

REALTOR®

QUICK START

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CONTRACT TO CLOSING- General Tips

**** Before going under contract, you will need a pre-approval or pre-qualification letter from the buyer's lender, or a Proof of Funds if the transaction will be in cash.**

**** The type of financing will impact the timeline that is possible for closing on the property. PLEASE talk to the lender before writing a closing date on the contract. This eases a lot of pain during the transaction.**

After the contract is accepted:

Give the Broker or Manager in your office a copy of the contract to review. This is often done through an electronic transaction manager.

Send a copy of the bilateral contract to the title company and the lender. If you have the buyer, the title company will be the one selected by the seller. If you have the seller, you will need to select a title company (with your seller) before going under contract with a buyer.

It is **EXCEEDINGLY** important that you are in communication with the lender and the title company, and they have all of the information needed to contact buyers, sellers, and both agents, as well as each other.

Develop a timeline of important contract deadlines and review frequently. These should be shared with the buyer, other agent in the transaction, and lender.

Get proof of receipt of escrow deposit.

Co-ordinate inspections, arrange for repairs if needed. Most contracts now are "As Is", but some repairs negotiations still do take place. Consult your broker for advice.

Follow up on appraisal with the lender. Make sure it is ordered as soon as inspections are completed.

Follow up with the title company to make sure the survey was ordered.

Emphasize buyer should be shopping for Homeowners Insurance. Provide your buyer with at least three insurance professionals to consult.

Review title commitment.

Set up time for closing.

Arrange for turnover of utilities.

Check file for notes and copies of pertinent data.

Remove sign, lockbox, and information from MLS system. If you have the buyer, make sure the other agent has done these things within one day of closing. Make sure the file is completed in your electronic transaction manager.

COMMON MISTAKES ON A LISTING CONTRACT

Missing a date. Both start and end dates for the listing must be specified.

Using wrong expiration date. (year)

Not getting all parties/owners to sign and date. (husband and wife or other owners)

Not getting copies of the Trust if property is in a Trust.

Not getting proper signature of legal owner. (trustee, etc.)

Not giving a copy to all signing parties.

Not getting approval to go into MLS or to use a lockbox.

Not getting approval to pay title insurance.

Not getting approval for a sign.

Not specifying terms of sale. (cash, conventional, VA, FHA, USDA, owner financing, etc)

Not initialing each page and signing last page.

Not filling in all blanks.

Not using legal description from prior title policy, deed, or survey.

COMMON MISTAKES ON A SALES CONTRACT

Not filling in ALL blanks. If you leave something blank, you invite another party to fill it in for you. That can result in undesirable outcomes.

Not recalculating dollar figures after each counteroffer.

Not adjusting deadline dates, if specific dates are entered on contract form. (inspections, financing, etc.)

Not getting ALL initials (and dates preferably) on each counteroffer.

Not understanding difference between calendar days and business days in determining deadline dates.

Not projecting deadline dates as they refer to proposed closing date. (Often deadlines for inspection/financing exceed proposed closing date when associate does not realize contract form being used calculates days as business days!)

Not understanding the importance of using prewritten addenda rather than trying to create own addenda. (trying to act as an attorney without training or license)

TITLE/CLOSING SERVICES

You SOLD your first property!

What do you send your closing agent?

Clean copy of the purchase and sales contract, fully executed. (Enables your closing company to open your order with correct terms)

Buyer/Seller information including contact information. (Allows title agent to contact the parties for missing information required to provide clear title)

Cooperating agent's contact information, (Closing company makes initial contact and keeps agent's informed of the progress of the sale)

Lender's information, if any. The title company and lender must work together during the transaction.

Commission! Make sure the title company knows your commission split as advertised. It is a good idea to print the MLS sheet with the commission information on it to protect your interests.

Transaction Fee. (Not all companies charge them, but some do. Your broker should help you with this. If you hire your own transaction coordinator, this will need to be outlined as well. This is to ensure closing company protects you and your company policy, as well as providing a proper settlement statement)

Existing Mortgage/Estoppel loan number if applicable for seller (Allows closing company to remove and pay off any mortgages on the property)

Is there a trust, LLC, death certificate, etc? (Listen to your customers/clients for these red flag terms. Get information to your closing agent for requirements)

Are parties attending closing or do special arrangements need to be made? (Assists in a seamless closing with no delays)

SALES AND MARKETING TIPS

The most important sales and marketing tool a new REALTOR® can have is to use the resources that are at your disposal and the ones that are most cost effective. For example, you can use www.floridarealtors.org. They have a great database of information and strategies for new and seasoned REALTORS®.

Start Prospecting. “Farming is marketing yourself to strangers. That’s the slowest way to get into real estate. Prospecting is working with past customers.”

