

 **RELATED
REALTY**

RESIDENTIAL BROKERAGE REDEFINED

RESIDENTIAL BUYER BOOK

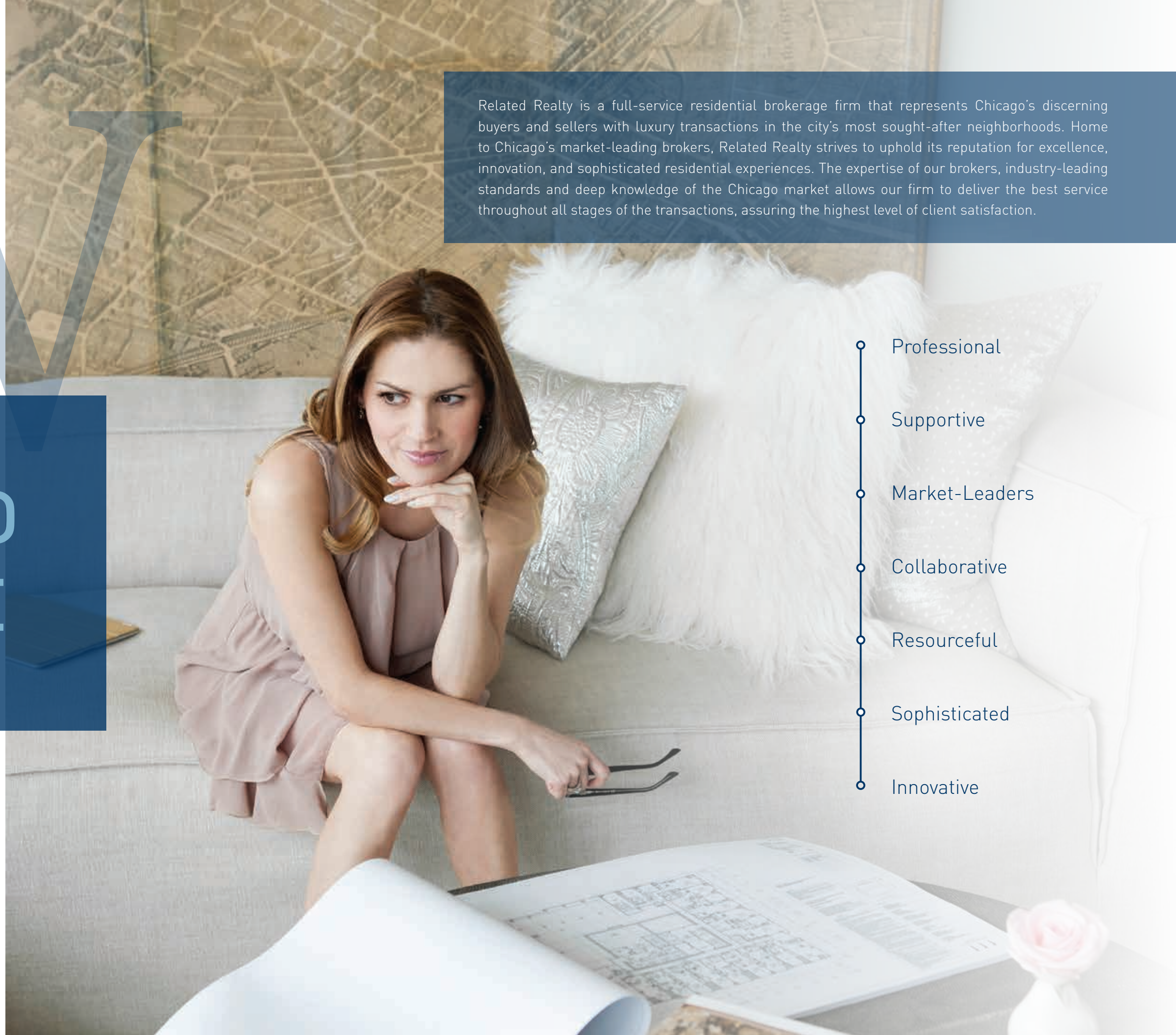


W

WHO
we
ARE

Related Realty is a full-service residential brokerage firm that represents Chicago's discerning buyers and sellers with luxury transactions in the city's most sought-after neighborhoods. Home to Chicago's market-leading brokers, Related Realty strives to uphold its reputation for excellence, innovation, and sophisticated residential experiences. The expertise of our brokers, industry-leading standards and deep knowledge of the Chicago market allows our firm to deliver the best service throughout all stages of the transactions, assuring the highest level of client satisfaction.

- Professional
- Supportive
- Market-Leaders
- Collaborative
- Resourceful
- Sophisticated
- Innovative





our
MISSION



Related Realty's mission is to elevate all facets of the residential real estate experience. Our core philosophy focuses on providing our brokers with the unrivaled support and resources they need to deliver exceptional results. We help our brokers take their business to the next level by challenging industry standards to achieve an unprecedented level of success.

A row of historic brick townhouses with a blue sky background. The buildings feature various architectural details like arched windows, bay windows, and decorative brickwork. A black wrought-iron fence runs along the front of the properties. A large, semi-transparent blue 'T' is overlaid on the left side of the image.

T

THE *buying* PROCESS

Our distinguished team of market-leading brokers are committed to guiding you throughout the buying process and will stop at nothing to achieve the highest level of client satisfaction. Related Realty brokers are highly knowledgeable and committed to staying ahead of market trends. Our experienced team values open communication and is equipped with the technology and resources needed to ensure a smooth and easy transaction. When working with Related Realty, you can count on superior results. We're excited to start working with you, side by side.



ROLE *of the* REALTOR

GUIDING YOU

IN YOUR SEARCH



Buying a home is a big decision and an exciting experience. Your Related Realty broker will guide you through your search and transaction to make the process seamless and rewarding. Your broker will be your advocate every step of the way, providing you with the guidance and resources needed to make a confident decision and carry you through the finish line (closing and beyond).

NAVIGATING

DATA OVERLOAD



As a buyer, you have access to an abundance of information online that can often times be overwhelming. Your Related Realty broker will navigate on your behalf to ensure you are receiving only accurate and relevant data. They will analyze all market activity including active, pending and recently sold properties and will guide you to making an informed decision accordingly.

