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**Alamo Title**

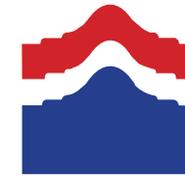
# *Home Buying & Selling Guide*



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## Alamo Title

*Alamo Title Company has highly trained and experienced escrow departments as well as an equally experienced and specialized research department. Our staff is committed to being accessible and responsive to all our customers' needs and an all around fun place to close your transactions. The individuals that comprise Alamo Title embrace this philosophy, and it has served us and our customers well for many years. Our expertise combined with our powerful financial strength is unparalleled in the industry.*

## Texas Title Insurance

Title insurance is a contract of indemnity between the insured and a title company. The form of the contract is determined by the Texas Department of Insurance. Likewise, title insurance rates in Texas are promulgated by the Department and are uniform for all title companies.

There are two major types of policy. The Owner's Policy of Title Insurance is issued to an owner/ purchaser and insures against certain listed title risks. The Mortgagee Policy of Title Insurance is issued to a lender and insures the validity of the lender's lien against the property. Before issuing a title policy, a careful search is made of the county, state, and federal records that affect real estate. This is accomplished by using the company abstract plant which maintains references to every deed, mortgage, death, divorce, etc. which might affect property. These instruments are examined by lay examiners employed by the title company. Based upon the results of the examination, the title company decides whether to issue a policy.

Some of the risks that exist which a title policy may protect against include: forgeries, false representations, mistakes at law, undisclosed heirs, illegal trusts, delinquent taxes, fraud, lost wills, mistakes in legal description, clerical mistakes, defective acknowledgments on documents and platting discrepancies. In most cases, it is customary that the seller of the property pay for the Owner's Policy, but this is sometimes a matter of negotiation, and in many instances is paid for or partially paid for by the buyer. The premium for the

Owner's Policy is based on the sales price. The borrower is responsible for paying for a Mortgagee's Policy, which is based on the amount of the loan.

The title insurance company also acts as an escrow agent between the seller, buyer and lender and has responsibilities to all parties for fair dealing. The title insurance company receives the buyer's money as well as all other documentation required for the transaction. When all requirements of the contract and the lender are satisfied, the transaction is "closed."

### TITLE POLICY PROTECTIONS

- *Forgeries*
- *False representations*
- *Mistakes at law*
- *Undisclosed heirs*
- *Illegal trusts*
- *Delinquent taxes*
- *Fraud*
- *Lost wills*
- *Mistakes in legal description*
- *Clerical mistakes*
- *Defective acknowledgments on documents*
- *Platting*

## Texas Community Property

The community property system, which is governed by Texas case law and statutes, is mandatory for all married couples in Texas, whether the marriage is by civil law or by common law. Likewise, when a husband and wife who are nonresidents, purchase property in Texas, the laws of the State of Texas would govern (as to that property), and the property would be considered community property. However, property in the other states, acquired by married couples who subsequently move to Texas, is governed by the case law of the state in which the property is located. Also, the system does provide statutory methods allowing spouses to divide community property into separate property.

To understand more clearly what constitutes community property, it is necessary to know what constitutes separate property. Sections 5.01 and 5.02 of the Texas Family Code set forth the following:

#### ***A spouse's separate property consists of:***

- Property owned or claimed by the spouse before the marriage;
- The property acquired by the spouse during marriage by gift, devise, or descent; and
- The recovery for personal injuries sustained by the spouse during marriage, except any recovery for loss of earning capacity during marriage.

Property which cannot be proven to be

separate is presumed to be community, with one-half owned by each spouse, regardless of whether both spouses work or who earned the money used to purchase the property.

#### ***Other significant provisions of the Texas Family Code which affect community property include the following:***

- Whether the homestead is the separate property of either spouse or is community property, neither spouse can sell, convey, or encumber it without the joinder of the other spouse except as provided by the Code or by other rules of law.
- When one of the spouses is found judicially incompetent, the Texas Family Code provides for a remedy allowing sale of property without the joinder of the incompetent spouse, and there are sections of the Code which also cover situations where a spouse has either abandoned the remaining spouse, has disappeared or is missing in public service (in action).
- The Texas Family Code also provides a section for postnuptial and prenuptial marital agreements. In essence, parties to a marriage can agree to predetermine the community or non-community character of their property so long as it is not a detriment to the husband or wife's creditors.

However, prenuptial agreements are documents requiring very special legal skills and should be prepared only by legal experts.

## Texas Municipal Districts (MUDS)

*A Municipal Utility District (MUD) is a political subdivision of the State of Texas authorized by the Texas Water Code (TWC) to provide water, sewage, drainage, and other services within the MUD boundaries.*

*During the 1970s, Austin voters defeated several bond issues intended to finance the extension of city services to new subdivisions. Without MUDs people would have to depend on wells and septic systems.*

### **How is a MUD created?**

A majority of property owners in a proposed district petition the Texas Water Commission to create a MUD. The TWC evaluates the petition, holds a public hearing, and grants or denies the petition. After approval, the TWC appoints five temporary members to the MUD's Board of Directors, until an election is called to elect permanent board members, who then confirm the MUD's creation, and authorize bonds and taxing authority for bond repayment.

### **How does a MUD work?**

The publicly elected Board of Directors manages and controls all of the affairs of the MUD, subject to the continuing supervision of the Texas Water Commission. The Board establishes policies in the interest of its residents and utility customers. A MUD may adopt and enforce all necessary charges, fees and taxes in order to provide district facilities and service.

### **Will my taxes be higher in a MUD?**

Some older established MUDs around Austin have tax rates more than 22% lower than those of the City. MUD tax

rates, like all property tax rates, vary according to property values and debt requirements. MUD rates generally decline over time as the MUD is built out and operating and debt service costs are shared by more homeowners.

### **How do MUDs provide for parks, pools and recreation facilities?**

In addition to their common functions of water and wastewater service, MUDs are legally empowered to engage in conservation, irrigation, electrical generation, firefighting, solid waste collection and disposal, and recreational activities (such as parks, swimming pools, and sports courts). A MUD can provide for itself the recreational amenities that are approved by the Board of Directors and funded by the District.