Prepare Your Prospect List. Organize contact information on new and past customers and clients into a database for mailings. Your brokerage may provide a CRM for this purpose.

Start a Monthly Campaign. People tend to trust the familiar. This regularity might encourage prospects to call her when they’re ready to buy or sell. Sending postcards every month is the most cost-effective marketing activity you can do. It’s more valuable than e-mail because 95 percent of all e-mail is never opened.

Create a Professional Look. find and use real estate— specific products on the market that offer libraries of mailers that can be customized with a REALTOR’S® information, photo and logo.

The Little things Count. In today’s highly competitive business environment, it’s often the little things that count the most: remembering a client’s birthday, arriving on time for a meeting and managing transaction to-dos.

Make Time for Follow-up. Use a vendor to handle printing and mailing. Then use the time saved on mailings to follow up with the most promising market: past customers and clients. Make 5 to 10 calls a day to these people. It might take you two months to get through your list, but there’s no doubt that if you called them four times a year and sent them something once a month, you could whip up some repeat business. When you talk to them — and this is the key to contact management — always schedule another time to either call or get together.

A smart way to start your career. In today’s competitive business environment, you need more than just motivation and initiative to get ahead. The course work for the Graduate, REALTOR Institute (GRI) designation satisfies the state’s requirement for 45-hour post-license education and gives you the tools and knowledge you need to provide your customer/clients superior service. And we offer it at the NSBBOR!

Become familiar with the mortgage process, but remember, you ARE NOT a lender. Direct questions about mortgages to your lender partners!

WORKING WITH A SELLER

Be prepared for the listing appointment, and make sure to adjust comparable sales on your market analysis. Your broker should be able to help you with a listing presentation and the tools needed to make it look impressive!

Be sure to get your sellers to sign a Authorization to Furnish TILA-RESPA Integrated Disclosures ("TRID") This allows you to communicate with the title company and lender regarding the transaction.

Thoroughly research recent sales. Sellers know what sold in their neighborhood, and you should too.

Deal with expectations at the listing appointment, both the Sellers' and yours. Cooperation is critical.

Don't tell Sellers the price to put on the house. Give them a realistic range and let them decide.

Inform the Seller how the brokerage fee is split.

Communicate on a regular basis. Sellers must hear from you, or they'll think you're doing nothing. Provide showing feedback as soon as possible. If they contact you first, you waited too long. Feedback after showings is critical in adjusting the expectations of sellers.

Ask for price adjustments on a regular basis.

When presenting an offer, deal with the "positives" first and the "bad news" last.

Try to understand what's important to the Seller. It isn't always the money.

Help Sellers prepare to move by giving them a check-list of things to do prior to closing. Include numbers for phone, cable, and utility companies.

Verify that the Sellers understand that they are expected to vacate before closing.

WORKING WITH A BUYER

Ask qualifying questions. You need to know if the Buyer is ready, willing, and able to buy now!

Encourage Buyers to speak to a loan officer as early as possible. Provide the names of at least three local lenders.

If Buyers are paying cash, get the Proof of Funds letter!

If Buyers need to sell their home first, offer to refer them to an agent in their area if they are located out of town. If they are in town, you can be their agent!

Try to show only 4-6 properties at a time.

If a home meets all of the Buyers' requirements, except square footage, consider showing it anyway.

DON'T tell a Buyer how much to offer, but DO provide comparable sales information.

Encourage Buyers to make a substantial earnest money deposit. It shows the Seller that the Buyer is serious.

Encourage Buyers to put their offer in writing. It's another way to show the Seller that the Buyer is serious. (Extremely low offers are the exception.)

Encourage Buyers to perform inspections as early as possible. Provide contact information for at least three local companies.

Encourage Buyers to secure homeowner's and flood insurance as early as possible.

When writing an offer, include all appropriate addenda and the seller disclosure. This helps the process go much more smoothly for all involved.

Be sure to get your buyers to sign a Authorization to Furnish TILA-RESPA Integrated Disclosures ("TRID") This allows you to communicate with the title company and lender regarding the transaction.

MORTGAGE BASICS for REALTORS

What is a Mortgage and a Note?

A mortgage is a recorded instrument that is a public record.

The mortgage holds your house as security for the note.

The note is a loan agreement that all borrowers sign. They agree to make payments based on the terms of the note (interest rate and number of payments).

If payments are not made according to the terms of the note, then the mortgage allows the bank to foreclose on the property.

Why is Credit Score important?

Your credit score can determine your borrowing power. The higher a credit score, the more loan choices the customer will have.

Credit scores range from 350-800, and sometimes over 800.

Typically, a score under 620 can limit the products available to customers.

What is Debt to Income ratio?

The ratio determined by dividing current monthly debt by monthly income.

