

Ohio Department of Commerce  
Division of Real Estate & Professional Licensing

# Home Seller's Guide



**LEARN TO SELL SMART**

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# OHIO DEPARTMENT OF COMMERCE

## DIVISION OF REAL ESTATE & PROFESSIONAL LICENSING

**Ted Strickland**  
Governor

**Kimberly A. Zurz**  
Director

The Division of Real Estate & Professional Licensing is a state agency within the Ohio Department of Commerce. The Division licenses and regulates real estate brokers and sales associates who arrange for the sale or lease of real estate, as well as real estate appraisers. Regulation of real estate brokers, sales associates and appraisers is intended to ensure that they conduct their business in a legal and ethical manner.

The laws dealing with real estate can be complicated. Frequently, problems arise simply because the parties involved do not understand the importance of each step of a transaction. The Ohio Division of Real Estate & Professional Licensing has assembled this booklet to assist you with the home selling process, whether you choose to sell your home on your own or rely on real estate professionals. Professionals include real estate agents, appraisers, attorneys and qualified inspectors. Each of these professionals can play an important role in helping you sell your home.

The Division is pleased to provide this “Home Seller’s Guide” as a helpful companion resource to our popular “Home Buyer’s Guide.” This guide is intended as general information only. The Ohio Division of Real Estate & Professional Licensing does not and cannot warranty or guarantee the accuracy or availability of the content of this booklet. References to third parties are provided exclusively for convenience and are not and should not be interpreted as an endorsement, sponsorship or recommendation of the third party. You should consult your personal attorney, real estate or tax professional for details and advice on your specific situation. Should you need to verify the licensure of a real estate salesperson or brokerage, or need information about filing a formal complaint with the Division, you may contact the Division at 614-466-4100, (TTY/TDD) 1-800-750-0750, e-mail at [REPLD@com.state.oh.us](mailto:REPLD@com.state.oh.us) or visit the Web site at [www.com.state.oh.us](http://www.com.state.oh.us).

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# *Selling a Home?*



## **Begins With You**

Selling a home can be an overwhelming process. As the home seller, you must gather as much information as possible about your house. Taking the proper steps can ensure your house sells in a timely fashion and that you are satisfied with the sale price. This task can seem stressful and endless. The Division of Real Estate & Professional Licensing offers this step-by-step guide to aid you during your journey through the home selling process.

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## **Preparing Your Home for “The Market”**

As you prepare to sell your home, remember that potential buyers have different tastes and requirements, but most, if not all, are looking first for a home that has had proper care and maintenance and *looks good*. First impressions count. A view of your home from the street can encourage a potential buyer to keep driving or stop for a closer look. Invest the time to give your home and yard a facelift; it will entice buyers to view your house, and possibly make for a quicker sale. Start with the outside. Look at sidewalks, driveways, patios and decks to see if they are clean, sturdy and free of weeds. Doors and windows can be cleaned and freshly painted. Moving indoors, from main rooms to hallways and closets, cleanliness is number one! Make rooms open and spacious by removing clutter and furniture that is not needed. A fresh neatly applied coat of neutral-colored paint does wonders for rooms. Repair or replace anything that has been damaged or isn't working (holes in walls, leaky faucets, etc.). Even things like pet odors and cigarette smoke can drive potential buyers away. If you choose to list your home with a real estate company, ask your agent for their list of “spruce up tips” to help you get started.

## **Pricing Your Home**

The **most important step** in selling your home is determining a reasonable asking price. The best way to do this is to have a state-licensed appraiser come to your house to appraise the home before you list it. This will give you a greater understanding of the worth of your home and property. If hiring your own appraiser is out of the question for financial reasons, check with your county auditor's office. Many auditors have websites that are updated every two years for tax purposes and will have a value for your home as well as surrounding homes in your neighborhood. The value may seem low, but it can provide a standard for you to use as a starting point. When considering whether or not to list with a real estate company, most companies offer valuable assistance by doing research on other home sales in your neighborhood.