DETERMINING

VALUE



ROLE
of the
REALTOR

The supply and demand of the real estate market is ultimately the determining factor when it comes to the value of a property. It is imperative to stay up to speed on current market information to arm you with the knowledge needed to make an appropriate offer. Prior to writing an offer to purchase a property, your Related Realty broker will help you determine market worth by analyzing comparable active and recently sold properties to formulate a plan to ascertain the best offer price possible.

NEGOTIATING

EXPERTISE



Your Related Realty broker is your expert negotiator who will use their extensive market and lending knowledge to present the initial offer and subsequent counter-offers to the seller. Your broker is highly trained to counsel you and act as an intermediary while negotiating the best possible outcome for your purchase.

FACILITATING

INSPECTION, ATTORNEY, LENDING, FINANCING



Once an offer is accepted and you are officially under contract there are many vendors that will need to be contacted, coordinated and scheduled. Your Related Realty broker is your resource for providing trusted recommendations for attorneys, inspectors, lenders and contractors that will assist you through closing.

ROLE *of the* REALTOR

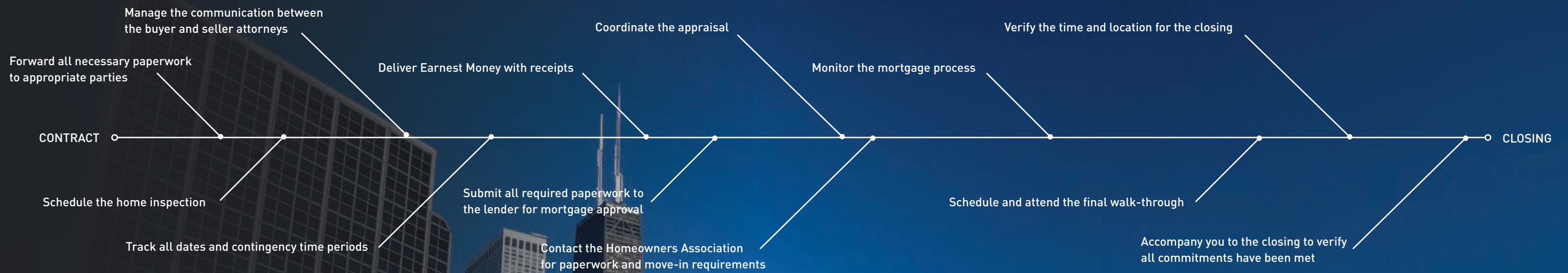


MANAGING

PAPERWORK

Your Related Realty broker will manage paperwork on your behalf throughout the entire transaction process.

- All initial transaction paperwork including agency representation agreement, purchase contract, disclosures and pre-approval letter.
- Distribute appropriate contractual paperwork and information to attorneys, lenders, inspectors and other parties on your behalf.
- Circulate all Homeowner Association documentation including condominium and homeowner bylaws, rules and regulations, budgets, etc. Provide the application and credit requirements for your new Homeowners Association if necessary.
- Coordinate all required inspections of the property including home inspector, appraiser and all other necessary vendors. Distribute any required documentation needed to the appropriate parties.
- Ensure that all paperwork is accurate and completed in a timely manner for the mortgage process.
- Ensure that all paperwork and documentation are in order for your closing, and any home improvements scheduled for your new property are completed prior to the closing date.



ROLE
of the
REALTOR

GUIDING YOU

FROM CONTRACT TO CLOSING

Your Related Realty broker will make sure all contingency dates and activities are met. They will accompany you on the inspection of the property, make sure the mortgage process moves toward closing in a timely manner and act as the conduit in communication with all relevant parties during this time period. Your broker will manage each step of the process along the way from contract through closing.



ROLE
of the
REALTOR

BEYOND CLOSING

VENDORS & MARKETING INFORMATION

Research shows that on average, 10% of your purchase price is reinvested into home improvements within the first year of home ownership. Your Related Realty broker will provide you with resources you need and connect you to trusted vendors that will assist you with all home upgrades.

H

HOME
buying
PROCESS



STEPS FOR BUYING A HOME

THE PROCESS FROM START TO FINISH

- Choose your Related Realty professional
- Initial meeting
 - Assess your wants and needs for your perfect home
- Get pre-approved by your lender
- Search for and find your new home
 - Write an initial offer
 - Negotiate the offer
 - Execute the agreement
- Contract accepted and initial earnest money deposited
- Choose an attorney
 - Appraisal
 - Loan approval
 - Loan commitment letter
- Home inspection
- Attorney review
 - Contingency period
 - Negotiate final terms
- Balance of earnest money due
- Due diligence
- Walk through
- Transaction closing
- Beyond closing
 - Your Related Realty broker will provide you with resources and vendor information

HOME
buying
PROCESS



BUYER ESTIMATED

CLOSING EXPENSES

This closing cost guide is designed to give you a general idea about costs associated with your home purchase. Please note that these are potential costs and your Related Realty broker, real estate attorney, and mortgage lender will be your resource for providing specifics. Some costs are flat fees while others are based on price point and loan amount.