Payments included in this are minimum payments on credit cards, car payments, student loans, and installment loans.

Utilities, insurance, child care, and rent are not included.

This ratio should be about 40%, but the credit score can impact this number and allow it to be higher or lower.

What is Loan to Value (LTV) ratio?

This is the percentage of the sales price the customer is borrowing.

For example, if the sales price is \$200,000, and they are borrowing \$160,000, then the LTV ratio is 80%. In that example, then, the down payment is \$40,000. If the LTV is 90%, then the down payment is 10% or \$20,000.

What is PMI (Private Mortgage Insurance)?

Insurance that the borrower pays monthly with their mortgage payment, if they did not put down 20%.

PMI is a percentage of the loan amount and varies depending on the loan amount and the LTV.

What is Fannie Mae and Freddie Mac?

Fannie Mae and Freddie Mac are shareholder-owned companies with a public mission — to expand affordable housing. Both companies were founded to increase the flow of mortgage money available to lenders. "Our job is to help those who house America." fanniemae.com

Why are Fannie Mae and Freddie Mac important?

Fannie and Freddie are publicly traded companies that purchase mortgages from the companies that originate them. This is how most mortgage companies stay in business. For Fannie or Freddie to purchase mortgages, they have to be underwritten by the guidelines. The guidelines include loan amount, income and down payment verification, and the property being purchased.

What are Conforming Loans?

These are loans underwritten to the Fannie Mae and Freddie Mac guidelines, and do not exceed the conforming loan limit. Today, the conforming loan limit is \$647,200. Larger loans fall into the Jumbo category, and all of the guidelines change. The conforming loan limit can change every year, based on average home sales prices for the previous year.

What is a fixed Rate Mortgage (FRM)?

The interest rate for this loan is fixed for the life of the loan.
This is a good product for someone on a stable, fixed income.

What is an Adjustable Rate Mortgage (ARM)?

This type of mortgage, typically, offers the borrower a lower interest rate and payment initially. The rate is fixed for a time period, typically 3, 5, 7, or 10 years, then the rate is subject to change each year. The amount the rate can change varies with the product chosen initially, and the current market conditions. These mortgages can benefit customers who know they will not own the property long, or will be paying the mortgage off soon. There is a risk to these loans. If you keep the mortgage longer than anticipated, the interest rate and the payment can change drastically.

What are Interest Only loans?

These loans allow for lower payments, initially, for a set period of time, typically 3, 5, 7, or 10 years, because there is no required principal payment in this time. This product can be good for someone who knows they will not be keeping the house or the loan for long or than the interest-only period, or someone who receives large yearly bonuses, and makes a principal reduction yearly. However, this product can be dangerous for new buyers. Initially, it offers a lower monthly payment, but when the interest only time period ends, if no principal reduction has been made, the payment can go up drastically.

What is Automated Underwriting?

Most of today's conventional loans are made by lenders who utilize tools provided by Fannie Mae and Freddie Mac through the internet to underwrite files. These programs (DU and LP) were designed to enhance, streamline and speed the approval process. DU and LP allow for reduced documentation for credit worthy borrowers. DU allows for borrowers with some troubled credit history to be approved for a loan, at expanded approval levels. To the borrower it means a higher interest rate, but they can still purchase a home.

What is a JUMBO loan?

This is any loan that exceeds \$647,200.

These loans are not part of the Fannie Mae and Freddie Mac market, so other investors have to be found to purchase them. The underwriting guidelines are very different, and much more detailed. The credit and debt to income standards are much higher also.

Remember: It is EXCEEDINGLY important that you are in communication with the lender and the title company, and they have all of the information needed to contact buyers, sellers, and both agents, as well as each other.

THE MORTGAGE PROCESS

Buyer submits written mortgage application to lenders

- Includes income, assets, personal information

- Includes fees for credit report, application and appraisal

Loan Officer obtains detailed credit report.

Loan Officer hires an appraiser to determine the home's value

Mortgage Loan Processor assembles and verifies required documents.

- Includes requests for additional information

- Timely buyer cooperation important to avoid delays

Mortgage Loan Processor submits completed loan package for underwriting.

Underwriter reviews, and may conditionally approve, the loan.

- Includes requests for additional information

- Requests may be made just days before closing

Underwriter makes a decision regarding final loan approval.

- Strict checklists must be followed by Underwriter

- Mortgages usually must meet federal guidelines

Underwriter declares file "clear to close."

Underwriter sends file to Closing Department.

Closing Department generates documents for the closing.

Closing Department sends document "package" to title company/attorneys

Title company/Attorney prepares HUD (closing statement).

Title company/Attorney conducts closing.

PROFESSIONAL COURTESIES

Follow the “Golden Rule” — Do unto others as you would have them do unto you. Always use respect and courtesy with your fellow REALTORS® as well as customers/clients.