# The Role of the Home Seller

## Full Disclosure on Property, Title & Mortgage

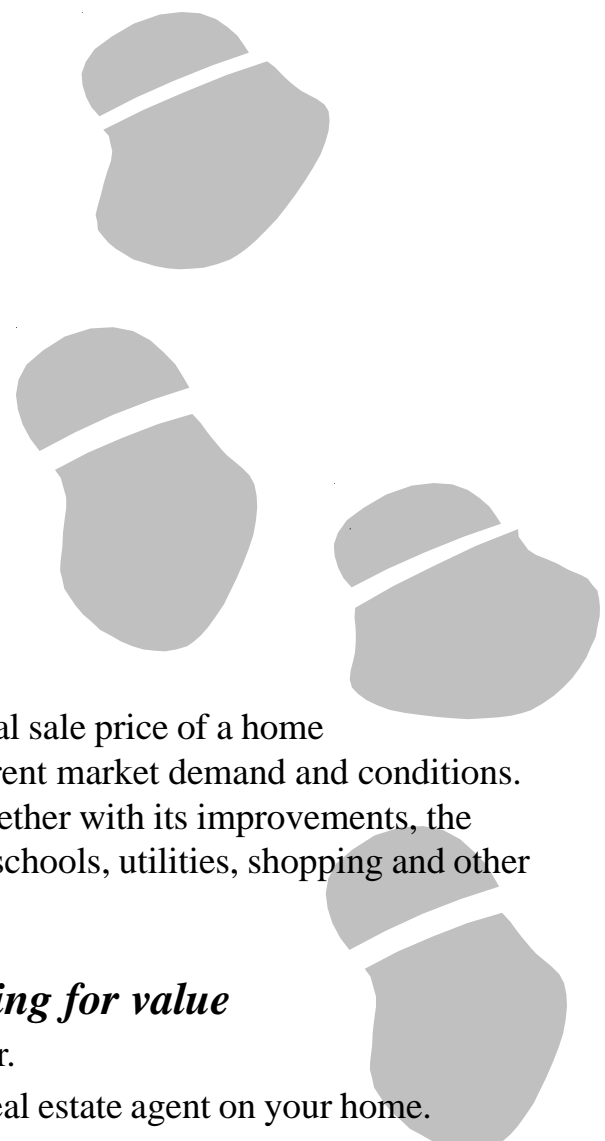
Before you list your home, have the following information on hand:

1. In whose name is the property titled?
2. What is the outstanding balance on the mortgage, a second mortgage or line of credit secured by your home?
3. What is the property's tax value and the annual tax payment?
4. What is the current zoning of the property?
5. What is your annual property insurance premium?



- As a prospective home seller, honesty is number one! Sellers must provide in-depth information and answer prospective buyers' questions about the condition of the property they are offering for sale. When asked for this information, remember to tell everything you know. It is important to disclose anything you know about the property because you can be held responsible for future problems if a buyer can show you knew about the condition, but failed to disclose any defects that were not visible or obvious before the sale.
- Whether you sell your home on your own or list it with a real estate agent, Ohio law requires you to complete a **“Property Condition Disclosure Form.”** You must fill out the form on your own and sign it before your house is shown. This form is used to notify potential buyers of any conditions, defects or repairs, past or present, including conditions relating to major mechanical or structural areas of the property, such as heating and cooling, the roof and the foundation. The form tells anyone interested in your house whether the house or property has any wet areas or standing water, what water and sewage system it has, past uses of the property and other important information.
- Insurance companies may refuse to defend their customers who do not disclose known property damage or conditions during the sale of a property.
- The **“Property Condition Disclosure Form”** is available through The Ohio Department of Commerce Division of Real Estate & Professional Licensing and can be found online at [www.com.state.oh.us/real](http://www.com.state.oh.us/real).

# 4 STEPS to CONSIDER BEFORE SELLING YOUR HOME!



## 1. Know your Home's Value

Once you understand the value, it will be easier when the time comes to set a realistic listing price. The actual sale price of a home is not necessarily its value. Price can be based on current market demand and conditions. Value is a product of the quality and age of a home together with its improvements, the condition of the neighborhood, and the availability of schools, utilities, shopping and other services.

### *Some helpful tools in searching for value*

**Appraisal** – The most accurate. Use a licensed appraiser.

**Broker Price Opinion (BPO)** – Estimate done by a real estate agent on your home.

**Consumer Market Analysis (CMA)** – Estimate done by a real estate agent on your home and neighborhood.

**County Auditor** – Value on home performed for tax purposes. Websites can be helpful. This is a good place to start even though the value is usually two years behind. Remember, price is not synonymous with value.

## 2. Know Your Financial Status

- Call your lender to find out if your mortgage can be assumed by a buyer and, if so, under what conditions.
- Find out if you have any early payment penalties on any debt secured by your home. If so, you may need to consider this when determining the listing price.
- How much will you need to net from the sale to pay off all debts secured by your home?
- How much cash will you need to pay your portion of the closing costs?

### 3. Decide the Condition Your Home Will Be Sold In

- Will you do any repairs or updates or will it be sold “As Is”?
- If you do repairs or updates, document them and keep receipts.
- Review the “Property Condition Disclosure Form” available at the Division’s Web site [www.com.state.oh.us/real](http://www.com.state.oh.us/real). This may help you decide what areas you need to concentrate on if time or money is limited.