### **What is a developer's responsibility to MUDs?**

Developers must petition the Texas Water Commission to create a MUD. Developers are prohibited from serving or placing employees, business associates, or family members on the MUD Board of Directors. Developers must pay for or put up a letter of credit equal to 30% of the cost of subdivision utilities. This requirement ensures against "fly-by-night operators" who are not committed to the success of the MUD. The "30% rule" also offers protection to MUD residents in the event that a subdivision is not built according to schedule. Unless they are voting residents within a MUD, developers have no authority or control over the MUD's Board of Directors. If they are voting members of a district, they have the same power to vote and attend board meetings as any other resident.

## Texas Homestead Exemption

Texas Homestead laws date back to 1839 when many families lost their homes and farms through foreclosures after the 1837 depression. In order to preserve the integrity of the family, to provide the family with a home and to keep the family from becoming a burdensome charge upon the public welfare, certain homestead protections became a part of the State constitution.

In the residential context, the homestead is owned and occupied as the home and is protected from forced sale for general debts. Only certain types of liens are valid against the homestead, and these include:

- *To finance the purchase of the homestead.*
- *To pay taxes due on the homestead.*
- *To obtain money for work and material to repair or renovate existing improvements thereon.*
- *For owelty of partition liens, including divorce or probate.*
- *For refinancing a federal tax lien.*
- *For home equity loans as defined by Section 50 (A) (6), Article XVI of the Texas Constitution.*

Certain types of documentation are required to establish each type of lien on the property. In order to prevent the legislative branch of the government from casually changing the homestead exemption, the exemption was incorporated into the constitution in 1845. Now,

only constitutional amendments may change the substance of the exemption, such as with the recent home equity legislation.

There are limits to the extent a homestead is protected. An urban homestead may be up to one acre of land in one or more parcels. A rural homestead may be up to 200 acres for a married couple (100 acres for single persons) in one or more parcels. The improvements on the land are unlimited as to dollar value.

Homestead rights cannot be waived by the property owner; however, if the property is in excess of that allowed by law, the owner may designate that portion of the property which is homestead.

# Home Buyers

## Finding And Using A REALTOR®

Since the commission for the sale of a house is almost always paid for by the seller, buyers are able to get assistance and information from REALTORS®, usually at no cost to them. It is for this reason that the vast majority of home buyers employ the services of a REALTOR® for their purchase. In addition, since most houses are listed by Real Estate Agencies, it gives them the maximum number of available properties to consider.

The relationship between a home buyer and a their REALTOR® is a little like a marriage: it must be based on trust, mutual goals (to get you the house that best suits your needs!) and understanding. To a large degree, the home buyer entrusts the REALTOR® to always keep their (the buyer's) interest first and foremost. It is important that you understand who the REALTOR® with whom you are working represents.

### What to Look for in a REALTOR®

- *An understanding of your needs.*
- *A willingness to work with you until your needs are fulfilled.*
- *A sense of professionalism.*
- *Someone who is dedicated to their profession.*
- *A familiarity with the area in which you have an interest.*
- *A familiarity with the price range in which you have an interest.*
- *Professional designations: ie, GRI--Graduate of the REALTORS® Institute, or CRS--Certified Residential Specialist.*
- *Strong references from previous buyers.*

### Questions to Ask a Prospective REALTOR®

- *Are you familiar with the area in which we want to look?*
- *How many home sales did you participate in last year?*
- *Are you a full time REALTOR®?*
- *How long have you been in Real Estate?*
- *Do you normally work with sellers or buyers?*
- *How many buyers are you presently working with? How many sellers?*
- *Where do you feel your strengths lie?*
- *What 3 buyers can you give me as references?*

## House Buying "Needs and Wants"

Before you embark on your search for the perfect house, it is important that you make a realistic "shopping list" in an attempt to narrow your choices of properties. Hunting for a home can be a time consuming process, especially if you have not determined in advance the parameters of your search. Many home buyers make the mistake of misinterpreting a WANT as a NEED. As a result, they often dismiss homes that perfectly fit their needs in search for one that has their wants. This is not to say that you cannot have what you desire in your home--just that you must be able to differentiate between what you truly need and what you would like to have. Your budget must be the determining factor here, not a "wish list."

## What Should You Buy?

### Your Current and Future Needs

Before you start searching for a home, you need to think about your needs both now and in the future. Here are some things to consider:

\* *Size requirements. Do you need several bedrooms, more than one bathroom, space for a home office, a two-car garage?*

\* *Special features. Do you want air conditioning, storage or hobby space, a fireplace, a swimming pool? Do you have family members with special needs?*

\* *Lifestyles and stages. Do you plan to have children? Do you have teenagers who will be moving away soon? Are you close to retirement?*

*Try to buy a home that meets most of your needs for the next 5 to 10 years, or find a home that can grow and change with your needs.*

### Choosing a Location That Is Right for You

Even if the home you choose has everything you need, the location might not be appropriate. When deciding where to live, you should take the following things into consideration:

\* *Whether you want to live in a city, a town or even in an out-of-town location.*

\* *Where you work and how easy it is to commute.*

\* *Where your children will attend school and how they will get there.*

\* *Whether you need a safe walking area or recreational facilities nearby.*

\* *How close you would like to be to family and friends.*

### New Home, Previously Owned or Build Your Own?

When thinking about the kind of home you want, the first thing you should consider is whether you want a previously owned home (often called a resale) or a new home. Here are some characteristics that may help you decide:

## New Home

- \* Personalized choices. You may be able to upgrade or choose certain items such as siding, flooring, cabinets, plumbing and electrical fixtures.
- \* Up-to-date with the latest codes/standards. The latest building codes, electrical and energy-efficiency standards will be applied.
- \* Maintenance costs. Lower maintenance costs because everything is new and many items are covered by a warranty.
- \* Builder warranty. A homebuilder's warranty is usually available. This can be important if a major system such as plumbing or heating breaks down. This warranty does not apply if you build the home yourself.
- \* Neighborhood amenities like schools, shopping malls and other services may not be complete for years.
- \* Extra costs. You may have to pay extra if you want to add a fireplace, plant trees and sod, or pave your driveway. Make sure you know exactly what's included in the price of your home.