Credit Report	— \$10 - \$50
Loan Application	— \$0 - \$500
Survey	— \$250 - \$350
Condo Building Application Fee	— \$250 - \$500 + credit report
Building Move-in Fee	— \$200 - \$400
Minimum Down Payment	— 3.5% to 30% (depends on several factors including property type)
Condo Documentation Fee	— \$75 - \$250 (includes required lender questionnaire)
Attorney's Fees	— \$400 - \$1,000
Appraisal	— \$250 - \$600
Home Inspection	— \$250 - \$1,000
Private Mortgage insurance	— up to 2 points (points=percentage of loan amount) if not paid monthly
Administrative Loan Fee/Origination Fee	— \$1,000
Flood Certificate	— \$4 - \$20
Lender's Title Insurance Policy	— Based on the price of the property (Ex: \$250,000 price = \$1,200 fee)
Lead Paint Inspection (if building was constructed prior to 1978)	— \$250-\$350
City of Chicago Transfer Tax	— \$7.50/\$1,000 of purchase price (seller pays additional \$4.50 / \$1,000)
Hazard/Homeowner's Insurance	— Varies based on the requirements of the Lender; annual premium due upon closing in addition to monthly escrow deposits, if escrowing insurance
Settlement of Escrow Closing Fee	— \$500 up to \$100,000 sales price, fee for every additional \$50,000
Points or Loan Origination Fee for Interest Rate (optional)	— .25%-3% of loan
Underwriting Fee	— \$250-\$500
Document Preparation/Recording Fee	— \$200-\$500
Tax Service Fee (if taxes are held in escrow)	— \$50-\$100
Escrow Deposit (may be optional)	— 2-7 months prepaid real estate taxes and/or homeowner's insurance
Prepaid Interest	— Interest on loan from closing date to end of month based on per diem
Pro-rations	— At closing, certain expenses relating to the ownership of the property will be prorated between seller and purchaser. Taxes in Chicago are paid in arrears and are settled at the time of closing with tax pro-ratio agreements between both parties. Depending on the closing date, a condo assessment will also be prorated. All pro-rations are typically determined and handled by the real estate attorney.

*Note: these are only estimates. Please confirm specific costs with an attorney and a mortgage lender for specific costs unique to your transaction.



GET
PREPARED
with
YOUR
FINANCING

Your Local Lender

WITH NATIONAL STRENGTH

The Wintrust Mortgage name has local recognition, but did you know we can lend nationwide? Count on Jon Goldman and Mike Black to guide you to home ownership here or across the country.

- 50 state lending authority
- Comprehensive list of mortgage programs
- Construction-to-permanent financing options
- Flexible portfolio lending options
- In-house underwriting
- Constant client communication

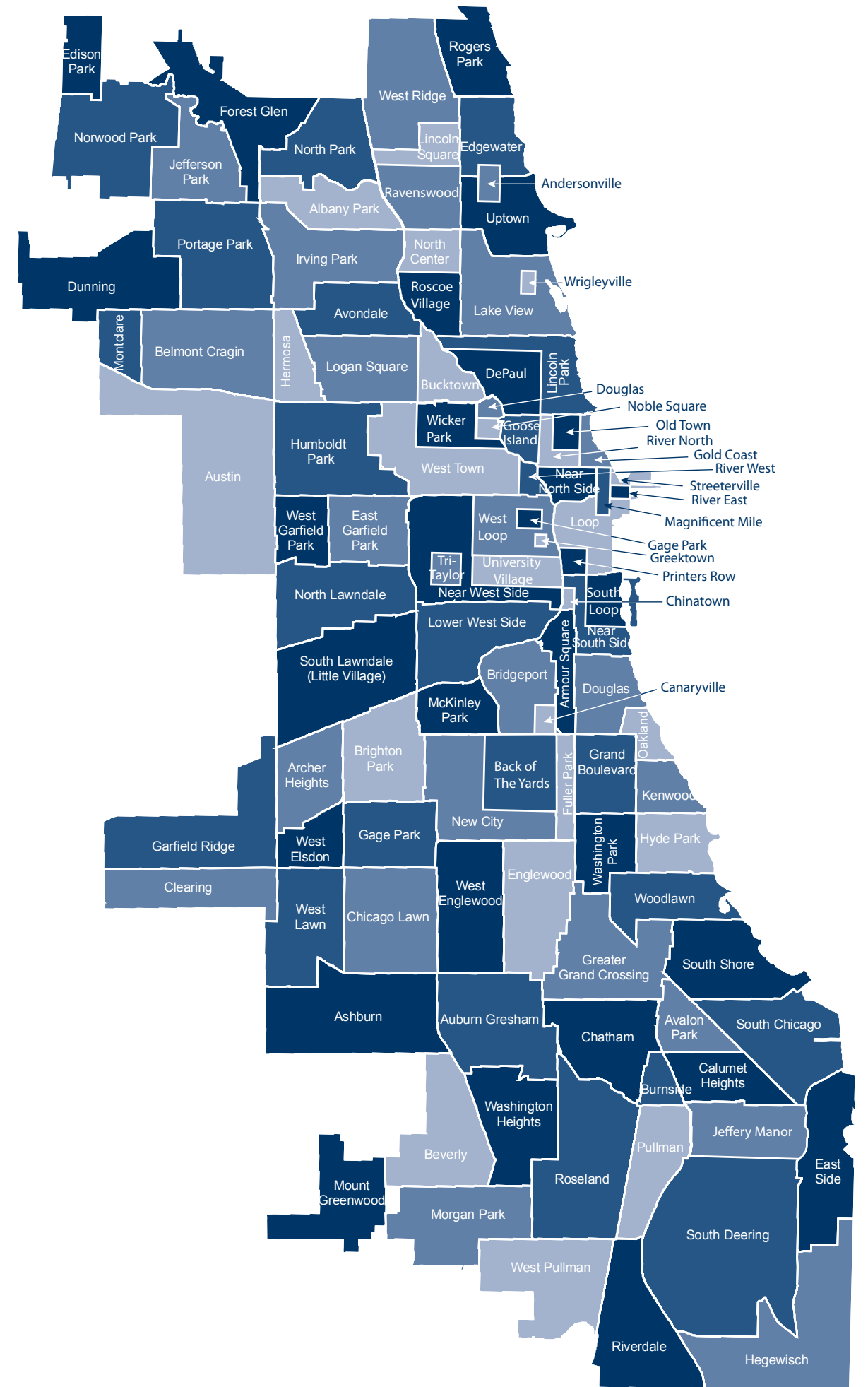
Call today to find out more about the advantages of working with Related Realty's preferred lender!