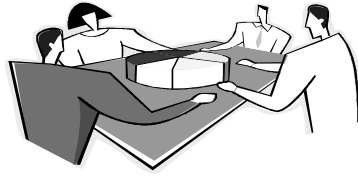
### 4. Finding a Real Estate Agent

If you decide to work with a real estate agent, there are certain things you can do to make it the best experience possible for you as the seller:



- Be sure the agent you choose is **licensed** and in good standing with the Division of Real Estate & Professional Licensing. Visit the Web site at [www.com.state.oh.us/real](http://www.com.state.oh.us/real).
- Understand all types of agency relationships upfront – in other words, who is the agent working for — the seller, the buyer or both?
- Ask the agent about his or her **company policy** on issues like earnest money deposits and the agent’s responsibility to you as the seller.
- Ask your agent to prepare an estimate of your net cash proceeds in the completion of the sale and financing arrangements.

# *Seller's Agent\* Buyer's Agent\* Dual Agent\**



## **REAL ESTATE AGENCY RELATIONSHIPS**

Ohio law requires the real estate licensee to provide you with a written Consumer Guide To Agency Relationship that describes different types of brokerage arrangements and relationships that are offered by the real estate company. The duties and responsibilities of the real estate company and its agents will depend on the type of relationship you and the brokerage firm agree upon and the specific types of services you wish to receive. Not all brokerage firms offer the same types of services. You are encouraged to read and sign this disclosure, if you understand it. If the disclosure is not given to you, request a copy immediately. (See also, page 12).

- There is a basic relationship of trust called “agency” formed between you, and the agent and the principal of the real estate firm when you enlist the services of a real estate agent. Essentially, the agent works on behalf of the broker in working with consumers.
- Do not provide a real estate professional who is not your agent with any information, including financial or confidential information, you would not want to provide directly to his or her broker.
- Choose someone familiar with your neighborhood.
- Interview multiple agents from different brokerage firms and discuss their background, knowledge, lists of services, success rates, commissions and marketing strategies.
- The commission is usually a percentage of the total sale price or a fixed dollar amount. This rate is neither fixed by law nor by any regulatory agency and is negotiable between you and the agent. The buyer’s agent traditionally shares this fee with your agent.
- You may want to list with a “Seller’s Agent” who represents only you.

It is also important to keep in mind that the real estate brokerage and agent with which you sign an agency agreement will help you with the sale of your home or answer your questions during this process. It is important to take the time to consider carefully what services you expect or need from your agent. For example, if you sign with an agent who agrees only to assist you in the listing of your home, you may not approach the agent of a prospective buyer with questions regarding an offer to purchase from that buyer. That buyer’s agent is prohibited by law from discussing any part of the transaction with you, or giving you guidance or advice.



## The Seller's Agent

The Seller's Agent looks out for the interests of the seller. This agent gives undivided loyalty to the seller and keeps the seller's information confidential. The Seller's Agent understands the value of your home. This agent guides the seller in setting the listing price, explains how your home will be marketed and advertised, explains all the paperwork so that you can understand it, and secures qualified buyers for your home. This agent also:

- Provides copies of every document you sign immediately.
  - Provides the seller with a copy of the Consumer Guide To Agency Relationship signed by the buyer before presenting an offer to purchase.
  - Works to get purchase offers at a price and with terms that are acceptable to the seller.
  - Explains transfer of property ownership.
- Explains where earnest money will be placed and when and how it can be returned to a potential buyer.
  - Explains who chooses the title company.
  - Explains who ensures that you will get your money from the sale of your home and how the closing process works.
  - Presents all written offers to you for your consideration in a timely manner.
  - Advises you if several offers are brought to you at once.
  - Helps you understand the terms and conditions contained in offers to purchase.
  - Provides you with sound advice based on the information you have provided.

## The Buyer's Agent

The Buyer's Agent represents the interests of the buyer. This agent gives undivided loyalty and confidentiality to the buyer, helps the potential buyer understand the value of your home, secures buyer qualification, and explains all the paperwork to the buyer. This agent also:

- Provides immediate copies of every document signed to the buyer and the seller's agent.
- Seeks property that meets the price and terms that are acceptable to the buyer.
- Explains transfer of ownership to the buyer.
- Explains where earnest money will be placed and when and how it can be returned to the buyer or seller.
- Explains who chooses the title company.
- Explains the closing process and notifies the buyer of funds needed at closing.
- Transmits all written offers to the listing agent and all counteroffers to the buyer for consideration in a timely manner.
- Helps the buyer understand the terms and conditions desired in offers to purchase and counteroffers.
- Provides the buyer with sound advice.



# The Dual Agent

If your agent is working with other clients and one of them becomes interested in your home, your agent could then represent both the seller and the buyer. This is a dual agency, and you and the buyer will be asked to consent, in writing, to this new agency relationship.