## Resale Home

- \* Easy access to services. Probably established in a Neighborhood with schools, shopping malls and other services.
- \* Landscaping is usually done and fencing installed. Previously owned homes may have extras like fireplaces or finished basements or swimming pools.
- \* Possible redecorating and renovations. You may need to redecorate, renovate or do major repairs such as replacing the roof, windows and doors.

## Building Your Own Home

Some people prefer the challenge and flexibility of building their own home. On one hand you can get exactly what you want in terms of size, design, location, quality of material, level of energy-efficiency, etc. However, you should expect to invest lots of time and energy.

# Deciding on the Type of Home to Buy

There are many types of homes to choose from and each has its advantages and disadvantages. Think about your needs before making a decision. Don't forget to look beyond the walls. The environment surrounding your home can be almost as important as the environment inside of it.

## Single-family Detached

The most popular style and the most solid investment. It is a free-standing home which sits on its own lot thereby offering a greater degree of privacy.

## Duplex

Two units — one above the other or side by side. The owner usually lives in one unit and rents the other.

## Townhouse

One of several types of single-family homes joined by common walls. It offers less privacy than a single-family detached home but still provides a separate outdoor space. These homes can cost less to buy and maintain.

## Manufactured Home

A factory-built home that is transported to your chosen location and then placed permanently on the ground. The term manufactured home has replaced the term "mobile home".

## Modular Home

Also a factory-built home constructed in compliance with local building codes. The home is typically shipped to your location in two or more sections. It may or may not have a longitudinal sub-frame.

## Condominium

Refers to a form of legal ownership as opposed to a style of construction. Condos can be high-rise residential buildings, townhouse complexes, individual houses and low-rise residential buildings.

# Home Sellers

## Finding And Using A REALTOR®

Selling a property is not something you do every day so knowing what to look for in a REALTOR® isn't exactly an easy thing to do. Interviewing REALTORS® is similar to a job interview. The job description you're after should include the following: "A person you like, who presents well, who genuinely likes your property, who you believe will act in your best interests and be honest with you at all times and will work hard to get you the highest price possible". Picking the right person could easily make a five percent or more difference in the final sale price so do your research and choose wisely.

### Do Your Homework on Real Estate Companies

- *Pay attention to the quality of the companies website. Was it easy to find them and navigate through to view properties? Do they add descriptions which make you want to inspect their properties? What's their area profile like?*
- *Become a mystery shopper with any real estate companies you are considering going with. See how they really treat prospective buyers.*
- *Ask your friends for a referral to someone they have dealt with. Have they worked with a REALTOR® who did a great job? Once you have a list of REALTORS®, make an appointment with each one to learn more about their services. Always interview at least three REALTORS® and if you don't like what you see pick another three.*
- *Listen to your instincts. Show each REALTOR® around your home. Watch their level of interest by seeing if they ask questions or make notes.*

### Questions to Ask a Prospective REALTOR®

- *"What will you do to get the best price for my home?" and "What will you do to sell my home if the advertising you suggest doesn't work?"*
- *Ask them to explain the benefits of any marketing tactics that will be used to sell your house; including print, the Internet and other types of advertising (you'll already know much of this if you've done your research on them).*
- *What's their commission rate? How does it compare to that of other agencies that offer the same services? Don't pick the cheapest or the nicest; you should pick the best person for the job and as long as their fee is reasonable then use them.*
- *Find out how long they want you to list with them, keeping in mind that three months is pretty standard. Some will say to you "I would have this sold in a few weeks with the amount of buyers I have on my books", so offer them a four week agreement and gauge their reaction.*

# Preparing Your Home For Sale

**Remember: First Impressions Are The Strongest!**

*When little things that are easily corrected are left undone, it's human nature to wonder about the things that you can't see. In contrast, when all the little cosmetic things are in great shape, the overall perception of your property is positive.*

*Completed Needs Work*

## Curb Appeal

|  |                          |                          |
|--|--------------------------|--------------------------|
| Healthy, weed free, neatly cut, trimmed lawn     | <input type="checkbox"/> | <input type="checkbox"/> |
| Shrubs trimmed neatly and to not touch the house | <input type="checkbox"/> | <input type="checkbox"/> |
| Weed free driveway, front walk and shrub areas   | <input type="checkbox"/> | <input type="checkbox"/> |
| Sealed blacktop driveway                         | <input type="checkbox"/> | <input type="checkbox"/> |
| Toys, garden tools, clutter removed from yard    | <input type="checkbox"/> | <input type="checkbox"/> |

## House Exterior

|   |                          |                          |
|---|--------------------------|--------------------------|
| Recently painted siding and trim        | <input type="checkbox"/> | <input type="checkbox"/> |
| Repair/repaint fences and gates         | <input type="checkbox"/> | <input type="checkbox"/> |
| Clean and align gutters and down spouts | <input type="checkbox"/> | <input type="checkbox"/> |
| Wash and align shutters                 | <input type="checkbox"/> | <input type="checkbox"/> |
| Wash all windows and screens            | <input type="checkbox"/> | <input type="checkbox"/> |

## Front Door-Entrance Area - Exterior

|   |                          |                          |
|---|--------------------------|--------------------------|
| Clean, wash and scrub front steps and porch | <input type="checkbox"/> | <input type="checkbox"/> |
| Check front doorbell and light              | <input type="checkbox"/> | <input type="checkbox"/> |
| Replace welcome mat                         | <input type="checkbox"/> | <input type="checkbox"/> |
| Paint or wash storm door, lubricate hinges  | <input type="checkbox"/> | <input type="checkbox"/> |
| Polish brass door lockset and brass hinges  | <input type="checkbox"/> | <input type="checkbox"/> |
| Clean and wash front door tread             | <input type="checkbox"/> | <input type="checkbox"/> |

## Front Door-Entrance Area - Interior

|   |                          |                          |
|---|--------------------------|--------------------------|
| Clear entry area or foyer of all clutter  | <input type="checkbox"/> | <input type="checkbox"/> |
| Reduce volume and clutter in front closet | <input type="checkbox"/> | <input type="checkbox"/> |

