

# HOMIE SELLERS GUIDE



# 6<sup>+</sup> Million

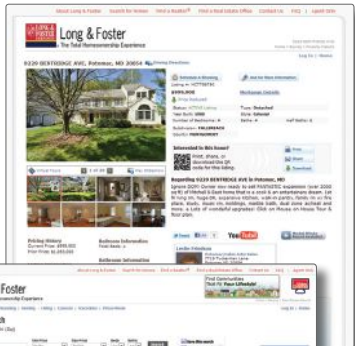
## Reasons to List Your Home with Long & Foster®.

Last year, over 6 million people visited LongandFoster.com and conducted over 31 million individual property searches. Imagine the exposure your home will get just by listing with Long & Foster®. More eyes will certainly be on your home, increasing your chances of finding the right buyer more quickly than you ever imagined.

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LongandFoster.com is just one of the powerful tools we will use to sell your home—and just one of the many reasons why Long & Foster has the best-trained and best-equipped real estate professionals in the business today!



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## HOME SELLERS GUIDE

**T**here are a number of steps to selling any house. Experience has taught us that every home sale is unique. Yet every sale — from putting the house on the market to settlement day — shares a common process.

**Long & Foster® Real Estate Inc.'s** Home Sellers Guide is designed to help you understand the selling process beforehand. This will help you make smart decisions every step of the way — and set aside any worries you may have from the beginning.

Of course, this short guide cannot answer all your questions. For specific answers to your specific situation, we encourage you to consult a **Long & Foster** Sales Associate.

We will be happy to share our expertise. After all, we want you to get the best selling price in the shortest time. Every advantage is yours when you do business with **Long & Foster**.

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# FOR SALE

## PUTTING YOUR HOUSE ON THE MARKET

The first step toward putting your house up for sale is to meet with a real estate Sales Associate at your home. This is what we call the “listing appointment”.

But beforehand, it’s important to understand “who’s who” and how brokers may cooperate to sell your house.

**Listing Broker or Listing Agent.** An individual real estate broker whom the seller hires to represent the seller through a contract called a “listing agreement”. The listing agent (Sales Associate) is associated with the listing broker (the real estate company). The listing broker is directly paid the listing commission and then splits the commission with the listing agent. (Although the broker and agent may be two different individuals, the term “broker” is used throughout the Guide for simplicity.)

**Selling Broker or Selling Agent.** In a “cooperative” sale, the house is listed by one broker and a buyer is provided by another broker. The selling broker receives the selling side of the commission. If the listing broker also produces the buyer, then the listing broker receives both listing and selling sides of the commission. A selling broker may have a signed buyer representation agreement with a buyer and, therefore, represent the buyer and not the seller. If the buyer’s agent is a **Long & Foster** Sales Associate, **Long & Foster** becomes a disclosed dual agent with the consent of both buyer and seller.

## A LITTLE HOMEWORK

Before the listing appointment, both the home seller and the listing broker are busy. While the home seller collects a list of documents requested by the broker, the listing broker studies recent neighborhood sales of homes comparable to yours, and also comparable homes currently for sale.

## THERE’S NO PLACE LIKE HOME

At the listing appointment, the listing broker will want to inspect the house and yard to become familiar with its special features.

You have probably enjoyed living in your home and have been pleased with its many unique features. Your listing broker will want to tell prospective buyers about the special features of your home and neighborhood. Be ready to be specific about schools, day-care, nearby public transportation, and other desirable community features, as well as home features not readily apparent.

Remember, prospective buyers will be “comparison shopping” and keenly aware of subtle differences in houses for sale in the area. Be sure to tell your listing broker why yours is special — from any home remodeling to afternoon winter sunshine.

## DEMAND SETS PRICE

After conferring with the listing broker on market conditions and comparable nearby sales and listings, the home seller will set the listing or “asking” price for the house.

A common definition of market value is: “What a ready, willing and able buyer will pay, at a price a seller will accept.” Buyers are sophisticated. They’ve already been shopping, and when they see your home, they’ll be comparing features and financing.

There’s a rule of thumb that says: “A house priced more than 5% over market value discourages offers.” Buyers who can afford the price can get “more house” for their money elsewhere. Buyers who cannot afford the price simply won’t look. This is why we say, “A house priced right is half sold”.

A fair market value will be determined by comparing the property with similar properties which have recently sold and (in some cases) with similar properties currently on the market. Experience in the industry has proven this “market analysis” approach is more accurate than the “replacement cost” or “potential rental income” methods.

## SAMPLE “NET SHEET”

Based on this sales price, the listing broker will go through a worksheet that estimates the “net cash” from the sale. Simply, this exercise subtracts anticipated charges paid by the seller from the sales price. A copy of the “net sheet” is left with the home seller. (An itemized list of typical selling costs is presented in the “Settlement” chapter, which is the stage when these charges are paid.)