The Dual Agent gives a high degree of confidentiality to both the buyer and the seller. This agent must be impartial. The Dual Agent cannot disclose personal information about either the buyer or the seller, and cannot disclose the motivation of either. However, the Dual Agent will disclose to the buyer any defects, that are not visible or obvious, of the property known to the agent. Remember, there is no requirement for the agent to disclose visible defects. This agent also:



- Provides copies of every document you sign immediately.
- Provides the seller with a copy of the Consumer Guide to Agency Relationship signed by the potential buyer as soon as possible after it is determined a dual agency exists.
- Works to get purchase offers at a price and with terms that are acceptable to the seller.
- Explains transfer of property ownership.
- Explains where earnest money will be placed and when and how it can be returned to a potential buyer.
- Explains who chooses the title company.
- Explains who ensures that you will get your money from the sale of your home and how the closing process works.
- Presents all written offers to you for your consideration in a timely manner.
- Advises you if several offers are brought to you at once.
- Helps you understand the terms and conditions contained in offers to purchase.
- Provides you with sound advice based on the information you have provided.

## When You Are Ready To List, There Are...

### Three Types of Listing Agreements

When you hire a real estate licensee to help sell your home, you will be asked to sign a **Listing Agreement**. This is a contract between you and the real estate brokerage firm. You agree to pay a specified amount of money, called a commission, in return for their services. The commission is negotiable and is normally paid when the home is sold. Though not discussed here, be aware that if you choose to sell your home at auction, special attention should be paid to the terms of the commission. Some auction agreements require a fee to be paid for services, even if the property does not sell.

# 1. The “Exclusive Right to Sell” Listing Agreement

The exclusive right to sell listing agreement is a contractual agreement between a seller, and a designated broker and the “listing agent” who represents that broker. It also includes the other real estate agents within the same real estate company. Relying on only one real estate company to market your property can be effective under certain conditions. For instance, if you are trying to sell a custom-built home you might require more specialized marketing techniques and should include that in your initial inquiry as you look for a real estate agent. This arrangement may cause this brokerage to work harder to sell your home. Don’t forget they may only receive a commission if they sell your home during the listing period specified in the listing agreement. Some agreements may provide for the brokerage to receive a commission for a specified period after the listing agreement expires, regardless of who finds the buyer.

Some other aspects of entering an exclusive listing agreement:

- The listing agent has the sole right to sell your property. You cannot work with another agent unless a document ending the exclusive listing agreement is signed. The agent may offer to share the commission with another agent to attain a buyer. This is called co-brokering.
- This type of listing may tend to limit the market exposure of your property, since it will not be open to the assistance of all real estate companies.
- The commission must be paid to your agent’s broker.
- Typically, when a listing expires, if any agent from the listing real estate company who showed your property during the listing agreement sells your property later to the same prospective buyer, you will pay that agent’s commission.
- If you, the seller, find a buyer during the listing period, your agent is still owed a commission.
- Remember, this is your home, be comfortable with the terms of the listing agreement before you sign it. Ask about all your options.



## 2. The “Open Listing” Agreement

The open listing agreement is another type of contractual agreement between the seller, and the broker and listing agent.

- This agreement allows all real estate licensees to show your home to prospective buyers.
- You may agree to register your home in a Multiple Listing Service (MLS). It states particular information on your home and serves as a marketing tool, offering wide exposure to sales agents for prospective buyers. Double check the listing to make sure all the information about your home is correct.
- Whoever finds the buyer earns the commission.
- All licensees who act as a “seller’s agent” must try to obtain the best acceptable offer for you.
- If your listing agent finds a buyer for your home, this becomes a “dual agency” relationship. The agent must discuss this with both you and the buyer and both parties must agree to work under this relationship. Remember, this is your choice. (See Real Estate Agency Relationships, page 5-6).

## 3. The “Exclusive Agency” Listing Agreement

A third type of contractual agreement between the seller, and the broker and listing agent is the exclusive agency listing agreement.

- This type of listing agreement is seldom utilized in Ohio.
- The listing agent places your home on the MLS, advertises, and if that agent finds a buyer, receives a commission.
- If another brokerage’s agent finds the buyer, the commission will be split with your agent.
- If you (the seller) find a buyer, you do not have to pay a commission to your listing agent.

# Terms of the Listing Agreement

One of the services a real estate agent can perform for the seller is suggesting an asking price for the property. Compare the value you have derived from past and present sales of properties like yours in your neighborhood with the market analysis offered by your real estate agent. You can also enlist the services of a licensed appraiser. Not all appraisers are licensed. The State of Ohio does not require that appraisers obtain a license; however, appraisers may voluntarily obtain a license through the Division of Real Estate & Professional Licensing. A consumer has no recourse through the Division if an unlicensed appraiser is used to value their home.



Remember, the real estate agent's market analysis is not a property appraisal unless the agent is licensed as both a real estate agent and an appraiser. Although the Listing Agreement does not have to be in writing, it is a contract. For your own protection, you should insist that all terms be in writing and that the written terms include an expiration date.

