



# NEI's Real Estate Report

NEIRealty.com

Published Monthly By Anthony Newman of NEI Realty

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*"Happy Valentine's Day"*

## Twenty Terms You Must Know and Understand Before You Sign Off On Your Mortgage!

Buying a home is a major achievement in most everyone's life. Pride of ownership, tax breaks and equity are just a few of the many benefits you'll enjoy with your new home. Your home purchase may also be one of the largest you will ever make.

During the emotional excitement of buying a home, you may encounter terms with which you are unfamiliar. For some, it can be bit embarrassing to ask what they consider too many questions. Others may make a note of their questions but simply forget to revisit those points. To ensure that you have complete confidence during your home loan process, invest a moment to read this report and become familiar with the concepts and terms you'll encounter. Knowledge is power and the more you know the more successful will be your decisions and the more soundly will you sleep at night having made them.

### Adjustable Rate Mortgage (ARM)

Also referred to as a Variable Rate Mortgage. A mortgage in which the interest rate is adjusted periodically based on a pre-selected index.

### Annual Percentage Rate (APR)

An interest rate that reflects the cost of a mortgage as a yearly rate. This rate takes into account any points and fees and is based on the loan going to it's full-term.

### Assumption

An agreement between buyer and seller in which the buyer assumes responsibility for the seller's existing mortgage. This agreement usually saves the buyer money because closing costs and the current interest rate, possibly higher, do not apply.

### Buy-down

A method of lowering the buyer's monthly payment for a short period of time. The lender or homebuilder subsidizes the mortgage by lowering the interest rate for the first few years of a loan.

### Caps

A limit in the amount the interest rate or monthly payments for an adjustable rate mortgage that may change.

### Closing

Also referred to as settlement. The meeting at the conclusion of a real estate sale in which the property and funds are exchanged between the two parties involved.

### Debt-to-Income Ratio

The ratio, expressed as a percentage, which results from dividing a borrower's monthly payment obligation on long-term debts by the borrower's gross monthly income.

### Discount Points

Prepaid interest assessed at closing by the lender. A point is equal to 1 percent of the loan amount.

### Down Payment

Cash paid by the buyer at closing that makes up the difference between purchase price and the mortgage amount.

### Earnest Money

Money given by a buyer to a seller as a deposit to commit the buyer to the future transaction. Earnest money is subtracted from closing costs.

### Equity

The value an owner has in real estate over and above the obligation against the property. Equity is fair market value minus the current indebtedness.

### Escrow

Funds given to a third party which will be held to cover payments such as tax or insurance payments and earnest money deposits.

### Fixed Rate Mortgage

A mortgage in which the interest rate remains constant throughout the life of the loan.

### Loan-to-Value Ratio

The ratio between the amount of the mortgage loan and the appraised value of the property.

### Market Value

The price that a property could possibly bring in the marketplace.

### Mortgage Insurance

Insurance that protects lenders against loss if a borrower defaults. This is required when the loan-to-value ratio is greater than 80 percent.

### Origination Fee

A fee charged by a lender for processing a loan application; usually computed as a percentage of the loan.

### PITI

Refers to Principal, Interest, Taxes, and Insurance.

### Underwriting

The decision-making process of granting a loan to a potential homebuyer.

### Variable Rate Mortgage

Also referred to as Adjustable Rate Mortgage. A mortgage in which the interest rate is adjusted periodically based on a pre-selected index.

## FEBRUARY CALENDAR

BLACK HISTORY MONTH



**2** Groundhog Day



**8** Mardi Gras



**9** Chinese New Year



**14** Valentine's Day



**21** President's Day



Thinking of buying or selling a home in the near future, please call **ANTHONY NEWMAN** for a personal interview and property assessment with no obligation.