## FINANCING STRATEGY

Most sales cannot be completed without financing. That is why it is generally to the home seller’s advantage to appeal to the greatest number of homebuyers by accepting the greatest range of financing plans. The listing broker will explain the basic differences between VA (Veterans Administration), FHA (Federal Housing Administration) and conventional financing.

## WHAT IS A POINT?

A point is one percent of the amount of the buyer’s mortgage loan. For example, if a loan is \$300,000, one point is \$3,000. On all loans, the homebuyer and home seller may share the charges by mutual agreement.

## PROPERTY PROFILE FOLDER

To enable the listing broker to prepare a folder of information on the property, the home seller needs to provide a number of documents and information specific to the location and jurisdiction. Because the list is long, you can understand why it’s best to collect the papers before the listing appointment. These materials may include:

**Pay Off Notice.** A letter signed by the home seller and mailed to the lender by the listing broker to notify the lender of the intention to pay off the mortgage in order to minimize prepayment of interest penalties to the seller. The home seller should provide the broker with the lender's address, loan balance, assumability, years remaining on present mortgage, P.I.T.I. and the interest rate, if possible.

**Well and Septic Inspection.** If the property is on septic/well, current inspections by local health authorities are required while home is occupied. The listing broker will usually arrange for the inspection after contract is ratified.

**Order Lender Appraisal.** Lenders usually require an appraisal to ensure that the property is adequate collateral for a loan. A lender will usually order its own appraisal for this purpose through an approved vendor.

**Assessments/Easements.** The listing broker will ask the home seller if any tax assessments or easements exist on property that must be paid or included in the purchase contract and passed with the land when sold.

**Property Taxes/Condominium Fees.** The home seller provides a record of property tax or condominium fee payments which the buyer will reimburse a pro-rata share to the home seller at settlement.

**Inspections.** VA/FHA and most lenders of new mortgages may require a termite inspection certificate that shows the house is free of infestation. If the home seller does not have a current certificate, then the listing or selling broker (depending on area) will arrange inspection at home seller's expense.

Sometimes a home inspection and radon testing will be ordered. The home seller should also provide all information as to the physical condition of the property, such as the presence of fire retardant plywood.

**Utilities.** The home seller should provide a record of the past 12 months' utility bills, including gas, electric, sewer, water, and trash where applicable. Most buyers will want to know history of utility costs.

**Helpful Documents.** If possible, the home seller should provide the listing broker with the deed, house location survey, condominium bylaws or homeowners association documents, subdivision plat map, house floor plan, previous title search abstracts, legal description of property (subdivision, section and lot), home warranties on major systems, if still in effect, and a copy of homeowner's insurance policy for endorsement in the purchase contract.

## WHAT CONVEYS?

In anticipation of a buyer's offer, the home seller must be ready to supply the listing broker with a specific list of the personal property that is included in the real estate property for sale. Examples of items to "convey" may include: draperies, drapery rods, remaining heating oil, firewood, washer, dryer, refrigerator, stove, microwave, disposal, swimming pool chemicals, awnings, storm doors and windows, screens, venetian blinds, shutters, window air conditioner, etc. The home seller should tag or remove items which do not convey.

## LISTING AGREEMENT

When the home seller is ready to put the house on the market, a listing agreement is filled out, indicating a specific period of time the agreement is in effect ("listing period"), and signed by the seller. You've now hired a listing broker and listing agent.

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## QUESTIONS AND ANSWERS

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**What is a "Lockbox"?** A lockbox is a universal metal container for your house key that is hung on the front door and can only be opened by licensed Sales Associates. It provides access when the owner is away, thus assuring full exposure to prospective buyers.





# GETTING READY

## CLEAN UP, FIX UP, OR TOSS OUT

Today, the home that stands out among similarly-priced houses is the home that sells. Why? Because it makes a good first impression that lasts right to the settlement table.

You may not be able to improve the market value of your house (finish basement, remodel kitchen, etc.), but you can improve its marketability. And usually this can be done with more elbow grease than hard cash. The key is to put yourself in the buyer's shoes. In fact, if you drop by some open houses (you may soon be a buyer yourself), you'll pick up some pointers. Then practice making your house as appealing and uncluttered as the home you wish to buy.

**The exterior.** Start here with "curb appeal". *Basics:* A trim lawn, well-proportioned shrubs. Remove garden hoses, lawn tools, dog house and toys from the yard. Check for flat-fitting roof shingles; straight lines on gutters, shutters, windows and siding; solid caulking around frames and seams; paint. Keep walks and steps free of snow and ice. *Extras:* Brass door knocker. Seasonal door decorations. Wrought iron lamp posts. Small landscaped courtyard. Flower beds.

**The front hall.** Aura and atmosphere give a hint of what's inside. *Basics:* Light (from window, skylight, lamp or overhead fixture; perhaps even use a stronger light bulb). For evening inspection, turn on every light in the house for a welcoming glow. Make sure the house smells fresh and clean. Make sure that the woodwork is unmarred and the carpeting spotless. A fresh coat of paint is a good investment, and it's most appealing in a neutral tone, since strong color is so subjective. Remove unsightly or worn throw rugs. *Extras:* Door chime. Dead bolt lock and chain.