## Listing Agreement Terms

1. The price and terms under which you are willing to sell your home.
2. Whether financing can be assumed by the new owner.
3. The fixtures and other items in the home that will be included in the sale.
4. The date the buyer can take possession.
5. The time period of the listing agreement.
6. Conditions under which your agent will allow you to back out of the contract during its term.
7. The marketing plan for your property, including open houses.

**Get the agreement in writing. Make sure you understand and agree with all the terms. Make sure all the spaces of the agreement are filled in to your satisfaction. Do not leave blank spaces. Date and sign all documents.**

# The Offer

- If an offer to purchase is presented to you, it is your decision to accept or reject the offer.
- If you reject a full price offer that is made in complete agreement with the terms of the contract, and you have enlisted the services of a real estate agent, you could be legally obligated to pay the commission.
- Ask for a revised estimate of the net cash proceeds you will receive on completion of the sale, based on the sale price and financing arrangements stated in each offer.
- Once you have countered an offer and changes are made, you cannot go back and accept the original offer.
- If you accept an offer that contains a contingency clause, you are agreeing to take your house off the market for a set time. The buyers use that time in an attempt to meet the conditions of the offer, including financing.



# The Purchase Agreement

- The purchase agreement **MUST** be in writing!
- If offering a concession to your buyer, make sure the amount and terms are noted in the purchase agreement. Any concession offered by the seller or the agent must be in the sales agreement.
- Ask about contingency or conditional clauses in the contract and their time limits.
  - A time clause allows the buyer to remove all subject conditions within a short and specified time period.

# The Title Company

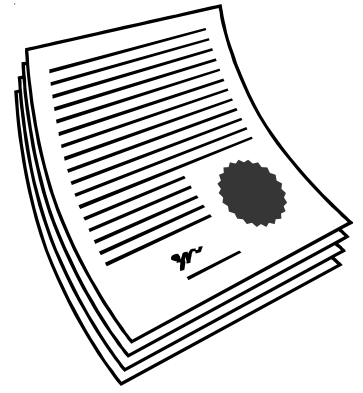
- Do you need a title search?
- Who chooses the title company and what is known about the chosen firm?
- Ask your agent about the seller's responsibility or options when choosing a title company.
- The title company should be noted in the purchase agreement.

# IMPORTANT DOCUMENTS

## **Consumer Guide to Agency Relationship –**

A form used by real estate professionals to advise customers and potential clients of the types of working relationships permitted by the brokerage in its company policy. It also explains how a real estate agent of the real estate company will represent you. The

Consumer Guide to Agency Relationship is not a contract and you do not have to sign it if you do not understand any term.



**Appraisal** – An objective opinion of value done on a specific property at a specific time, performed in accordance with federal and state laws. An appraisal performed as part of a lending transaction is paid for by the buyer through application for financing, but it is owned by the lender. Prior to closing, the buyer may request, in writing, a full copy. Be sure to ask if you will be charged for the copy. The sellers may order and pay for their own independent appraisal.

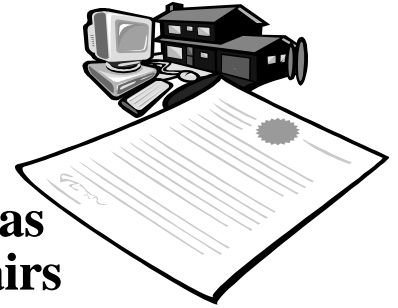
**Listing Agreement** – A contract between the seller and the real estate company. It clearly states the name of the real estate brokerage firm and agent the seller is working with, the duration of the relationship, the total commission for selling, if the agent will be splitting the commission, the type of listing (exclusive right to sell, exclusive agency, or open listing) and what the agent and brokerage will do to market and sell the property.

**Residential Property Disclosure Form** – A form specifying the history of the known condition, repairs and defects of a structure and property completed by the owner(s) prior to listing the property for sale. This document must be used in For Sale By Owner transactions as well as those facilitated by real estate professionals.

**Purchase Agreement** – This is the contract between the buyer and the seller for the purchase of the home. This document should specify all the terms and conditions governing the sale of the home, including the date of possession, and should reflect in detail the complete agreement between the parties of the transaction. Both the buyer and seller sign the purchase agreement, and all changes and concessions must be initialed by the parties.

# Home Seller's Checklist

- Determine the value of your home
- Check your present financial status
- Decide if you are selling your home “as is” or if you will make any needed repairs
- Review the Property Condition Disclosure Form at [www.com.state.oh.us/real](http://www.com.state.oh.us/real)
- Review the Consumer Guide to Agency Relationship [www.com.state.oh.us/real](http://www.com.state.oh.us/real)
- Check the status of the real estate agent you want to work with, online, at [www.com.state.oh.us/real](http://www.com.state.oh.us/real)
- Set the listing price
- Go over the Listing Agreement (ask for copy)
- Offer to purchase (accept only if you agree entirely with the terms of the offer)
- Counteroffer (initial offer is no longer valid)
- Review Sales Contract (get every detail in writing)
- Ask agent if a licensed real estate appraiser will be used
- Arrange title and closing services





# REAL ESTATE TERMS

**Adjustable Rate Mortgage (ARM)** – Often offers an initial lower rate than a conventional fixed rate loan. This interest rate is recalculated at specified time periods and is based on changes in an interest rate index or the Treasury index. The ARM promissory note will state maximum and minimum rates. As a rule, when the interest rate on an ARM increases, the monthly payments will increase and when the interest rate on an ARM decreases, the monthly payments will be lower.