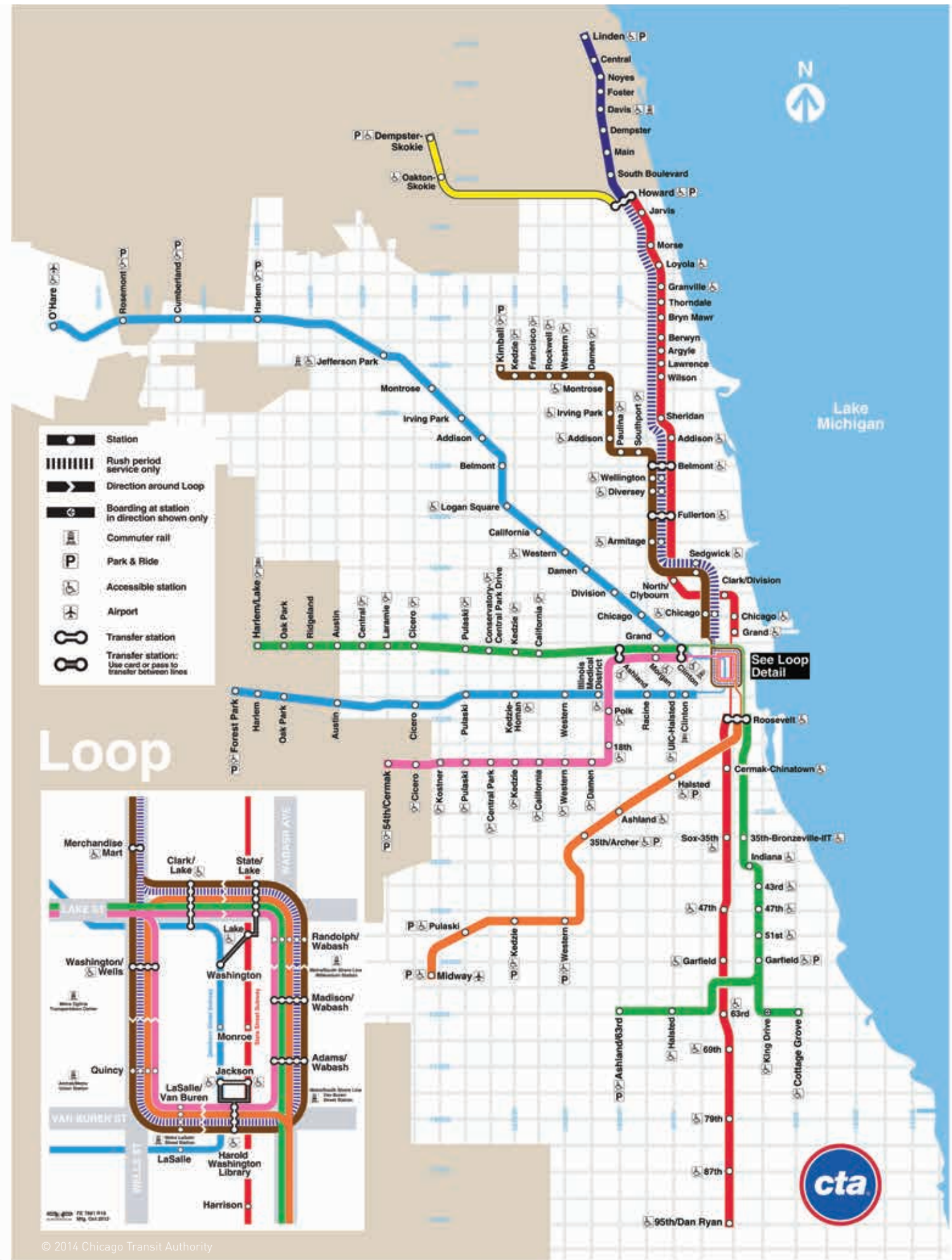
Learning about financing options and what you can afford before you start looking for a home will save time and streamline the buying process. Your Related Realty broker will arrange a meeting with a mortgage lender who will answer your questions about the loan process to determine an affordability level.

Pre-Approval: You will provide your mortgage broker with information for a detailed background and financial check (including tax returns, credit check & income history). You will then receive a letter from the lender stating the amount the lending institution would loan you. This commitment is valid for about 60 days. Most sellers require buyers to provide a pre-approval letter with an offer letter.

CHICAGO *neighborhood* MAP



CHICAGO "L" Train MAP





GLOSSARY *of* TERMS

[source: MLS Multiple Listing Service Listings <http://www.mls.com/Home/Glossary.mvc>]

A **Acceptance** - The time at which an offer to purchase is accepted. The fact that it was accepted must be relayed to the person that made an offer in order for all parties to be bound to the contract.

Adjustable Rate Mortgage (ARM) - A mortgage whose interest rate over the life of the loan is not necessarily the same as the original interest rate at the loan inception. Rate changes may go up or down and are usually tied to an economic indicator and a time period. The person getting the mortgage should check to see if these fluctuations have a cap, and make sure they are comfortable with whatever that cap is. Some ARMs are convertible to a fixed interest rate after a period of time.

Annual Percentage Rate (APR) - Required by the Federal Truth-in-Lending-Act, this details the amount of money financed. The APR is the true cost of borrowing money, which includes the total finance charges added to the principal amount.

Appraisal - A professional determination of value. Mortgage companies usually require an appraisal of the property by a licensed, disinterested party before agreeing to loan money on the property. Methods of determining value may be based on many things, such as comparable sales in the area, the cost approach, the income approach, or the highest and best use of the property.

Appreciation - When the value of a property rises, based on economics and market conditions of the area, it appreciates.

As Is Condition - Disclaiming any warranties or representations regarding the condition of a property.

Assessed Value - The value used by the governing authority (i.e. either the local government or the condominium association) by which to levy a tax or fee on the property owner.

Assignee - The person responsible if the rights and responsibilities for a property are transferred to a new person.

Assumption of Mortgage - The act of taking over and accepting legal responsibility for the terms of an existing mortgage.

B **Back-Up Offer/Contract** - A contract or offer that is in a secondary position to an already existing contract. This contract shall be elevated to the first position if some condition in the first contract is not met. If the first position contract is consummated, then the second contract is no longer in effect.

Balloon - A mortgage where there are payments over a period of time but the final payment is a lump sum which is quite large compared to the previous payments.

Bankruptcy - A condition whereby the courts determine that a person's indebtedness greatly exceeds their assets and payment of these debts is determined by the courts.