**The living room.** Strive for a lived-in, cozy feeling. Discard worn, chipped or frayed furniture. Open curtains. Furnishings here and throughout the house should be well placed and in good repair. Set out fresh flowers, and even put a drop of bath oil or vanilla on light bulbs for a subtle scent.

**The kitchen.** Many buyers judge the house by the way the oven and stove are kept. *Basics:* Appliances should be spotless and in perfect working condition. Replace or repair anything that sticks, squeaks or drips. Counter, cooking, cabinet and eating spaces should be kept open and uncluttered, without countertop appliances. Clean butcher block. Floors and walls should be in inviting light colors, and serviceable (resistant to grease and moisture).

**The master bedroom.** The second-most appealing room to the buyer (after the kitchen, before the garage). *Basics:* Uncluttered furnishings; defined areas (sleeping, dressing, sitting) by furniture arrangement. Show the true size of closets by removing or packing items that can be stored elsewhere (since you're moving away), like off-season clothes.



**Bathrooms.** Practicality combines with attractiveness. *Basics:* Sink, toilet, bathtub, tile, even shower curtains should be immaculate. Fix leaky faucets — rust stains indicate faulty plumbing. Repair caulking and grouting. Minor flaws suggest neglect to the prospect. Light should be soft (no harsh fluorescents), but bright. *Extras:* Use some potpourri for a pleasant scent.

**The recreation room.** An atmosphere of relaxation, fun and activity should pervade. *Basics:* Open space to accommodate an assortment of activities. Make sure the fireplace or wood stove is clean, with fresh logs. *Extras:* Track lighting; ceiling fan.

**The garage.** Convenience is the key here (the perfect garage holds only cars). *Basics:* Uncluttered space. Sell, giveaway or toss unnecessary articles. Clean oily cement floor. Strong overhead light (fluorescent or bulb). Orderly storage area, tidy workbench.

**The basement.** Organize, hang tools on peg boards, and put items on shelves. Cure damp smell by placing bag of limestone in damp area. Clean the water heater outside, change the furnace filter and make inspection-access easy. Brighten the basement by painting walls.

**The attic.** Yes, it's for sale, too. Tidy it up. Light it up. Again, pack anything you're going to move. Get rid of the rest. Be sure your energy-saving insulation is apparent and the air vent works.

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## QUESTIONS AND ANSWERS

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**Should we redecorate?** The big problem in major redecorating arises because it is very difficult to anticipate the tastes of strangers. Best to stick to fresh paint in very neutral colors and present a sparkling clean house without the redecorating expense.

**Is it possible to over-improve?** Yes. Your landscaping may be divine. You may have the only cabana and swimming pool in the neighborhood, but it may be difficult to sell a \$450,000 home in an area of \$420,000 homes. Consult your listing broker to determine if added improvement means added marketability.

**Are "fixing up expenses" tax deductible?** Yes. You can reduce your taxable capital gain by "fixing up", but only under strict guidelines. Check with your tax consultant for details.

Many states now require that sellers provide buyers with either a residential property disclosure or a disclaimer statement.

# SHOWING

## LEAVE THE SELLING TO US

While the home seller is actively getting the house ready to show, the listing broker is actively spreading the word that the property is available. Generally speaking, the listing is promoted to two groups: the real estate community and the buying public.

Many home sellers are surprised to learn that approximately 47% of all buyers come from referrals between brokers and their vast network of contacts or from a real estate professional that was used previously. Approximately 42% of buyers come from inquiries stimulated from internet websites. The remaining 11% of buyers come from a combination of the real estate company's reputation and image, open houses, "for sale" signs, and advertising or other promotional efforts. Obviously, the most productive source of buyers is working closely with other brokers, and this is where your listing broker begins.

## MLS COMPUTER

The listing broker enters a profile of your house in the Multiple Listing Service computer. This profile includes everything from location and price, to available financing and number of baths, from house style and heating system to special features and showing instructions. Now your house description is instantly available to the entire MLS membership. (MLS is a membership service available exclusively to brokers belonging to the Board/Association of REALTORS®.)

In addition, your listing broker announces the listing at regular office sales meetings, and points out noteworthy features. At **Long & Foster**, the listing office, as well as other **Long & Foster** offices, may "tour" the property. In addition, other real estate companies may also ask to tour your home. (Without the lockbox, your house is inaccessible to this large network when you are not home.)



## ADVERTISING

The yard sign provides additional exposure to the neighborhood and prospects touring the area. Signs often create high-quality inquiries because prospects like the area and the house and want to get a closer look inside. Your home, as well as homes similar to yours, will be advertised from time to time in major metropolitan and community newspapers and on the Internet for mass reach. Direct mail cards are used to target specific neighborhoods.