**Consumer Guide to Agency Relationship** – A form used by real estate professionals to advise customers and potential clients of the types of working relationships permitted by the brokerage in its company policy. (See pages 5, 6, 12).

**Amortization** – The process of paying off a loan over a predetermined period of time. It refers to the portion of the periodic loan payment that reduces the outstanding balance of the loan.

**Annual Percentage Rate (APR)** – The cost of a loan expressed as an annual rate. The stated APR includes the interest rate, origination fees, the discount or “points”, and other credit charges that the borrower is required to pay. Because this calculation is based on the nominal or contractual term of the loan, it may understate the true cost of the loan if the loan is paid off early.

**Application Fee** – The fee charged by a lender to apply for a mortgage loan. This fee usually covers the cost of accessing a borrower’s credit history and other related pre-approval services.

**Appraisal** – An objective opinion of value done on a specific property at a specific time, performed in accordance with federal and state laws. (See pages 3, 12).

**Appraiser** – The person who provides an appraisal report.

**Appreciation** – An increase in the market value of a home over time.

**Asbestos** – A toxic material linked to certain lung diseases that is no longer used by homebuilders for insulation and fireproofing. Older homes may still contain asbestos.

**Assets** – Everything an individual owns that has value, including real estate, bank accounts and personal property.

**Balloon Mortgage** – A mortgage with monthly payments based on a 30-year payment schedule, but which has a much shorter term of 1 to 7 years. It offers small monthly payments, with the total unpaid principal balance due in one lump sum at the end of a specified period. In some cases, the mortgage loan agreement will contain an option to set the interest rate to the current market rate and to extend the maturity date if certain conditions are met.

**Broker Price Opinion (BPO)** – See page 3.

**Buyer’s Agent** – A real estate agent who works for only the buyer. (See page 6).

**Closing (Closing Date, Settlement Date)** – The point when the buyer and seller sign all documents legally required to complete the sales transaction and transfer ownership of a property. This includes payment of appropriate closing costs and signing necessary mortgage loan and title or deed transfers.



**Closing Agent** – A person responsible for preparation of all loan closing documents and overseeing the proper completion of the real estate transaction.

**Closing Costs** – These are fees in addition to the sale price of the property required to complete the real estate transaction. They include: points, taxes, financing costs, including the appraisal and credit report, and items that must be escrowed. Both buyers and sellers usually incur some of these costs. Ask your agent for a complete list of all closing costs.

**Concession** – Something given by one party in order to gain something from the other party during the negotiation of a transaction. For example, the seller may offer monies toward the buyer's down payment or closing costs in order to close the deal. All concessions must be included in the purchase or sales agreement.

**Consumer Market Analysis (CMA)** – See page 3.

**Condominium** – Individually owned unit in a multi-unit building or closed community. Common areas outside the area of the individual unit are owned by the condominium association. A maintenance fee is collected usually monthly for property upkeep, taxes and insurance. This fee may change over time and become higher as costs increase and maintenance issues arise within the complex.

**Contingency** – A condition or term which must be met in order for the real estate sale to proceed. For example, a potential buyer may state in an offer to purchase that the property the buyer currently owns must sell before being able to purchase your home.

**Counteroffer** – An offer made in return by the person who rejects the previous or initial offer. A counter offer dismisses the first offer and can be made by the buyer or seller.

**Credit** – Money given to an individual for a specific period of time with specific terms of repayment based on an opinion rating of the individual's financial situation and ability to repay previous and current indebtedness.

**Credit Bureau** – A company that compiles information on a consumer's credit and sells this credit report to lenders.

**Credit History** – An individual's record of credit use. It is a list of individual consumer debts and an indication as to whether or not these debts were paid back in a timely fashion or "as agreed." Credit institutions have complex recording systems that document your credit history. A detailed description of this history is called a credit report.

**Credit Inquiry** - A request for a copy of a credit report. This occurs and is noted in your credit report every time you fill out a credit application or request credit and can be used by potential employers. Too many inquiries on a credit report results in a lower credit score.

**Credit Report** – A document described above that is used to examine an individual's use of credit. It provides information on an individual's borrowing and a history of repayment.

**Credit Score** – A computer-generated number that summarizes an individual's credit profile and predicts the likelihood that the individual will repay future obligations. It provides information on an individual's borrowing and history of payments.