*Completed Needs Work*

|  |                          |                          |
|--|--------------------------|--------------------------|
| Clean and polish the front entry floor       | <input type="checkbox"/> | <input type="checkbox"/> |
| Wash, polish and replace light bulbs         | <input type="checkbox"/> | <input type="checkbox"/> |
| Remove fingerprints and scuff marks on walls | <input type="checkbox"/> | <input type="checkbox"/> |
| Paint to lighten and refresh entrance area   | <input type="checkbox"/> | <input type="checkbox"/> |

## Living-Family-Dining Rooms

|   |                          |                          |
|---|--------------------------|--------------------------|
| Repaint or touch up walls, ceiling and trim       | <input type="checkbox"/> | <input type="checkbox"/> |
| Repair or replace damaged moulding and trim       | <input type="checkbox"/> | <input type="checkbox"/> |
| Refinish, clean and wax hardwood and vinyl floors | <input type="checkbox"/> | <input type="checkbox"/> |
| Shampoo/steam clean carpet                        | <input type="checkbox"/> | <input type="checkbox"/> |

## Bedrooms

|  |                          |                          |
|--|--------------------------|--------------------------|
| Repaint, repaper, touch up trim on walls and ceiling | <input type="checkbox"/> | <input type="checkbox"/> |
| Replace or clean drapes, bedspread and accessories   | <input type="checkbox"/> | <input type="checkbox"/> |
| Shampoo carpet or wax and polish floors              | <input type="checkbox"/> | <input type="checkbox"/> |
| Organize and clean out closets                       | <input type="checkbox"/> | <input type="checkbox"/> |
| Clear off top surfaces of bedroom furniture          | <input type="checkbox"/> | <input type="checkbox"/> |
| Put all clothing away and out of sight               | <input type="checkbox"/> | <input type="checkbox"/> |

## Kitchen

|  |                          |                          |
|--|--------------------------|--------------------------|
| Paint walls, ceiling, trim a light cheery color    | <input type="checkbox"/> | <input type="checkbox"/> |
| Wallpaper with small pattern and light colors      | <input type="checkbox"/> | <input type="checkbox"/> |
| Remove wax, scrub and repolish floors              | <input type="checkbox"/> | <input type="checkbox"/> |
| Wash, wipe down cabinets and appliances            | <input type="checkbox"/> | <input type="checkbox"/> |
| Thoroughly clean range and ovens                   | <input type="checkbox"/> | <input type="checkbox"/> |
| Clean out refrigerator and wash interior           | <input type="checkbox"/> | <input type="checkbox"/> |
| Empty dishwasher and clean around controls         | <input type="checkbox"/> | <input type="checkbox"/> |
| Check operation of all appliances                  | <input type="checkbox"/> | <input type="checkbox"/> |
| Neatly arrange all food storage areas              | <input type="checkbox"/> | <input type="checkbox"/> |
| Clear all clutter from cabinets                    | <input type="checkbox"/> | <input type="checkbox"/> |
| Clean all cabinets and drawers                     | <input type="checkbox"/> | <input type="checkbox"/> |
| Wash or replace curtains                           | <input type="checkbox"/> | <input type="checkbox"/> |
| Clean and put away all pet feeding/watering dishes | <input type="checkbox"/> | <input type="checkbox"/> |

## Baths

|                                       |                          |                          |
|---------------------------------------|--------------------------|--------------------------|
| Paint or wallpaper using light colors | <input type="checkbox"/> | <input type="checkbox"/> |
| Scrub tile, bleach and repair grout   | <input type="checkbox"/> | <input type="checkbox"/> |

*Completed*    *Needs Work*

- Check to see that the drawers/doors open easily
- Clean and polish floor
- Seal around tubs and showers
- Clean out medicine cabinet
- Check for evidence of water at toilet base
- Replace old toilet seats
- Replace old shower curtains
- Buy a new set of color coordinated bath linens

**Laundry**

- Check operation of appliances and clean them
- Clean, organize laundry area and remove clothes
- Provide adequate light

**General**

- Remove clutter, papers and all unnecessary items
- Replace burned out bulbs throughout the house
- Remove cobwebs from ceiling and corners
- Remove paint splash on tile, floors and counters
- Wash and polish all hardware and handrails
- Reorganize and clean out all closets
- Replace switches, outlets that don't work
- Add colorful plants and flowers to several rooms
- Replace and rejuvenate pillows and accessories
- Clean out and sweep garage
- Organize attic

# Showing Your Home

**Remember: When buyers make a decision to purchase a home they do it emotionally!**

*The feeling they get from the house and the way they picture themselves enjoying the home are two of the most important factors in the decision to buy. The following list offers a few suggestions to help the buyers create their own good feelings and visualize themselves owning your home.*

**Prior to Every Showing...**

- Open drapes and blinds
- Turn on lights
- Turn on soft music
- Put dog outside
- Cool in summer/warm in winter
- Do not speak to potential purchasers
- Stay out of the way (in one room or outside)

Remember: Repairs made prior to the inspection will save time and aggravation. Depending on the type of loan or the terms of the contract, some or all of the following list may apply:

**Before the Inspector Arrives...**

- Slope ground away from the foundation (out four (4) feet where possible).
- Allow for four (4) inches of foundation to show, including above flowerbeds.
- Cut tree limbs away from house.
- Wash stained siding and brick to remove discoloration or mildew.
- Install splash blocks at downspouts.
- Clean gutters and repair where necessary.
- Repair all rotted wood and paint to match.
- Remove any items stacked (firewood, etc.) against the house or garage.
- Repair or replace damaged screens.
- Cover exposed wiring with flexible conduit.

- Install blanks in circuit breaker box where any are missing.
- Check all electrical outlets for proper wiring.
- Check firebrick in the fireplace. Seal with fireplace mortar where necessary.
- Clean chimney.
- Clean and inspect heater and check for holes or cracks in the heat exchanger.
- Check A/C. It should cool to twenty (20°) degrees below outside temperature.
- Check condensing unit and clean away any debris, leaves, grass, etc.
- Test all smoke detectors. Add new batteries where necessary.
- Toilets should be secured (should not rock).
- Make sure tubs and/or showers do not leak.
- Have all cracks in masonry repaired by professional mason.
- Re-grout any cracks in ceramic tile.
- Repair dripping faucets.

