Service (MLS): A marketing organization composed of member brokers who agree to share their listing agreements with one another in the hope of procuring ready, willing and able buyers for their properties more quickly than they could on their own.

O

Offer: A proposal to enter into an agreement with another person. An offer must express the intent of the person making the offer to form a contract, must contain some essential terms — including the price and subject matter of the contract — and must be communicated by the person making the offer. A legally valid acceptance of the offer will create a binding contract.

Offeree: The person to whom an offer is made — usually the owner.

Offeror: The party who makes an offer — usually the buyer.

Open house: The common real estate practice of showing listed homes to the public during established hours.

Open listing: A listing given to any number of brokers who can work simultaneously to sell the owner's property. The first broker to secure a buyer who is ready, willing and able to purchase at the terms of the listing earns the commission. In the case of a sale, the seller is not obligated to notify any of the brokers that the property has been sold.

Origination fee: A fee charged by lenders, in addition to interest, for services in connection with granting of a loan. Usually a percentage of the loan amount.

Over-improvement: An addition or improvement in which the cost is greater than the increased value of the house.

P

Payment cap: A protective device included in some adjustable-rate mortgages that sets a maximum amount monthly payment may rise in any given year.

PITI: Principal, Interest, Taxes, and Insurance, the four main parts of a monthly mortgage payment.

PMI: Private Mortgage Insurance, which protects the lender in case of default by the borrower. PMI is often used to allow buyers to obtain financing with less than a 20 percent down payment.

Points: Where one point equals one percent of the total mortgage loan amount. Buyers often pay lenders a supplemental fee, calculated in points, to get a better mortgage interest rate.

Pre-approval: An actual decision on a home loan, involving the obtaining of a credit approval and an agreement to finance a home, with specifics on the total mortgage amount available to the buyer.

Prepayment: Paying off all or part of the mortgage before the scheduled date.

Pre-qualification: An informal determination by a lender or broker of how large a mortgage a buyer can afford.

Principal: Money borrowed from a lender, not including any fees or interest.

Purchase offer: A document that lists the price, terms and conditions under which a buyer is willing to purchase a property.

Q

Qualify: The ability to meet a lender's mortgage approval requirements.

R

Rate cap: A protective device in some ARMs that sets a maximum amount that interest rates may rise or decrease annually over the life of the loan.

Real estate: The physical land at, above and below the earth's surface with all appurtenances, including any structures; any and every interest in land whether corporeal or incorporeal, freehold or nonfreehold; for all practical purposes, the term real estate is synonymous with real property.

Real estate agent: A person licensed to negotiate and transact the sale of real estate on behalf of the property owner.

Real estate brokerage: A Real Estate Brokerage is a business in which real estate license-related activities are performed under the authority of a real estate broker.

U

REALTOR®: A registered trade name that may be used only by members of the state and local real estate boards affiliated with the National Association of REALTORS® (NAR). The term REALTOR® designates a professional who subscribes to associations of REALTORS® to govern real estate practices of members of the board. The use of the name REALTOR® and the distinctive seal in advertising is strictly governed by the rules and regulations of the national association.

Referral: One agent's recommendation of a potential buyer or seller to another cooperating agent.

Refinance: To obtain a new loan to pay off an existing loan, or to pay off one loan with the proceeds from another. Properties are frequently refinanced when interest rates drop and/or the property has appreciated in value.

Return on investment: The net annual income divided by the original cash investment equals a percentage return on investment.

S

Sales contract: A real estate sales contract contains the complete agreement between a buyer of a parcel of real estate and the seller. Depending on the area, this agreement may be known as an offer to purchase, a contract of purchase and sale, a purchase agreement, an earnest money agreement or a deposit receipt.

Sales professional: A licensed representative who assists buyers and sellers with information, advice, and assessment of current market conditions.

Seller's agent: An agent who represents the seller of real property.

Settlement disclosure statement: A list giving a complete breakdown of costs involved in a real estate transaction, prepared by the lender's agent at closing.

T

Title: The right of ownership and possession of a property.

Title insurance: Protection for lenders or homeowners against financial loss resulting from legal defects in the title.

Underwriting: The process of evaluating a mortgage loan applicant's credit, collateral value and the risks in making a loan.

V

VA loan: A government-sponsored mortgage assistance program administered by the Department of Veterans Affairs. Under the Servicemen's Readjustment Act of 1944, eligible veterans and widows or widowers (who have not re-married) of veterans who died in service or from service-connected causes may obtain partially guaranteed loans for the purchase or construction of a house or to refinance existing mortgage debt.

W

Walk-through: A final inspection of a property just before closing. This assures the buyer that the property has been vacated, that no damage has occurred and that the seller has not taken or substituted any property contrary to the terms of the sales agreement. If damage has occurred, the buyer might ask that funds be withheld at the closing to pay for the repairs.

Warranty: A promise that certain stated facts are true. A guarantee by the seller, covering the title as well as the physical condition of the property. A warranty is different from a representation in that a representation is a statement made in the course of negotiations leading up to the sale, but not incorporated into the contract. A warranty, on the other hand, is a statement in the contract asserting the truth of certain things about the property.



Z

Zoning: The regulation of structures and uses of property within designated districts or zones. Zoning regulates and affects such things as use of the land, lot sizes, types of structure permitted, building heights, setbacks and density (the ratio of land area to improvement area).