**Debt** – Money owed from one person or institution to another such as credit cards, school loans, auto loans, etc.

**Debt-to-Income Ratio** – The percentage of gross monthly income needed to pay all monthly installment expenses, including child or spousal support.

**Deed** – The legal document conveying title to a property.

**Deed of Trust** – A legal document in which the borrower conveys the property title to a third party (trustee) to hold as security for the lender. When the loan is paid in full, the trustee will “re-convey” the deed to the borrower. If the borrower defaults on the loan, the trustee can sell the property and pay the lender the mortgage debt. This document may also be referred to as the mortgage.

**Default** – Failure to perform a legal obligation. A default includes failure to pay a financial obligation, but may also be a failure to perform some action or service that is non-monetary in nature.

**Deposit** – Money put down on real estate to hold it for a future purchase.

**Depreciation** – Decline in the value of a home and/or property.

**Discount Points** – Finance charges levied by the mortgage lenders that are subtracted from the loan proceeds before distribution to the borrower. Points raise the effective cost of a mortgage loan.

**Discretionary Income** – The income left over after all expenses have been paid.

**Down Payment** – The portion of the purchase price paid for upfront by the buyer from his own funds, reducing the amount needed from a lender.

**Dual Agent** – One real estate agent working for both the buyer and the seller. (See page 7).

**Earnest Money** – Money given, usually with an offer to purchase, that qualifies you as a serious buyer. Terms of where this money is placed until acceptance of the offer by the seller and conditions for its release must be agreed upon by the seller and buyer and must be stated in the sales contract.

**Equity** – The difference between the fair market value of a property and the amount still owed on the mortgage.

**Escrow** – The holding of money or documents by a third party, to be delivered when set conditions are fulfilled. The designated escrow account must be agreed upon by both parties and set in writing. May also be an account with the lender into which a homeowner pays a portion of annual taxes and insurance as part of each monthly mortgage payment. Most lenders require escrow for this purpose if the borrower has less than a twenty percent down payment.

**Exclusive Agency Listing Agreement** – See page 9.

**Exclusive Listing Agreement** – See page 8.

**Fixed Rate Mortgage** – A home loan with an interest rate that does not change during the term of the loan.

**Foreclosure** – A legal action that terminates all ownership rights of the homebuyer due to the homebuyer’s failure to make mortgage payments or meet other terms of the mortgage loan.

**Good Faith Estimate** – A written statement provided by a lender to a prospective borrower itemizing the approximate costs and fees for a mortgage loan. This document is subject to change.

**Gross Monthly Income** – Income earned before taxes and other deductions.

**Home Inspection** – A professional inspection to determine the condition of all mechanical and structural aspects of a home. This is not an appraisal.

**Homeowner's Insurance** – A policy that protects you and the lender from losses caused by damage to the structure of the house or property. This insurance can also cover claims against a homeowner such as an injury to a visitor or damage to your personal property contained in the home.

**HUD1 Settlement Statement** – A final listing of the costs of the mortgage loan transaction presented to and reviewed with both parties at closing. It provides the sales price, down payment, and the break out of all costs to the buyer and seller.

**Inflation** – An increase in the general price levels.

**Interest** – The cost of borrowing money from a lender. It is typically expressed as a percentage of the amount borrowed.

**Liabilities** – Debts and other financial obligations.

**Licensee** – A real estate broker, salesperson or appraiser who has successfully completed all state requirements to practice in the State of Ohio. In Ohio, all brokers and salespersons who sell property for others and are paid a commission must be licensed to practice real estate. Appraisers in Ohio do not have to be licensed to perform appraisal work, except in the case of transactions exceeding \$250,000 and any loan made or assumed by federal entities.

**Lien** – A claim against property which must be paid in full when property is sold and before title of the property can be transferred.

**Loan Assumption** – A homebuyer's agreement to take over the financial responsibility for payment of an existing mortgage loan on a property. As part of the financial terms of the sales contract, this transaction has to be agreed upon in advance by the lender who holds the current mortgage.

**Loan Origination Fees** – The fees paid to the mortgage lender that cover the mortgage application process. This is usually stated in the form of points and one point equals one percent of the mortgage amount. It may also include the credit report and the appraisal.

**Market Value** – The appraisal is used by the lender to determine the value of a home for the soundness of the loan and marketability of the property. This value is not necessarily synonymous with price.

**Mortgage** – A loan secured by a lien on your home.

**Mortgage Broker** – An independent finance professional who, for a fee, brings together borrowers and lenders to facilitate real estate mortgages. In Ohio, mortgage brokers must be registered and their loan officers must be licensed.

**Multiple Listing Service (MLS)** – A service used by real estate licensees as a marketing tool offering wide exposure to properties for sale. It states particular information on your home but is not a formal document. (See page 9).