## **Seller Should Make Every Effort To...**

- Respond courteously and helpfully to other REALTORS® requests to show property.
- Leave the property when a REALTOR® is showing it.
- Only discuss why you love this home with the other REALTOR®. Never talk about why, when or where you are moving.
- Remember that the other REALTORS® are representing the buyers so ask them to call your REALTOR® for additional information.
- Always ask for a card and proper identification before letting a REALTOR® into your home.
- Keep in close contact with your REALTOR®. Call them after every showing.

## Home Improvements with Best Return on Investment

*Remodel Jobs that Increase Resale Value and Ability to Recoup Costs* by David R. Wetzel

Improving your home costs money, and everyone wants to ensure that they increase the resale value of their home and ability to recoup costs. There are specific areas of a home that can be remodeled and bring the greatest return on investment. These areas include deck, kitchen, window replacements and new siding.

Although the home market has been somewhat uncertain as of late, there are particular home improvements people can make to their homes which will make it easier to sell.

Many people shop online for homes, before they follow up with an actual visit. Curb appeal is critical in online photographs. If a home appears to be rundown or in poor condition on the outside, these people will never come to see a home that may have just been completely remodeled on the interior.

### Best 10 Home Improvements for Return on Investment

Every consideration should be taken regarding market value of homes in an area. Market value is the key indicator of actual return on investment and so the numbers described below are based on U.S. national averages (Remodeling Online Survey by Hanley Wood, 2008).

|   |  |
|---|--|
| <b>Siding Replacement</b> (Fiber Cement)      | average costs are \$13,212 and the return on investment is 88.1% |
| <b>Deck Addition</b> (Wood)                   | average costs are \$10,347 and the return on investment is 85.4% |
| <b>Siding Replacement</b> (Vinyl)             | average costs are \$9,910 and the return on investment is 83.2%  |
| <b>Minor Kitchen Remodel</b>                  | average costs are \$21,185 and the return on investment is 83%   |
| <b>Siding Replacement</b> (Foam Backed Vinyl) | average costs are \$12,132 and the return on investment is 79.7% |
| <b>Windows</b> (Vinyl)                        | average costs are \$10,448 and the return on investment is 79.3% |
| <b>Windows</b> (Wood)                         | average costs are \$11,384 and the return on investment is 79.3% |
| <b>Bathroom Remodel</b>                       | average costs are \$15,789 and the return on investment is 78.3% |
| <b>Major Kitchen Remodel</b>                  | average costs are \$55,503 and the return on investment is 78.1% |
| <b>Deck Addition</b> (Composite)              | average costs are \$15,039 and the return on investment is 77.6% |

### Worst 5 Home Improvements for Return on Investment

These are the home improvements you need to reconsider and only complete if necessary (Remodeling Online Survey by Hanley Wood, 2008).

### Home Office Remodel

average costs are \$27,193 and the return on investment is 57%

### Backup Home Generator

average costs are \$13,357 and the return on investment is 58%

### Sun Room or Four Season Room Addition

average costs are \$69,817 and the return on investment is 59.1%

### Master Suite Addition

average costs are \$98,163 and the expected on investment is 64.1%

### Garage Addition

average costs are \$82,108 and the return on investment is 64.6%

### Summary

This survey's findings by Hanley Wood are based on the feedback provided by realtors in over 60 cities across the U.S. The important point to remember is that everything is based on locality and region. Other points to consider are not to over improve your home. Any improvement which raises the selling price of your home beyond neighborhood market value is a risk. Also, remodeling work completed by a professional contractor increases return on investment.

### Low Cost/No Construction Tips

- Clean / de-clutter** - Remove clutter. Rent a storage space or sell excess items, if needed. Keep every room very clean during open homes.
- Lighten and brighten** - Replace any burnt-out bulbs and use higher wattage bulbs, if possible. Make sure skylights are clear and keep drapes open during the day.
- Yard** - Store away personal effects from front yard. Trim back the overgrowth and maintain yard. Make sure that your lawn has a healthy green appearance.
- Plumbing and electrical** - Consider repairing or replacing any defective plumbing or electrical items in your home.
- Staging** - Buy some fresh flowers, live plants and other decorations to liven up the home. Dispose of old furniture or other large items.
- Update kitchen and bath** - Update kitchen and baths by resurfacing cabinets or painting with neutral color. Replace toilet seats, dated fixtures and drawer/cabinet handles. Freshly caulk and redo grout in countertops, sinks, tubs and showers.
- Paint interior** - Repair any damaged interior walls by patching all chips, holes and cracks; then touch up or repaint interior walls with neutral color.
- Carpeting** - If carpets are only lightly soiled, shampooing and/or spot removal should suffice. If there are rips, fading, heavy wear, smells or deep stains, replace with neutral color.
- Flooring** - Repair and refinish damaged floors, or cover with neutral-colored wall to wall carpet and note damage in your disclosure.
- Paint exterior** - Repaint or resurface the outside walls of house, as needed. Patch and repair any damaged areas.

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## Mortgage Hints

### **Don't build yourself a mortgage mountain.**

It's fine to want the best home you can afford, but be certain that it is comfortable affordability. Although you may find certain mortgage lenders who will stretch your qualification ratios (the ratio of your total mortgage payment to your total income), the traditional ratios--the mortgage payment as 33% of your income and the total of your mortgage payment plus your monthly debt payments as 38% of your income are conservative guidelines.

### **Get your budget under control.**

Spending some time reviewing your budget (or developing one if you don't already have it) and sharpening your money saving skills can bring big rewards later. A coordinated budget allows you to get the most home for your money without strapping yourself while eliminating wasteful spending.