**Long & Foster** also advertises nationally and internationally for potential relocation buyers for your home in military and foreign service publications.

Our entire Relocation Division receives over 15,000 leads annually, largely from broker referrals and corporate transferees.

## WHEN IT'S "SHOW TIME"

With all this activity, your listing broker and other selling brokers will be bringing prospective brokers to see your house. Brokers will make an appointment with the home seller, and will give you as much advance notice as possible. That will give you time to tidy up, make beds, light dark areas, perhaps pop something in the oven, like a spicy cake, pie, bread, or even a pan of cinnamon. Make every effort to accept all appointments — you never know when your buyer will walk through the front door. Also, have the property brochure available with utility bills, MLS profile, house location survey, etc.

## IF YOU'RE HOME

If you're home, greet the prospects at the door and politely excuse yourself and leave the selling to us. (Perhaps check the baking or take the dog for a walk.)

Buying a home may be the largest single purchase a family will make in a lifetime. It is a serious matter for them; therefore, too many distractions could spoil the sale. We have found over the years that a number of pointers make things a little easier for your Sales Associate and the buyers.

- ✓ Too many people present during inspection may make the potential buyer feel like an intruder, which makes it difficult for the selling broker and buyer to be at ease.
- ✓ It's better that you and your children busy yourselves in one part of the house or outside, rather than tagging along. The broker knows the buyer's desires and can better emphasize your home's features.
- ✓ Quiet is the ideal environment. Noise is distracting, so don't have the radio or TV on — the broker and the buyer need to hear each other!
- ✓ It's better to keep pets out of the house. Buyers may be timid around an unfamiliar animal.

- ✓ Chatting with a potential buyer may dilute the broker's ability to present your home's features in the best light. If asked a question, respond honestly, but diplomatically refer questions to the broker.
- ✓ The lived-in appearance makes it a home. There's no need to apologize for its appearance. Let the trained broker answer any objections.
- ✓ Many sales have been lost by trying to dispose of furniture and furnishings to the potential buyer. Wait until after the sale is made.
- ✓ Your listing broker is most qualified to bring negotiations to a favorable conclusion.
- ✓ Do not discuss price, terms, possession, or other factors with the potential buyer.

## IF YOU'RE NOT HOME

Have the house ready and enclose pets in the basement, garage or back yard. Selling brokers may leave their business cards or register at the listing broker's office, depending on local custom. Be sure to keep any cards and give them to your listing broker as soon as possible for follow-up. When an open house is scheduled, plan to be away for the afternoon. Make the house accessible to the listing broker and be sure to leave word on how to contact you.

## SELLER AND BROKER TEAM

During the listing period, the listing broker will periodically update the home seller on the mortgage market, new competitive listings and sales in the area, and progress in selling the home. The feedback between broker and seller is vital to exchange selling suggestions and maintain maximum marketability. The listing broker will follow-up with the other selling brokers and provide feedback to the home seller. This mutual teamwork becomes especially important later when negotiating offers to purchase.

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## QUESTIONS AND ANSWERS

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**Should I let anyone in to see the house?** If a prospective buyer calls or comes by unexpectedly without a broker, get their name and phone number. *Do not show the home.* Explain that it is not a convenient time. Call your listing broker so that the buyer can be qualified and identified prior to showing. This is for your benefit and protection.

**If an offer is imminent, should we still show the house?** A property is either sold or available — there is no in between. However, if there is an accepted contract that contains a contingency, and backup contracts are invited, then this must be made clear, and the house should be shown. Refer the selling agent to your listing agent for details.

# OFFERS & CONTRACT

## SIGNING ON THE DOTTED LINE

A buyer makes an offer by submitting a written and signed offer to purchase, which will become the sales contract when ratified by everyone's signature. Once the seller and buyer sign the paper, they are bound by the contract conditions.

The "presentation of a contract" begins when the selling broker registers the offer with the broker's own office and notifies the listing broker of the offer. The listing broker then arranges a presentation appointment with the home seller, and with the selling broker in some areas. (The buyer doesn't attend the presentation.)

Either the selling broker or the listing broker presents the terms of the offer, depending on local customs. The listing broker acts as the home seller's advisor. Part of the presentation is determining that the buyer is qualified financially to make the purchase. (Should either the seller or buyer be out of town, the contract is presented via telephone and confirmed later by FAX.)