Bill of Sale - A document that serves as written proof for the transfer of title. Real estate is transferred by a deed. Personal property is transferred by a Bill of Sale. Mortgage companies will not make loans on personal property, and a Bill of Sale may be included with a real estate contract to outline what personal property is being transferred to the new owner.

Bridge Loan, also called a swing loan - A short term loan used to transition in between the paying off of an old loan, and the inception of permanent financing. This is often used to build or purchase a new home, when the previous home is still owned, but is up for sale. Once the previous home is sold, and the owner receives the proceeds from that sale, permanent financing is usually obtained.

Broker/Agent (i.e. real estate broker) - A person duly licensed under the laws of their state to act as an agent for another, and negotiate the purchase, sale and lease of real property. In real estate, this agent may be a listing agent representing the seller, a selling agent representing the buyer, or a dual agent which means the agent may represent both the seller and the buyer.

C **Certificate of Title** - A statement verifying who has the rights and responsibilities of ownership in a property. This may be ascertained by a public record search but does not guarantee that any other parties may not stake a claim to the property. Title insurance protects against claims that may arise against the title.

Certificate of Occupancy - A document which must be obtained from the local government which states that the new construction has been inspected and is built in accordance with regulations. The property is therefore ready to be occupied.

Clear Title - Ownership that is free of liens, defects and encumbrances, beyond those which the owner agrees to accept.

Closing - The transaction where title passes from seller to buyer and the seller is paid. A settlement statement shows all costs incurred and gained by both parties.

Closing Costs - The expenses incurred in obtaining the property and transferring title to the new owner. This may include, but is not limited to attorney's fees, points, title charges, credit report fee, document preparation fee, mortgage insurance premium, inspections, survey, appraisals, prepayments for property taxes, deed recording fee, and homeowners insurance.

Commitment Letter (also known as a loan commitment) - A written offer by a lender to make a loan by a particular date under certain conditions.

Common Areas - The space that is shared among all property owners. In a condominium that may be the building lobby, corridors, elevators, parking areas, recreational facilities, etc. and in a planned unit development an example of this might be swimming pools or tennis courts.

Conforming Loan - A mortgage loan that meets underwriting guidelines for Fannie Mae and Freddie Mac

Contingency - A condition that must be met before a contract is legally binding, or before a sale is to be completed. The contingency provides a potential out from performing if the condition is not met.

Conventional Loan or conventional mortgage - A real estate loan, which is not insured by the government agency FHA nor guaranteed by the Veterans Administration. Typically subject to the terms of their particular institution, the conditions may be more flexible, as the lender is not required to follow federal guidelines. The lender looks to the credit of the borrower and the security of the property to insure payment of the debt.

Co-op – cooperative – (also known as cooperative ownership) – Where several residents hold shares to a cooperative trust or corporation that owns the multi-unit building. Owning the shares of ownership grants the resident the privilege of occupying a specific unit of the property.

Counteroffer - If the receiver of an offer makes any changes to the original offer, it is considered a rejection of the initial offer and becomes a counteroffer.

Covenant - as in Covenants, Conditions and Restrictions, or Restrictive Covenants - A clause in a written document, such as a mortgage or a deed that the owner will abide by certain rules and conditions. These are not uncommon in a subdivision and are usually intended to maintain the value and integrity of the property.

Credit Report - The official credit history of any individual as compiled by a credit bureau. This is used by lenders in determining the size loan a person may, or may not, qualify for.

Deed - The document that sellers and buyers sign when transferring title to real estate. It legally transfers the property from the seller to the buyer, and is then recorded by the closing agency in county records.

Default - Failure to make payments when due which can result in foreclosure of the mortgaged property. This includes not only monthly mortgage payments but also taxes or any other promise in the original deed.

Delinquency - Outstanding past-due mortgage or loan payments.

Delivery – The legal transfer of a deed to property by the seller and recorded in the county records.

Depreciation -The decline in real estate value due to physical deterioration or lack of updating an older property.

Discount Points - Investors typically offer an interest rate with no discount points, but can lower that rate if the buyer is willing to pay an up front fee that will give the investor the same yield. Each discount point is equal to 1% of the loan amount borrowed.

Distress Sale – A distress sale occurs when the sellers must sell the property very quickly and are willing to decrease the price as an incentive to potential purchasers.

Down Payment - The difference, in dollar amount, between the purchase price and the loan amount.

Due on Sale Clause – Language in the mortgage closing agreements that inform the borrower that if they allow their loan to be assumed or transferred in any way, the lender has the right to demand the balance in full.

Earnest Money (also called Deposit) – A good faith deposit of a sum of money offered by the prospective purchaser at the time of the offer to purchase. These funds are typically deposited into an escrow account and held until the real estate closing takes place. At the closing, the buyer is most often given credit for the earnest money that has already been paid. These funds may also be returned to the buyer in some cases if the contract on real property doesn't go through to a final sale.

Easement – A legal document on certain property giving persons other than the owner the right of way, access and limited use or enjoyment of the land involved. [Example, power companies sometimes need a right of way for power lines.] Closing documents and/or land surveys will describe and show such easements.

Eminent Domain – The right of local or state government to purchase private property for public use. Owners receive compensation based on fair market value and sometimes additional funds for the inconvenience of moving. This is legal under the Fifth Amendment of the United States Constitution. Reasons for eminent domain can include schools, roads, parks, hospitals, public safety and other public buildings.

Equal Credit Opportunity Act – A 1974 federal law under Title VII of the Consumer Credit Protection Act which requires lenders not to discriminate against consumers based on race, color, religion, national origin, sex or marital status, or receipt of income from public assistance (food stamps, social security). Borrowers are notified at application in writing of agencies that they may contact if they feel they have been discriminated against in any way.

Equity Loan - A real estate loan based on the borrower's equity (ownership) in the property. The amount that the bank might loan could be determined by the fair market value of the property minus any current mortgages secured by the property, subject to the owner's other debt commitments and credit history.