**ANTHONY NEWMAN**

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## Attention: For Sale By Owners!

by Unknown Author

### Why People Are Afraid To Buy From You!

Many homeowners believe that to maximize their profit on a home sale they should sell it themselves. At first glance, they feel selling a home is simple and why should they pay a broker fees for something they could do themselves? In fact, close to 25% of all the homes sold last year were sold for sale by owner (FSBO).

However, close to half of the FSBO's said that they would hire a professional next time they sold. Thirty percent said they were unhappy with the results they achieved by choosing FSBO. Why?

Many FSBO's told us that the time, paperwork and everyday responsibilities involved were not worth the amount of money they saved in commissions. For others, the financial savings were even more disappointing. By the time they figured the amount of fees paid to outside consultants, inspectors, appraisers, title lawyers, escrow and loan officers, marketing, advertising... they would have been better off having paid the broker's fee which would have included many of these charges up front.

Selling a home requires an intimate understanding of the real estate market. If the property is priced too high, it will sit and develop a reputation for being a problem property. If the property is priced too low, you will cost yourself serious money. Some FSBO's discovered that the lost money as a result of poor decisions outweighed the commission.

Before you decide to sell FSBO, consider these questions and weigh the answers of assuming the responsibility versus employing a professional. A little time spent investigating up front will pay off tenfold in the end.

### Questions To Consider:

***Do I have the time, energy, know-how, and ability to devote a full forced effort to sell my home?***

One of the keys to selling your home efficiently and profitably is complete accessibility. Many homes have sat on the market much longer than necessary because the owner was unwilling or unavailable to show the property. Realize that a certain amount of hours each day is necessary to sell your home.

***Am I prepared to deal with an onslaught of buyers who perceive FSBO's as targets for low balling?***

One of the challenges of selling a home is screening unqualified prospects and dealing with lowballers. It often goes unnoticed... how much time, effort and expertise it requires to spot these people quickly. Settling for a lowball bid is usually worse than paying broker commissions.

***Am I offering financing options to the buyer? Am I prepared to answer questions about financing?***

One of the keys to selling, whether it's a home, a car... anything, is to have all the necessary information the prospective buyer needs and to

## Recipe of the Month

Hot Chocolate for Consenting Adults



### Recipe Summary

Difficulty: Easy

Prep Time: 10 minutes

Cook Time: 10 minutes

Yield: 4 servings

1 cup half and half  
8 ounces best available quality bittersweet chocolate, chopped finely  
1 1/2 cups milk  
4 ounces creme de menthe (clear or green)

In a small pot, bring half and half to a boil. Remove from heat and add to chocolate in a bowl. Stir until chocolate has fully melted. Return chocolate liquid to the pot, or refrigerate until ready for use.

Before serving, add milk. Warm over medium heat, stirring occasionally until it simmers.

Pour into individual mugs. Stir in 1 ounce of creme de menthe to each mug just before serving.

offer them options. Think about the last time you purchased something of value, did you make a decision before you had all your ducks in a row? By offering financing options you give the home buyer the ability to work on their terms and open up the possibilities of selling your home quickly and more profitably. A professional real estate agent will have a complete team, from lenders to title reps for you to utilize...they'll be at your disposal.

***Do I fully understand the legal ramifications and necessary steps required in selling a home?***

Many home sales have been lost due to incomplete paperwork, lack of inspections or not meeting your states disclosure laws. Are you completely informed of all the steps necessary to sell real estate? If not, a professional would be a wise choice.

***Do I have the capability of handling the legal contracts, agreements and any disputes with buyers before or after the offer is presented?***

Ask yourself if you are well versed in legalese and if you are prepared to handle disputes with buyers. To avoid any disputes it is wise to put all negotiations and agreements in writing. Many home sales have been lost due to misinterpretation of what was negotiated.

***Have I contacted the necessary professionals...title, inspector (home and pest), attorney, and escrow company?***

Are you familiar with top inspectors and escrow companies? Don't randomly select inspectors, attorneys, and title reps. Like any profession there are inadequate individuals who will slow, delay and possibly even cost you the transaction.



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