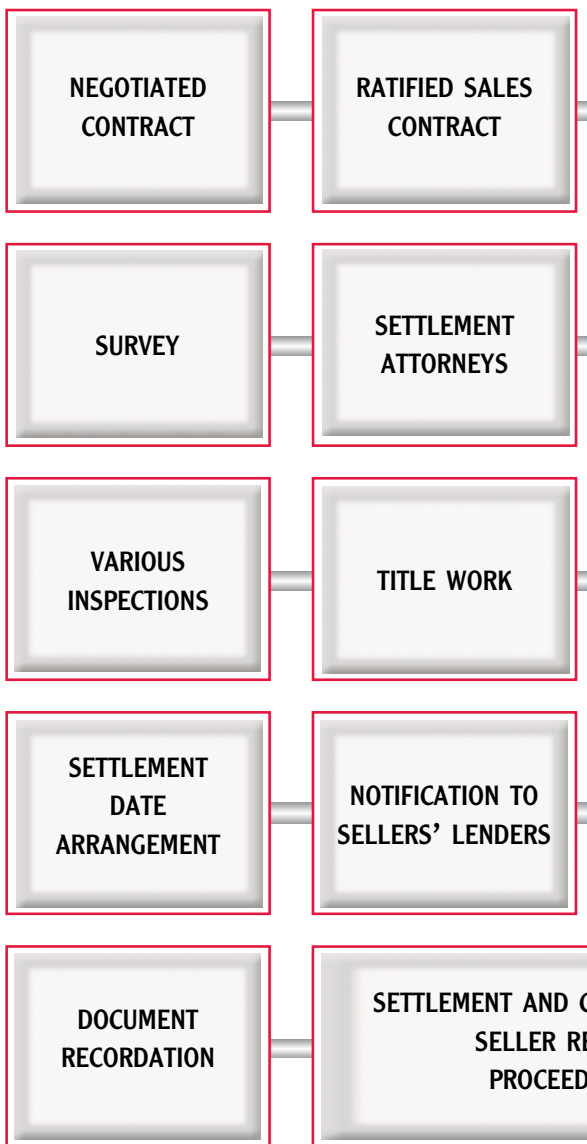
## CONTENT OF PRESENTATION

Included in the presentation of the offer are a number of specific concerns. After all, once the contract is signed, it becomes the binding guideline for the transaction. Description of the offer will include, but is not limited to:

- ✓ Date, name and address of the buyer and seller, and the legal description of the property.
- ✓ Amount of earnest money deposit, which will be held in an escrow account by the broker, unless otherwise noted.
- ✓ Sales price.
- ✓ Size of down payment, and how the remainder of purchase price is to be financed. The offer should indicate the maximum interest rate the buyer is willing to pay, and the right to cancel without penalty if such financing proves unavailable.
- ✓ Proposed settlement and occupancy date, and daily rent provision for "post-settlement occupancy" if the seller cannot vacate and becomes the temporary tenant of the buyer.
- ✓ Contingencies, if any, such as satisfactory review by attorney, structural inspection, appraisal, or sale of the buyer's present house.

# LISTING YOUR PROPERTY

Finding a buyer is just the beginning  
of the subsequent details that  
successful real estate transaction



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- ✓ Other important provisions, including a list of items that convey with the sale, stipulation that title must be insured, and who is to pay various settlement costs.

## SELLER'S NET SHEET

Taken all together, this offer is reduced to dollars and cents on a sample net sheet, similar to the exercise during the listing appointment. The estimated outcome is determined, which allows the home seller to consider the "bottom line".

## SELLER'S ACTION

A decision on an offer should be made at presentation, if possible. A home seller has three possible options.

1. Accept the offer as written.
2. Make a "counter offer" on unacceptable aspects. Counters are written in the margin of the contract or in addenda, and initialed by the home seller. A purchase offer with counters is not a ratified contract until the homebuyer accepts and initials the counters. Buyers can withdraw, accept or counter the counter offer.
3. Reject the offer, if it is totally unacceptable. (Outright rejection, without a counter, should be the last resort.)

A contract exists when all terms including changes are ratified by initials of all principals. When the contingencies are satisfied, the contract becomes enforceable.

## MULTIPLE OFFERS

All offers registered must be presented to the home seller. They will be presented in the order registered. The home seller should hear each offer completely and ask questions. No action is necessary until all offers are heard. If more than one offer is accepted or countered, an order of precedence must be established, such as primary, first backup, second backup. Be careful not to sell the home twice.

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## QUESTIONS AND ANSWERS

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**Is it best to turn down the first offers?** In any transaction, it's normal for the seller to wonder "Could I have gotten more?" and for the buyer to wonder "Should I have paid less?". When your reasonably-priced house is put up for sale, the very first lookers may make an offer to buy. That doesn't mean that you've priced your home too low. It means qualified buyers and their brokers have been looking — and waiting — for the right house to come on the market at just the right price. Your listing broker will advise you on all offers.

**Does the sale of a condominium or a property within a Homeowners Association (HOA) require any special action?** The purchase offer for a condo sale or homeowners association property will contain, in compliance with the law, a requirement that the seller furnish the buyer with certain disclosure information and documents. Ask about condo and homeowners association resale procedures in your area.

**Do buyers ever offer more than the listing price?** Rarely, but they do offer “above list” sometimes if they believe it makes their offer more acceptable than other competing offers. For the protection of all parties, it is best to include a separate statement signed by the buyer, indicating the buyer’s awareness of the list price and their reasons for the higher offer.