### **Begin to gather documentation.**

It is not necessary that you have all items on hand before you apply, but there are a number of documents you will need eventually and the approval process will go much smoother if you begin to gather them now. Examples: W-2's and income tax returns from the last few years (especially if you are self-employed), copies of pay stubs, your drivers license, records of any child support or alimony (either going out or coming in) and bank statements for all accounts (checking and saving) for the last several months.

### **Don't forget about closing costs/prepays.**

In addition to your down payment, you will need to reserve funds for closing costs and prepaids. Depending on the type of loan and your location, these costs can range from 2-5% of the mortgage amount, will be paid in cash at the closing and cannot be borrowed funds.

### **Compare.**

There are lots of sources for mortgage funds, be sure to make comparisons. Your local bank or credit union, mortgage brokers and Internet resources where you can get up to 4 offers from lenders competing for your business--are all available. Be certain to compare equal terms, down payments and loan types.

### **Consider points when comparing.**

Your total mortgage cost will be determined by 3 factors: The interest rate, the term and the amount of points.

### **Get educated!**

Securing a mortgage is not all that complicated, but if you approach it blind, mistakes can be very expensive! Get as much information as you possibly can whether from friends or relatives, from books and articles or from online resources.

**Consider a 15 or 20 year term.**

Many home buyers make the assumption that a shorter term will boost their payments out of reach. Unless you make the comparison, though, you may never know if a 15 or 20 year (if available) term could have been affordable. See a comparison of a sample loan. If you are concerned about committing to the higher payment of a shorter term, try this tactic: Mortgage the home with a 30 year loan but have the lender develop a 15 and a 30 year amortization sheet for you. Then, do your best to pay the mortgage at the shorter term payment. It will do wonders for your equity position!

**Adjustable Rate Mortgages (ARMs).**

If you are certain that you are going to be in the house for a short time (less than 5 years for example) strongly consider an Adjustable Rate Mortgage (ARM). You will take full advantage of the lower initial rate and not be as concerned about rate increases since you will have moved when they begin to take effect. Tailor your ARM's first adjustment period to the time you will be in the house.

## Common Loan Types:

*Choosing among the many houses that may be available is hard enough--then you need to make a choice from the myriad of mortgages that are offered in today's market. So many decisions! Take heart, though, since although there are literally hundreds of different mortgages available, they all fall into only a few basic varieties.*

**Fixed Rate or Adjustable:** One of your first decisions should be between a fixed rate (the interest rate remains constant through the life of the mortgage) or an adjustable (the interest rate is adjusted either up or down at specified times during the mortgage term). Adjustable Rate Mortgages (ARMs) will generally have an initial interest rate lower than fixed rates but will adjust upward (unless rates really fall!) usually after the fixed term. They may be a good choice if you are sure that you will not be owning the home for an extended period (more than 5-7 years) of time.

**Conventional:** A "traditional" mortgage, not directly insured by the Federal Government. Most conventional loans under \$417,001 (this amount is subject to change through out the year) are administered through Fannie Mae or Freddie Mac (private corporations but regulated by the government). Those loans over that amount are designated "jumbo loans" and are funded by the private investment market.

**FHA:** Insured by (but not funded by) the Federal Housing Administration (FHA) a division of the U.S. Department of Housing and Urban Development (HUD), and designed for, low down payments and good rates. FHA loans have somewhat more relaxed qualifying standards and ratios than conventional loans and have the availability of both 15 and 30 year fixed as well as adjustable rate mortgages.

**VA:** For those qualified by military service, the Veterans Administration (VA) insures (but does not fund) 15 and 30 year fixed as well as adjustable mortgages with some down payment requirements (as low as 0 down), somewhat more lenient qualifying ratios and good interest rates.

**No-Document ("No-doc) Loans:** No-doc mortgages are generally a wise choice for self-employed people. The benefits of a no-doc mortgage include a shorter application process since you are not required to provide income, employment or asset documentation, as well as a streamlined approval process because there is little subsequent verification. However, no doc mortgages generally will be at slightly higher interest rates and are offered by fewer lenders.

## Moving Check List

### Send change of address to:

- Post Office: give forwarding address.
- Charge accounts, credit card companies.
- Subscriptions: notice requires several weeks.
- Friends and relatives.
- Transfer bank funds. Arrange check cashing in new city.
- New location insurance coverage: life, health, fire, and auto.
- Automobile: transfer of car title registration, driver's license, city windshield sticker, and motor club membership.
- Utility companies: gas, light, water, telephone, fuel and cable
- Arrange for refunds of any deposits.
- Arrange for service in new location.
- Home delivery: laundry, newspaper, and changeover services.
- School records: ask for copies or transfer children's school records.
- Health: medical, dental, prescription histories. Ask doctor and dentist for referrals, transfer needed prescriptions, x-rays.
- Pets: ask about regulations of pet licenses, vaccinations, tags, etc.

### And Don't Forget To:

- Empty freezers. Plan use of foods.
- Defrost freezer/refrigerator. Place charcoal to dispel odors.
- Have appliances serviced for moving.
- Remember arrangements for TV, antennae, and cable services.
- Clean area rugs and have them wrapped for moving.
- With your moving counselor, check the following; insurance coverage, packing and unpacking labor, arrival day, various shipping papers, method and time of expected payment.
- Plan special care needs of infants, children, pets and potted plants.

### And On Moving Day, Don't Forget:

- Carry currency, jewelry, and documents yourself, or use registered mail.
- Plan for transporting pets; they are poor traveling companions if unhappy.
- Carry traveler's checks for quick available funds.
- Let close friends or relatives know the route and schedule your will travel including overnight stops; use him/her as a message headquarters.
- Double check old closets, drawers, and shelves to be sure they are empty.
- Leave all keys and garage door openers needed by new owner.

## The Final "Walk Through"

At some point (shortly before the date of final closing) it will be necessary for you to make a final inspection of the house that you are purchasing--a final walk through. In all probability, you will be accompanied by your REALTOR®, who will help you examine the house. This is to verify that all items for which you have contracted to buy are there, and items that you have not contracted to buy have been removed. For example, you do not want to arrive at your new house after closing to find that the beautiful chandelier in the dining room has somehow been replaced by a cheap overhead fixture, or that the draperies and window treatments that were specifically referenced in the contract have been packed and moved away. Additionally, you do not want to move in to find that numerous items have been left by the sellers because they did not want to move them or take them to the dump.