Escrow – A neutral third party holds other people's funds in a secure account for future use. An earnest money deposit is usually held in a real estate broker's escrow account. It is the broker's account, but he is holding the buyer's funds in the account for safekeeping until closing. In the case of a mortgage, the total monthly mortgage payment may include funds to pay for future taxes and insurance paid in addition to the principal and interest. This escrow is held by the lender until taxes and insurance are due, at which time the mortgage company pays the taxes and insurance on the borrower's behalf

Eviction - Eviction is the process of removing an occupant, either tenant or owner, by law enforcement for failure to perform as promised on a note or lease contract.

Extension - A written agreement between all parties on a contract allowing an additional specified period of time during which all parties are expected to perform their contractual obligations.

Fair Market Value - A median price based on the highest price a willing buyer would be willing to pay and the lowest price a willing seller would be willing to accept in a competitive market.

Fannie Mae – (FNMA) - Federal National Mortgage Association. A government agency that is a major mortgage investor. A federal agency established in 1938 to purchase mortgage loans from lenders as an investor. FNMA originally bought FHA loans, but now is a conventional, FHA and VA investor. FNMA is now a private company operating with private capital.

Freddie Mac – (FHLMC) - Federal Home Loan Mortgage Corporation. A publicly held corporation that buys mortgages and thereby creates a flow of funds to mortgage lenders. FHLMC was chartered by Congress in 1970.

FHA - An agency of the U.S. Department of Housing and Urban Development (HUD) that was established in 1934 under the National Housing Act to encourage improvement in housing standards, to provide an insurance for mortgages, and to exert a stabilizing influence on the mortgage market as a whole. FHA's main activity is the insuring of residential mortgage loans made by banks and private lenders. The FHA sets standards for construction and underwriting but does not lend money or construct housing. FHA 203b is the most popular FHA government loan, and it typically requires a three percent down payment. FHA 203k is a renovation and repair loan through the Federal Housing Authority, typically made for single family properties.

Fiduciary - A relationship which implies a position of trust or confidence. Among the obligations a fiduciary owes to his principal are duties of loyalty, obedience, full disclosure, the duty to use skill, care and diligence, and the duty to account for all finances.

First Mortgage -The first mortgage is the primary loan against a property, and takes precedence over any other mortgage, equity line or other lien.

First Right Of Refusal - A legal right by an individual giving that person the first opportunity to purchase or lease real property.

Fixed Rate Mortgage - A mortgage with an interest rate and monthly payment that remain the same and cannot change over the life of the loan.

Flood Insurance - A special and separate insurance policy that covers property in the flood area against damage by flooding. Although flood insurance may be bought through your local insurance agent, it is issued through the federal government. When purchasing real estate, a survey is typically required where there is any risk of flooding to the property. Flood insurance may be required by the lender in order for the buyer to obtain a loan.

Foreclosure - The legal process that begins when a borrower fails to make payments to a lender on a mortgaged property. Should the borrower not be able to correct the default, the property will be sold at public auction to satisfy the debt.

Grantee - The individual to who interest in real property is conveyed.

Grantor –The individual conveying the interest in real property to another person.

Hazard Insurance (Homeowner's Insurance) - An insurance policy selected by the borrower to cover the property against loss due to hazards such as fire, hail, theft, etc. The borrower pays an annual premium for this coverage. In many cases, the lender requires that the borrower pay 1/12 of this annual amount every month, included with the borrower's monthly payment of principal and interest. These funds are held in reserve on behalf of the borrower in an escrow account.

Home Inspection - An inspection made by a licensed third party (not the buyer or seller) for a statement of condition on the property, i.e. structural and mechanical conditions. Many contracts to purchase are contingent on the buyer having a home inspection performed within a certain time period prior to closing.

Homeowners' Association – An association with annual dues collected from residents to insure enforcement of any covenants or restrictions that apply to the properties covered. For example, the Homeowner's Association could legally cause a homeowner to take care of their yard as required by a legal covenant signed as a part of closing. Homeowner's Association fees also cover maintaining common areas, and in some cases may be either voluntary or mandatory.

Homeowners Warranty - An insurance policy covering specific future repairs, should they become necessary, for a specific time period. These are often provided by the seller or builder as a condition of sale.

HUD – [The U.S. Department of Housing and Urban Development] - This is the agency responsible for enforcing the federal Fair Housing Act. Among HUD's many programs are urban renewal, public housing, rehabilitation loans, FHA subsidy programs, and water and sewer grants. The Office of Interstate Land Sales Registration, the Federal Housing Administration (FHA) and the National Mortgage Association (GMNA) are all under HUD.

Interest - What a lender charges to borrow money. The part of the borrower's monthly payment that goes to the lender after the principal has been applied against the loan balance.

Investment Property – A property that is not occupied by the owner as their primary residence but is instead used to produce income, depreciation for tax benefits or future gains by appreciation.

Joint Tenancy – A legal way for parties to co-own real property with equal rights to the real estate. Should any of the joint tenancy owners die, no interest in the property can be transferred by will as the remaining joint tenant(s) acquires all ownership.

Jumbo or Non-conforming loan - A loan that exceeds Fannie Mae's legal legislated mortgage amount, please reference: <https://www.fanniemae.com/singlefamily/loan-limits>

Junior Mortgage (Second Mortgage) – or equity mortgage that is subordinate to an existing lien already on the property.

Lead Based Paint - Prior to 1978 paint that was used in construction often had concentrations of lead. These materials have since been taken off the market as they can be harmful. When selling or leasing a property that was built prior to 1978, the owner should take care to provide the buyer or tenant with a lead based paint disclosure.

Lease Purchase - A contract between a tenant and an owner by which part of the monthly rent payments may go toward down payment on the property. When pre-determined sufficient funds are received by the seller, the buyer may seek a first mortgage through a typical lender or in some cases with the seller.

Legal Description - The written description of a piece of land giving all pertinent information such as land lot, subdivision name, Block, parcel, acreage, etc. that comprises a legal and sufficient description of a particular property.

Lien - A monetary claim against a property that must be paid off when a property is sold in order for the new ownership to be legally recorded in county records.

Listing Broker - The broker that represents the seller and has the property listed for sale. It is often another broker, representing a buyer that secures an offer to purchase the property. In such cases, the brokers cooperate (co-op) and the commission is split between the two companies.