**What do you do if the property doesn’t sell?** The first step is to go over carefully with the listing broker why the property has not sold. Usually price and property condition are the key. Study and analyze what has sold in your area and at what price. Then relist the house after adjusting for shortcomings. Another option is to withdraw from the market and rent until the market improves, or simultaneously offer for sale or rent.

**When will the yard sign be removed?** Placing a sign in the yard is always done by mutual agreement between the listing broker and home seller. The law in Maryland, Virginia, and the District of Columbia allows the sign to remain in the yard after contract ratification, even though “for sale” is changed to “sold” after contract acceptance. However, ask your listing broker about local sign ordinances.

**If a buyer forfeits the deposit, who gets the money?** If the buyer fails to make full settlement, the deposited earnest money may be forfeited only after a release is signed by all parties. In the event of forfeiture, the deposit will be divided equally between the seller and the real estate brokers, but not to exceed the amount of the commission, or according to the sales contract.



# FINANCING

## DIFFERENT MORTGAGE STRATEGIES

When it comes to paying for a home, buyers today have numerous financing options. Here are some of the options that are generally available by most lenders.

### CONVENTIONAL/VA/FHA

**Conventional Mortgage.** A conventional loan is a mortgage made between a lender and a borrower. Conventional loans customarily require a 20% down payment, although down payments may be as low as 5%. Mortgage insurance is required if the down payment is less than 20%.

**VA Loan.** The letters 'VA' stand for Veteran's Administration — a branch of the US government. The Veteran's Administration is not a lender but rather guarantees mortgages for lenders to help eligible veterans. VA loans may require no down payment up to the VA maximum loan limit. VA loans can be assumed by qualified borrowers.

**FHA Loan.** FHA is the Federal Housing Administration, a division of the US Department of Housing and Urban Development. The Federal Housing Administration does not lend money; instead, like VA, it insures mortgages. Down payments are as low as 3.5%. Both fixed-rate and ARM mortgages are available. FHA loans are assumable by qualified borrowers.

**Fixed Rate** loans feature equal monthly payments that are made over the term of the mortgage. The interest rate remains the same which keeps the principal and interest payments the same over the term. Payments can vary if taxes or insurance escrow payments change.

**Adjustable Rate** loans are mortgages that allow for payments which change periodically over the life or term of the mortgage. An ARM loan has a set interest rate and payment for a period of time during the beginning years and then adjusts to the market rate at a predetermined point. ARM loans may feature lower rates during the initial loan period.

**LONG & FOSTER® REAL ESTATE, INC.** is not a mortgage lender. The actual terms of any financing are subject to the requirements of each individual borrower. Choosing a mortgage depends upon the circumstances of the individual borrower. Your **Long & Foster®** Sales Associate will be happy to refer you to a home mortgage consultant, including a mortgage consultant with **Prosperity Home Mortgage, LLC**.

# PAPERWORK

## PROCESSING THE CASE, ETC., ETC.

The listing or selling broker (depending on local custom) oversees a contract through to closing and helps to place the financing, process the case, arrange various inspections and review financing and “points”.

At this stage, all contingencies will be satisfied and removed. The buyer will select a settlement and/or a title company, and the listing or selling broker will notify those firms and provide the vital information.

A number of professionals come into the home selling process during this period, including a home inspector (if requested by the buyer), well and septic inspectors, termite inspector, appraiser and attorneys. A mortgage approval can be made at application in many cases subject to verification of the information provided. However, on the chance that the financing falls through, the seller should keep the property in showable condition.

## TERMITE INSPECTION

This inspection is required by most lenders and is specified in the contract, although it's not usually required for hi-rise condominiums. The termite inspection is ordered by the selling or listing broker according to local custom. If existing coverage is in effect that might avoid an unnecessary inspection, the home seller should mention this to the listing broker. The seller is responsible for payment of the inspection, removal of any infestation if required, and the repair of damage if needed.

## LOAN PROCESSING

Your listing broker will keep you informed about the buyer's loan approval progress. Most contracts require the buyer to make a loan application immediately after contract ratification.

The lender's loan officer takes the buyer's application. A property appraisal is ordered to confirm that the property is adequate security for the mortgage (the home seller should expect the appraiser to call for the inspection appointment). The lender verifies the buyer's employment, income, deposits, credit rating and debts.

Upon receipt of any information requested and the appraisal, the lender issues final approval of the mortgage application. VA, FHA, and occasionally a conventional lender may specify requirements which must be met before the loan will be made, such as repairs. Ask your **Long & Foster** Sales Associate about this situation. When the loan is approved, a commitment is issued to the buyer. Many contracts require loan commitment from the lender within a specified period of time.

## AFTER LOAN APPROVAL

After the buyer receives written loan approval, the selling and listing brokers will coordinate a settlement date. Your listing broker will notify you to confirm the date, place, and time and will give you a checklist of everything you need to bring to settlement. Your listing broker will also let you know when you should notify utility companies to transfer accounts.