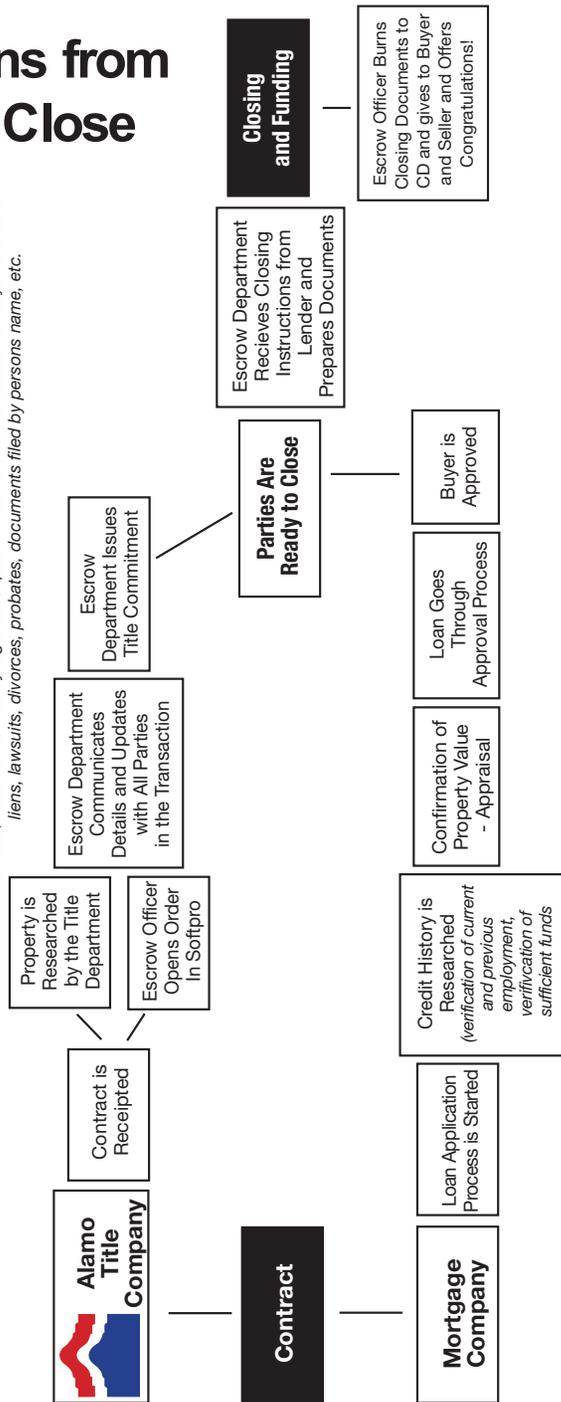
When you do your walk through, pay particular attention to attics, crawl spaces or basements, and garages. If the sellers have not moved yet, you still may get a clear picture that there are certain items (since they may not be boxed or appear to be ready to move) that they have no intention of taking with them. Bring this to the attention of your REALTOR® to avoid the hassles that can surface on moving day.

Take your time when you are doing your walk through inspection. Try to be as calm as possible. Many a buyer has been so busy dreaming of themselves in the new home that they have neglected to take a good look and missed an important item that was contracted to convey upon Closing. Have a copy of your Sales Contract with you so that you can review any items that should be included with the house. Here are a few points to review:

- Check the house from bottom to top: basement to attic.*
- Pay particular attention to expensive items and those that are of importance to you.*
- Watch for areas where furniture or rugs may have been when you originally looked at the house. Many times defects in carpeting or floors that were covered are now visible.*
- If an item is missing, or if there is trash or discarded items left behind, deal with it now. Assume that if it is gone, the sellers intend for it to be gone, or if it is still there, they do not intend to remove it.*
- Leave your emotions outside the door. You will have plenty of time to swoon over your new home--now is the time to make sure the house is as you expected it to be.*
- This is the time to deal with any potential problems. If you see an item that needs to be addressed, let your REALTOR® know so that they can get it handled before closing.*

# What Happens from Contract to Close

*Title search includes a search of the history of the property (owners of record, liens, clouds on title, documents filed by legal description. Also included is a search of buyer and seller liens, lawsuits, divorces, probates, documents filed by persons name, etc.*



# Bringing it all "Home" -- the Closing

After the searching for a home is done, the negotiations have been completed, the house has been inspected, and the mortgage has been applied for and committed to, the focus suddenly turns to the Closing, Settlement, or Escrow as it is known in some localities. For simplicity, in our discussions here we will refer to the process when it all comes together and you finally own the home as Closing. An understanding of the elements of and players in the closing, as well as a concise preparation for it, will eliminate many nervous hours as the day approaches.

## What is Involved?

It is the proverbial "signing on the dotted line:" the process of which will put the title to the house in your name, verify homeowners' insurance on the property, commit in writing to the terms of the mortgage, and usually, put the keys to the house in your hands. In general, you will leave the closing and go to your new home as a homeowner. The weeks and months of anticipation are all settled in the short amount of time that you spend at the closing.

Closing procedures will vary from locality to locality. The closing will take place at a Title Company. The closing will be attended by all of the buyers and sellers involved and their REALTOR®, as well as the Closing Agent, who has reviewed all of the components of the house sale and who is the one who will say "sign here" more times than you have ever heard in your life.

## What Forms are Involved?

Although there may be additional documents involved, the primary items which are dealt with at the Closing are:

- The Settlement Statement
- The Contract
- The Loan Papers
- Title Insurance
- Homeowners' Insurance
- The Title or Deed
- The Down Payment and Closing Costs

The Closing is your final opportunity to make certain that everything related to the purchase of your home is correct. It is important, therefore, that you do adequate preparation prior to the day of Closing. Although your REALTOR® will most likely review all of the items needed with you, it is a good idea to have the right information in case you need to handle it on your own.