Listing Contract (also called Listing Agreement)- A real estate broker (or agent, acting on behalf of the broker) and a seller sign this agreement in order to give the broker the rights to advertise the property and represent the seller. The seller's real estate is then listed for sale, most often in a multiple listing service. In most cases the payment of a commission to the brokerage is contingent upon the agent procuring a satisfactory buyer for the property within the time frame of the Listing Contract. The commission is then paid to the broker from the seller's proceeds at closing

Loan Application - A form used to apply for a mortgage loan that a borrower must complete in order to secure the loan. It has questions about the borrower's income, assets and debts, plus some required disclosures.

Loan Commitment - A lender's written approval granting a specific loan amount, conditions, and a set time limit for closing the loan.

Loan to Value - The ratio of the amount of the loan divided by the value or sales price of the home.

Lock In - An agreement in which the lender guarantees a specified interest rate for a certain amount of time at a particular cost.

Maturity Date - The date on which the last payment on a mortgage or any other financial instrument becomes due and payable.

Mechanics Lien - A financial claim created to enforce payment for work performed and materials provided on building, repairing or improving a structure.

MLS - An acronym for "Multiple Listing Service." MLS is composed of hundreds of database computer systems located throughout the USA for real estate agents to showcase their available real estate listings that are for sale and for lease.

Molds - Fungi that may be present both indoors and out. Prior to a real estate closing, a termite inspection is usually performed to inspect for termites, mold and mildew on the property or in a crawl space.

Mortgage - A legal document signed by borrower(s) and promising a property to the lender in return for payment of a debt.

Mortgage Banker - A lender that originates mortgage loans through mortgage brokers for sale to investors such as Fannie Mae, Freddie Mac, or Ginnie Mae.

Mortgage Insurance - Insurance paid by the borrower to insure the lender against default in case of non payment of the mortgage loan. The mortgage insurance company may buy the property or just cover part of the losses to the lender. Many government loans and some conventional loans require mortgage insurance with loans to value over 80%.

Mortgage Interest Rate - The percentage rate lenders charge for mortgage loans; shown on the note signed at closing.

Mortgagee - The lender originating and closing the mortgage loan in their name prior to selling to a broker for investor purchase.

Mortgagor - The borrower signing the note in a mortgage loan process.

Negative Amortization - When adjustable rate mortgage payments are not sufficient to pay the monthly principal and interest, the deficient amount is added to the original mortgage which causes the outstanding principal balance to increase.

Nehemiah - An FHA insured government loan that helps low income home buyers with down payment assistance.

No Doc Loan - also called Low Doc Loans - Little or no documentation loans. Generally used for the self- employed and small business owners. Also used for non-profits, specialized companies and individuals.

Non-Conforming Loans - Loan amounts that exceeds FNMA's \$417,000 (as of July 2006) maximum lending.

Note - A statement borrower's sign at loan closing that gives the terms of repayment. This also includes the borrower's promise to repay.

Offer - When a buyer makes a written promise to purchase real estate, it is an offer. It does not become a contract until all terms are accepted by both seller and buyer.

Open Listing - A listing under which the principal (owner) reserves the right to list his property with other brokers, yet grants the real estate agent the right to advertise and sell the property.

Option - The right to purchase or lease property within a pre-determined time at a specific price. There is no obligation to purchase, but the seller is obligated to sell if the option holder exercises the right to purchase. For the option to be valid, it must include consideration (i.e. earnest money).

Origination Fee - The fee charged by most lenders to originate a loan, typically one percent of the loan amount.

Owner Financing (or Seller financing) - The seller provides financing so that the buyer does not have to go through a bank or traditional sources to obtain funding to purchase the property. The seller does not receive all proceeds at once, as in a traditional closing where the buyer obtains bank financing, but the seller does receive interest in addition to the principal.

Payment Cap - The most that a monthly mortgage payment can be increased on an adjustable rate loan mortgage.

PITI - Principal, interest, taxes and insurance combined. When less than 20% is paid as a down payment on a property, most lenders will require that each monthly payment include at least 1/12 of the annual taxes and 1/12 of the annual insurance in addition to the required principal and interest.

Planned Unit Development (PUD) - A housing plan designed to produce a high density of dwellings and maximum utilization of open spaces.

Plat - A map that is drawn to scale of a specific piece of land that shows the shape, acreage, etc. The plat illustrates the geographic boundaries of the property.

Possession - The buyer occupying the property that is purchased or a tenant occupying the property that is leased. In a real estate sale, possession is rarely granted prior to closing when the seller receives their funds.

Prepayment Penalty - A fee charged when a borrower pays a mortgage in full prior to the agreed upon date. The note and deed would advise of any such penalty.

Prequalification - Having a mortgage lender advise that debt ratios and credit report plus other factors show a borrower qualifies for a particular loan amount before signing a contract.

Principal - The outstanding loan balance not including interest.

Private Mortgage Insurance - Insurance paid by the borrower to insure the lender against default in case of non payment of the mortgage loan. The mortgage insurance company may buy the property or just cover part of the losses to the lender. Many government loans and some conventional loans require mortgage insurance with loans to value over 80%.

Property Taxes - Taxes payable to the county where the property is located, and are usually paid on an annual or bi-annual basis and based on the county's determined value of the property. Many counties will offer a homestead exemption, which is a reduction in taxes, if the real estate is your primary residence. Check with your local county tax assessor's office for details.

Purchase and Sale Agreement - The contract between the buyer and seller stating terms, conditions, sales price and other pertinent information about the property being purchased.

Qualifying Ratios - Comparing a borrower's income to their proposed monthly housing expense. Also comparing their income to monthly housing expense added to all the borrower's other debt obligations.

Quit Claim Deed - A document by which one property owner releases his or her claims, rights and interest in a particular property.

Radon - A natural gas found in the environment. If present inside a home, it can be harmful in sufficient concentrations. Radon gas testing is available.

Rate Lock -When the lender issues a written commitment to a borrower as to a specific interest rate for a specific period of time.

Real Estate Agent - A person licensed to advertise and negotiate the sale and lease of real estate on behalf of the property owner, buyer, landlord or tenant.