**Offer** – A formal bid from a prospective buyer to purchase a home. Besides the price the buyer is willing to pay, it includes any concessions agreeable to the buyer, such as additional time of possession for the seller, what appliances are part of the sale, and other factors the buyer wants the seller to consider. (See page 11).

**Open Listing Agreement** – See page 9.

**Payment-to-Income Ratio** – The percentage of gross monthly income that is put towards housing expenses. Under most circumstances, this should not be more than twenty-five percent of your gross monthly income.

**PITI** – The **P**rincipal, **I**nterest, **T**axes and **I**nsurance amounts that normally make up the total monthly mortgage loan payment.

**Points** – Fees expressed as a percent of the mortgage amount. For example, one point would be one percent of the amount of the mortgage loan.

**Pre-Approval Letter** – A written statement from a lender verifying that a borrower qualifies for a specific loan amount usually for the purchase of a specific property.

**Principal** – The amount financed in a mortgage or other loan. It is usually the purchase price minus any down payment.

**Private Mortgage Insurance (PMI)** – This insurance is required when the down payment is less than 20% of the appraised value of a home. PMI is eliminated, when equity becomes 22% of your appraised value, unless you signed your loan prior to July 29, 1999. You may need an appraisal for this in order to verify that this threshold has been met.

**Predatory Lending** – Occurs when a mortgage loan includes unwarranted high interest rates and fees and is set up to primarily benefit the lender or mortgage broker. The loan is not made in the best interest of the borrower, often locks the borrower into unfair loan terms. This often results in severe financial hardship to the borrower and/or default on the loan.

**Pre-qualification Letter** – Much like the pre-approval letter, this document states that you are able to buy a home but does not commit the lender to a specific loan amount and may be based on certain conditions being met. These conditions may include a limit on the purchase price, that the purchase be made within a specific timeframe, or that the property must pass certain inspections.

**Residential Property Disclosure Form** – A form issued by the Department of Commerce, Division of Real Estate & Professional Licensing, that must be completed by the owner(s) of a property when it is for sale that notifies potential buyers of any conditions, defects, or repairs. (See pages 2, 12).

**Property Flipping** – When properties are purchased and often quickly resold at significantly higher prices, with substantial rehabilitation to the property. An appraised property value is in line with the sales price. This transaction does not victimize the consumers or lenders. **Illegal property flipping** occurs when properties are purchased and often quickly resold within a few days or weeks at significantly higher prices without substantial rehabilitation to the property. An appraised property value far above the market rate is a critical component of a property flipping scam, which misleads lenders and potential buyers about the actual value of the property.

**Purchase Agreement** – See pages 11, 12.

**Radon** – A toxic gas found in the soil beneath a house that may contribute to cancer and several other illnesses.

**Rate Cap** – A limit on the amount that the interest rate on an adjustable rate mortgage can go up or down during any one adjustment period or over the life of the loan.

**Ratified Sales Contract** – A signed contract by both the seller and the buyer, signifying both parties agree to the offer and all the terms of the sales agreement.

**Realtor** – A member of the National Association of REALTORS®, a trade association made up of professional real estate practitioners. This association has registered the name “Realtor” and only those members of the association may use this term. All other licensed real estate agents are prohibited from using this term when identifying themselves. Otherwise, all other licensing activities for the purchase and sale of real property remain the same for all licensees.

**Seller’s Agent** – A real estate agent who works for only the seller. (See page 6).

**Split Agency** – Two agents from the same company, one working for the buyer, the other working for the seller.

**Title** – The right to and the ownership of land. Title to real estate is usually conveyed by a written document that transfers ownership from the seller to the buyer known as a deed. Title is sometimes used to mean the evidence of proof of ownership of land.

**Title Insurance** – Insurance that protects certain parties against financial loss should the homebuyer’s ownership be lost due to legal problems with the title that were not discovered during the title search. Only the lender is protected by the insurance issued at closing. Borrowers may purchase similar insurance to protect themselves.

**Title Search** – The process of researching a property’s current and prior ownership to make sure a title is free and clear of any outstanding claims before being transferred to the next owner. It is normally performed by an attorney and paid for by the borrower as part of the closing costs.

**Truth in Lending Act (TILA)** – The federal law requiring disclosure of a statement for all consumer loans that includes a summary of the total cost of credit, such as the Annual Percentage Rate, closing costs, and other specifics of the loan.

**Underwriting** – This term refers to the process a lender uses to determine loan approval. It involves evaluating the property, the borrower’s credit, and the ability of the borrower to repay the mortgage loan.

**Uniform Residential Loan Application** – This is a standard mortgage application that your lender will ask you to complete. The form will request information on your income, assets, liabilities, and a description of the property you plan to buy, among other things.

**Warranties** – Written statements guaranteeing the quality of a product with the promise to repair or replace defective parts free of charge.