The home seller can now make definite moving plans. If the move is to another city outside of **Long & Foster's** Mid-Atlantic region, **Long & Foster** can arrange for you to receive destination area information from our affiliated broker. This out-going referral ensures the seller of working with a broker of the same quality as **Long & Foster**, and makes the move easier by providing information prior to house-hunting trips.

## ANTICIPATING THE MOVE

A number of items a seller might consider, now that settlement is set, include:

- ✓ Begin to use food in your freezer.
- ✓ Eliminate items you won't be moving. (You may want to have a garage sale.)
- ✓ Check with your insurance agency if you want to purchase full coverage on moveables. Make sure your family car and household goods are adequately protected while enroute and initially after arrival. (If the seller plans to vacate the house more than 30 days before settlement, be sure hazard insurance covers risk during that period and until the deed is recorded.)
- ✓ Obtain transcripts of children's school records.
- ✓ Have birth records made of all family members.
- ✓ Secure medical, dental, and optometry records for the family.
- ✓ The selling broker will remind the buyer to arrange for insurance coverage in at least the amount of the mortgage as of closing, and to bring a certified or cashier's check made out to the settlement attorney or title company.

Unless otherwise provided in the contract, the buyer gets possession at settlement. The seller should make plans to clean, remove trash, and vacate the day prior to settlement, or in any case, not later than settlement day. All appliances should be in good working order in time for the buyer's final walk-through inspection.

# WALK-THROUGH

## BUYER'S FINAL INSPECTION

The purpose of the walk-through inspection is to determine if conditions in the contract are satisfied. The time for the buyer to inspect and note defects for correction by the seller is during the contract negotiation and prior to signing the sales agreement. Repair or replacement items should be noted in the contract. Most resale homes are sold in "as is" condition, however, mechanical, electrical, and plumbing items should be in working condition.

It is up to the buyer to perform the inspection, not the seller who may or may not be present. The buyer should be accompanied by the selling broker and/or the listing broker. The home seller should be sure utilities are on so that equipment can be operated.

## ROOM BY ROOM

Expect the buyer to try all lights and switches; turn all faucets on and off, run shower and flush toilets; turn on furnace and central air conditioning (in off-season, the buyer may hire a professional to certify proper function); test all stove burners, oven at bake and broil; run some ice cubes through disposal to test the blades; run the dishwasher, washer, and dryer through complete cycles; open and close all windows and doors. In short, the buyer should try everything, including the keys and the fireplace flue.

All deficiencies should be noted. If seller does not correct problems prior to settlement, funds may be withheld by the settlement attorney for repairs. The selling broker will coordinate with the listing broker and seller to make repairs before settlement, if possible. Upon receipt of bills and notification that repairs are complete, the attorney will release the balance of funds to the seller, if money is escrowed for needed repairs.



# SETTLEMENT

## SIGNING PAPERS AND TRANSFERRING KEYS

The big day is here! Tonight you can celebrate, but today there will be a lot of paper signing and a poignant passing of the keys (don't forget the garage keys and electric door opener, too).

At the settlement there will be an attorney or title company representative, the buyers, listing and selling brokers, and all owners. The home seller should bring all warranties on equipment (or leave them in the house) and any instructions on equipment maintenance or operation.

The attorney or escrow/title company will have searched the title and obtained old and new lender instructions. First, all unresolved walk-through deficiencies are resolved.

With the buyer, the attorney explains the deed of trust or mortgage; the deed of trust note or mortgage note; VA, FHA, or lender forms; and settlement sheets. Buyer signs all these and pays the balance of the down payment and buyer's closing costs with cashier or certified check.

With the seller, the attorney explains the deed and settlement sheets and gets the home seller's signature on them. The seller pays appropriate closing costs.

## SELLER'S SETTLEMENT COSTS

Closing costs for the seller may include: (Again, ask your listing broker.)

- ✓ Attorney's fees (preparation of the deed, settlement fee, and any release fees)
- ✓ Lender's inspection fee
- ✓ Appraisal
- ✓ Broker's commission
- ✓ State deed transfer tax or recordation fee
- ✓ Condominium or homeowners association packet fees
- ✓ Water escrow (to reduce, bring canceled check and last bill; amount prorated at settlement)
- ✓ Termite inspection
- ✓ Loan discount fee (points based on loan amount)
- ✓ Interest up to the date trusts are paid off

If the seller's taxes or insurance have been escrowed, the seller will receive any money accumulated in the account for bills not yet due. Additionally, the seller will be reimbursed for any money paid in advance and not used, such as property taxes. The seller will receive these refunds at or after settlement, depending on the locality. Taxes and homeowners association dues or condominium fees will be



prorated on a daily basis. The seller, buyer, and brokers are supplied a copy of settlement sheets for their records. The house keys are transferred to the new owners.