Real Estate Commission - Each state has a Real Estate Commission or similarly named department or agency that oversees the licensure of real estate agents and real estate brokers in that state. Qualifications and requirements for licensure differ from state to state. This Commission (or department or agency) may also oversee similar licensure, such as real estate appraisers. This Commission sets all policies, procedures, and rules for practicing real estate within the state.

Real Estate Owned - (REO) - Real estate that is owned by a bank or financial group. Usually a result of their borrowers defaulting on the loan and the subsequent foreclosure of the property from that buyer.

Real Estate Settlement Procedures Act - (RESPA) - Real Estate Settlement Procedures Act is a federal law, enacted in 1974, which details the procedures to be followed in a real estate closing. It is intended to protect the borrower and seller by making everyone more knowledgeable about possible costs and charges.

Realtor® - A real estate broker or a real estate agent who holds active membership in a local board of Realtors that is affiliated with the National Association of Realtors® (or NAR). The NAR has a Code of Ethics that all members are to adhere to. All Realtors are real estate brokers and real estate salespeople, but not all real estate brokers and real estate salespeople are Realtor® (members of the National Association of Realtors®.)

Refinancing - Obtaining a different loan for the benefit of perhaps a lower interest rate, converting an ARM to a fixed rate, or to take out some of the equity in the property. The borrower re-applies for a mortgage and goes through another closing transaction on the property they have previously mortgaged. The new loan pays off and replaces the original loan.

Rent with option to buy - (or lease purchase option) - An alternative financing option that allows home buyers to lease a home with an option to purchase at the end of the lease. Each month's rent payment may consist of the customary rent payment, plus an extra amount that could be applied towards the down payment on the purchase.

Reserves - Money that mortgage companies set aside in separate non-interest bearing accounts to pay taxes, homeowners' association dues and insurance premiums.

Restrictions - Covenants or other types of conditions in the deed or other real estate documents that restrict the use, restructure and care of real estate involved in the transaction.

Return On Investment (ROI) - is how much profit or cost savings is realized as a result of participating in the investment.

Right of first refusal - The right to the first opportunity to lease or purchase real property. For example, apartment tenants might retain the right of first refusal when their units are being converted to condominiums.

S

Second Mortgage - A loan taken out behind the first mortgage, perhaps at the purchase or even at a later date when the owner needs funds and the equity is sufficient.

Secondary Mortgage Market - Buying and selling existing mortgages, usually in blocks of several loans.

Settlement - The actual real estate closing where the property is transferred and the seller and the buyer sign all required documents for title transfer and mortgage.

Settlement Statement - The form showing all fees, charges and monetary transfers involving the buyer, seller, and all parties involved in the transaction.

Special Assessment - A tax or levy against real property for improvements. The fee is not necessarily imposed on all residents of a community, but to the owners of specific properties. Also, condominium owners may have a special assessment imposed for specific improvements to the building or community of the Association.

Subordination Clause - A clause in which the holder of a mortgage permits a subsequent mortgage to take priority. Subordination is the act of yielding priority. For example, this clause provides that if a prior mortgage is paid off or renewed, the junior mortgage will continue in its subordinate or secondary position and will not automatically become primary mortgage.

Survey - The measurement of a parcel of real estate by a licensed surveyor. It shows the specific details about the measurement, shape, size and location of the property.

Sweat Equity - The equity earned as a result of the owners' labor in upgrading and improving the property.

T

Tax Deed - A deed that is used to convey title when the real estate is purchased from the county, having been auctioned off to pay for back taxes that went unpaid by the original property owner.

Tax Lien - A lien against a property for unpaid taxes.

Ten Thirty One Exchange - (1031 Exchange) - A means of deferring capital gains taxes on real estate exchanges for like kind properties. This is allowed under the U.S. Internal Revenue Code, Section 1031.

Tenancy by the Entirety - A special type of real estate ownership that is reserved for married couples. The law considers the marital unit to be the owner and both spouses have an equal, undivided interest in the whole. Both spouses have the right to enjoy the property, and when one spouse dies, the surviving spouse gets title to the property in the entirety. It is similar to joint tenancy with the right of survivorship, but it is a term that is only used in certain states.

Tenancy in Common - A type of ownership in which two or more people have an undivided interest in property, without the right of survivorship. Upon death of one of the owners, his or her interest passes, not to the co-owner(s) but to whomever they have chosen as their heir.

Time is of the Essence - The statement in a contract which emphasizes that punctual performance by all parties is essential.

Title Company - The Company that, for a fee, checks and insures the title against liens, ownership claims, and title problems.

Title Insurance - An insurance policy that may be purchased to protect the new owner from any liens or clouds against the title of real property. In order to issue title insurance, the issuer will perform a title search in the county records.

Title Search - A review done by the title company's representative of all records available to determine if the title is indeed clear of liens and claims.

Transfer Tax - A tax that is collected at closing for the transfer of ownership of real property.

Truth in Lending Act - Federal law that makes lenders disclose, in writing, all terms, charges and APR to borrowers upon loan application and again at the closing of the mortgage loan.

U

Underwriters - Trained individuals that make the final decision of whether each loan is approved, approved with conditions, or denied.

Underwriting - The final approval or rejection by a lender upon reviewing all pertinent details of a loan applicant's credit worthiness.

V

VA Funding Fee - A funding fee is added to most VA loan amounts, depending on the amount of down payment that the veteran makes. In most cases the fee is 2% of the loan amount.

VA Mortgage - Typically a 100% loan made to veterans. They must qualify by providing proof of eligibility. When selling a house originally purchased through VA eligibility, the veteran should get a "Release of Liability" so that he can obtain a VA loan in the future.

W

Warranty Deed - A deed warranting that the grantor has clear title and promises he has the right to convey the property to the buyer.

Wrap-Around Mortgage - A mortgage to the new buyer which includes the seller's existing first mortgage payment, plus an additional amount that will be proceeds to the seller.

Y

Yield - The profit from an investment, normally stated as a percentage of the amount invested.

Z

Zero Lot Lines - When a building is positioned so that it rests either directly on the lot's boundary line, or so close to the boundary line that there is minimal yard or space between the structure and adjacent structure.

Zoning - Local requirements for the use of real estate in a particular area.





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