## What items will we need?

The following are the most important items that you will need prior to or at closing and some hints regarding them:

### A Closing Cost Estimate:

This should first be given to you by your REALTOR® at the time of the contract, and then given to you by the Lender, a Good Faith Estimate, shortly after the application for the loan. This should give you a reasonably close estimate of funds you will need at the time of closing.

### Homeowners' Insurance Policy:

This must be secured prior to the date of closing.

### Settlement Statement:

You should have a copy of the Settlement Statement before the date of Closing. Generally this will not be available until one or two days prior to the actual Closing, but it is important to have it because it gives you the total amount of cash you will need at Closing and also how those various funds will be dispersed. In addition, it gives you an opportunity to iron out any discrepancies prior to sitting down at the Closing table. Your REALTOR® should also have a copy for review.

### Certified Funds:

On the day of Closing you will need certified funds for closing costs and down payments. This is an important reason for needing a copy of the Settlement Statement a day or two in advance--so you know the amount of funds needed and so that any problems can be handled in advance.

By making adequate preparations in advance, you will be far less likely to have nasty surprises when everyone (especially you!) is ready for closing.

## Avoiding Common Closing Delays:

*Remember: Prior planning prevents inconvenience and delays in closing. Awareness of the following items will help to insure a smooth closing.*

### Loan Payoffs:

Provide the title company with your current loan information so that they may order your payoff in time for closing. They need the lender's name, address and/or telephone number, and your loan account number when you made your last payment. Your lender will mail your original promissory note marked "Paid".

### Tax Information:

Most title companies prefer to collect delinquent property taxes at closing. If you do pay them prior to closing, you must be able to furnish an original tax receipt to them prior to closing, otherwise these monies will be withheld from your sales proceeds until payment of these taxes can be confirmed.

### Escrow Refunds

Any escrow/impound reserves held by your lender will not be netted from your payoff at closing. Your lender will refund these monies after your payoff has cleared and an analysis of your escrow/impound account has been completed.

### Common Names

If you have a common surname, please complete a Confidential Information Statement and return it to the title company prior to closing.

### Power of Attorney

If either party intends to use a Power of Attorney at closing; i.e., will not be there to sign:

- A. The title company must approve the Power of Attorney prior to closing.
- B. The original Power of Attorney must be delivered to the title company prior to closing, as the original must be recorded with the County Clerk ahead of all other closing documents.
- C. The title company must be able to contact you via telephone on the day of closing to be certain you are alive and well and have not revoked the Power of Attorney.

**Out Of Town Mail-outs**

- A. All documents must be signed exactly as requested.
- B. All documents must have proper notarization.
- C. Any documents mailed out of the country must be notarized in English.

**Marital Status**

- A. Texas is a community property state. If you purchased your property when you were single and you have married, the title company will require that your spouse join in the signing of the deed at closing.
- B. If you are divorced and your divorce proceeding was handled in a county other than Travis, Williamson, Bastrop or Hays County, please have a certified copy of the Divorce Decree delivered to the title company prior to closing. If you are widowed or have inherited the property you are selling, you will need to provide a copy of the probate documents.

**Things To Bring To Closing**

- Bring picture identification with you to closing (your driver's license will be acceptable).
- You must have your social security numbers available for closing, as your sale must be reported to the Internal Revenue Service.
- Please bring any extra house keys, garage door openers, and security access or gate card keys with you to closing to give to the buyers.
- Any operating guides for your appliances which are remaining with the property or any warranty materials should be left at the property or given to the buyers at closing.
- If you have extra wallpaper or paint that was used at the property, please leave these materials for the new owners because they may need to do paint or wallpaper touch-up after they move in.

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Austin, Tx 78746  
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The Summit at La Frontera  
810 Hesters Crossing, Suite 155  
Round Rock, Tx 78681  
512.244.2266

Bastrop  
Woodland Village  
696 Hwy. 71 W.  
Building II, Suite B  
Bastrop, Tx 78602  
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## Glossary Of Real Estate Terms

**Amortization Schedule:** A schedule showing the principal and interest payments throughout the life of the loan.

**Appraised Value:** An opinion of the value of a property at a given time, based on facts regarding the location, improvements, etc. of the property and surroundings.

**Assumption Transfer Fee:** A fee assessed by the lender to the buyer to assume the present loan.

**Credit Report:** A report on the past ability of a loan applicant to pay installment payments.

**Document Preparation:** A fee charged by an attorney for preparation of legal documents for the transaction.

**Escrow Fee:** A fee charged by the title company to service the transaction, to escrow monies, and to cover documents. The amount varies with company; usually split between buyer and seller.

**Escrow/Impound Account:** Funds held by the lender for payment of taxes and insurance when due. Usually does not include maintenance fees.

**Homeowner's Insurance:** Protects the property and contents in case of loss; must be for at least the loan amount or replacement cost of the structure.

**Inspections:** An examination of property for various reasons such as, termite inspections; inspections to see if required repairs were made before funds are disbursed, etc.

**Interest:** Rate charged for the use of loan funds. Always paid in arrears.

**Loan Application Fee:** Paid to the lender at time of application; check with lender for amount.

**Loan Discount:** The points a lender charges are to lower the interest rate and can be paid by either the buyer or seller.

**Mortgagee's Title Policy:** Required by the lender to insure that the lender has a valid lien; does not protect the buyer.

**Origination Fee:** A closing fee paid to the lender to originate a new loan.

**Owner's Title Policy:** Insures that the buyer has title to the property.

**Point:** 1% or less of loan amount.

**Prepayment Penalty:** Charged by the lender for premature payment of a loan balance.

**Private Mortgage Insurance:** Insurance against a loss by a lender (mortgage) in the event of default by a borrower (mortgagor).

**Realtor Fees:** An amount paid to the Realtor as compensation for their services.

**Recording Fees:** Charged by the County Clerk to record documents in the public records.

**Restrictions:** Certified copy of deed restrictions required by lender.

**Survey:** Confirms lot size and any encroachments or restrictions required by lender.

**Tax Proration:** Seller pays buyer's taxes from January 1 to date of closing.

**Tax Certificates:** Certificates issued by taxing authorities showing the current year's taxes, the last year the taxes were paid, and any delinquencies to be collected from seller at closing.