## DISBURSEMENT

The attorney or title company will disburse funds *after* all funds are in hand, checks have cleared, the new lender has reviewed papers, and the title has been re-checked and the deed recorded. The seller should not plan to receive funds for up to four days, although they may be disbursed the same day in some localities. Check with your listing broker.

The house has now been sold, settled, and funds disbursed.



# GLOSSARY

## WORDS TO THE WISE

**Agent.** A person acting on behalf of another, called the principal.

**Agreement of Sale.** Known by various names, such as “contract of purchase”, “purchase agreement”, “sales agreement”, or “binder”, according to location or jurisdiction. A contract in which a seller agrees to sell and a buyer agrees to buy, under certain specific terms and conditions spelled out in writing and signed by both parties.

**Annual Percentage Rate (APR).** Includes quoted interest rate on the loan plus all additional service and finance charges associated with the loan. Includes all costs of financing; those paid at the time of closing and those paid over the term of the loan. The APR is usually slightly higher than the note rate.

**Appraisal.** An expert judgment or estimate of the quality or value of real estate as of a given date.

**Assessed Value.** The valuation placed upon property by a public tax assessor as the basis for taxes.

**Certificate of Title.** A document signed by a title examiner or attorney, stating that the seller has a good marketable and insurable title.

**Closing Statement (Settlement).** The computation of financial adjustments between the buyer and seller as of the day of closing a sale to determine the net amount of money which the buyer must pay to the seller to complete your purchase of the real estate and seller's net proceeds. Also, “Settlement Sheets”.

**Commission.** Payment of money or valuable consideration to a real estate broker for services performed.

**Convey.** To deed or transfer title of property from one person to another.

**Deed.** A formal written instrument by which title to real property is transferred from one owner to another. Also, “Conveyance”.

**Deed of Trust.** Like a mortgage, a security instrument whereby real property is given as security for a debt. However, in a deed of trust there are three parties to the instrument: the borrower, the trustee, and the lender or beneficiary.

**Earnest Money.** The money given to the seller by the potential buyer (usually held in escrow) upon the signing of the agreement of sale to show that buyer is serious about buying the house. Also, “Deposit”.

**Equity.** The interest or value which the owner has in real estate over and above the debts against it. (Sales Price – Mortgage Balance = Equity.)

**Escrow.** Funds, property or other things of value left in trust to a third party. The escrow may be released upon the fulfillment of certain conditions or by agreement of the parties.

**Listing Contract.** Between a homeowner (as principal) and a licensed real estate broker (as agent) by which the broker is employed to market the real estate within a given time for which service the owner agrees to pay a commission. Also, “listing agreement”.

**Market Value.** The highest price which a buyer, ready, willing and able but not compelled to buy, would pay, and the lowest price a seller, ready, willing and able but not compelled to sell, would accept. Basis for “listing price”, or “asking price”.

**Market Price.** The actual amount for which a piece of property is sold. Also, “Sales Price”, “Purchase Price”.

**Mortgage.** A lien or claim against real property given by the buyer to the lender as security for money borrowed.

**Mortgage Note.** A written agreement to repay a loan. The agreement is secured by a mortgage, serves as proof of an indebtedness, and states the manner in which it shall be paid. Also, "Deed Of Trust Note".

**P.I.T.I.** Principal, interest, taxes, and insurance. Most residential mortgage payments include the above and are therefore referred to as P.I.T.I.

**Points.** Sometimes called "Discount Points", a point is one percent of the amount of the mortgage loan.

**Prepayment Penalty.** Penalty for the payment of a mortgage note or deed of trust note before it actually becomes due.

**Principal.** This word has several meanings:

- (A) to denote the most important;
- (B) a capital sum lent on interest;
- (C) one who appoints an agent to act for and in principal's stead;
- (D) either party to a contract.

**Prorate.** To allocate between the seller and buyer their proportionate share of an obligation paid or due. For example, a prorate of real property taxes, fire insurance, or condominium fee.

**Sales Associate.** A person with a real estate license and associated with a specific real estate broker.

**Survey.** A map or plat made by a licensed surveyor showing the results of measuring the land with its elevations, improvements, boundaries, and its relationship to surrounding tracts of land. A survey is often required by the lender to assure a building is actually sited on the land according to its legal description.

**Title.** As generally used, a document that indicates rights of ownership and possession of particular property.

**Title Abstract.** A summary of the public records relating to the title to a particular piece of land. An attorney or title company reviews an abstract or title to determine whether there are any title defects.

**Title Insurance.** Protects lenders and homeowners against loss of their interest in property due to legal defects in title.

**Title Search or Examination.** A check of the title records, generally at the local courthouse, to make sure the buyer is purchasing a house from the legal owner and there are no liens, overdue special assessments, or other claims.

**Transfer/Recordation Tax.** State tax, local tax (where applicable), and tax stamps (in some areas) required by law when title passes from one owner to another.

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