Notify listing agent if you can't show after you have made an appointment. Sometimes the agent or the owner is waiting for you.

Please don't question another agent's customers/clients.

When showing a home, always ring bell or knock - announce yourself loudly before entering if no one greets you. Also knock and announce yourself loudly before entering a closed room. Inform occupants when you are leaving.

Unless you know for sure that a house is vacant, call the listing office if you are running late or running early. Just because you picked up a key, or are authorized to use a lockbox, don't presume the property is unoccupied.

When the occupant is absent, leave the house as you found it (lights, heating, cooling, drapes, etc.) unless instructed differently.

If it looks like a light was left on accidentally or a gate/door left open, take care of it.

We need to be each other's eyes and ears. Please alert listing agent if you find something out of order when showing a property (i.e. door not locked, lights on, if something is leaking or you observe another problem). Use your judgment and err on the side of caution.

Abide by the listing agent's showing instructions.

If you show a vacant house that is on a lockbox, let the listing agent/office know you were there.

Do not use the bathroom, even if the property is vacant.

Don't let customers/clients smoke in any building.

Do not give your promotional items to the other agent's customers/clients. Please leave only your card to show you were there.

It is possible to drive up to a property and your customer says, “NO, I don't want to see this one.” Try to explain that the seller has prepared for them to come, but if they still don't want to, knock on the door and explain that the buyer does not wish to look at the property. Do not just leave them hanging; they probably saw you drive up.

When listing agent must accompany; please let the showing REALTOR® work with their customers/clients unless they ask you to do so.

Lock all doors, pay attention when you unlock. Was the door from house to garage locked? Owner may not carry a key.

Owners are looking for feedback from showings, please let listing agent know what your customers/clients thought and how the showing went.

Real Estate is a reputation business. What you do today may affect your reputation — and business — for years to come.

Tips for Working with a Home Inspector

Depending upon the type of purchase, you may need different inspections. Communicate with the lender to make sure you understand all required inspections.

In general, you will need the home inspection, a 4-point inspection and a wind mitigation report. The 4-point and wind mitigation allow your buyer to maximize credits available on homeowner's insurance.

In Florida, and definitely with VA loans, a WDO (Wood Destroying Organism) report is also good policy. The home inspector you work with will be able to coordinate this to be done while he or she is at the property.

At times you will come across a property that is on septic and/or well. It is a good idea to advise getting inspections for those as they can become big ticket repair items if they are not in working order.

If a home has a pool, it is advisable to have it inspected as well. Some inspectors can do pool inspections, and some cannot. You will need to clarify with the home inspector if he or she is certified to inspect pools, saunas, etc.

The inspector you choose should be able to issue a written report with photographs within 24 hours of the inspection. Both you and the buyer should receive copies of all reports. Call the inspector with any questions you have prior to discussing the findings with your customer. Often, the inspector can give you a "ball park" figure of what repairs will cost. If necessary, you can get actual estimates from a contractor or licensed handyman/roofer/plumber, etc. if you plan to negotiate repairs costs or a credit at closing.

Try not to alarm your buyer. When talking through repairs, be realistic about what to expect from a seller, but also listen to anything that really stands out to your buyer.

Really bad inspection results can tank a deal, but that might be the right thing. Always attempt to negotiate, but evaluate your buyer's ability to absorb risk. First time buyers might be unable, financially, to purchase a home that needs extensive repairs. Knowing your buyer and when to walk away is more important than the contract. In this business, relationship is key!

Tips for Working with an Insurance Representative

Make sure you give your buyers at least three insurance reps to contact for quotes. Let them know they will need to send the 4 point and Wind Mitigation reports to the reps in order to get accurate quotes.

If a property is in a flood zone, make sure the insurance rep knows that. In Florida, many people purchase flood insurance even if they are not in a flood zone. You may want to advise getting a quote on that, too, as rising water is what is covered, and that can come from many places. If the home is not in a flood zone, that insurance can be relatively inexpensive, and peace of mind is a great thing!

If a home has an older roof, ask the insurance agent if the home can be temporarily insured until a new roof can be put on. Many companies have a policy that prevents them from insuring a roof older than 15 years, but they can sometimes get a quote for a limited time period to allow for the roof replacement.

Good insurance companies can turn a quote around very quickly, but make sure they know when the closing will be and who the lender is. The lender will need to get a particular clause from the insurance company that allows the home to be financed, so communication between them is key.

USEFUL WEBSITES

Florida Association of REALTORS® (FAR) — www.floridarealtors.org

National Association of REALTORS® (NAR) — www.nar.realtor

City of Edgewater — www.cityofedgewater.org

City of New Smyrna Beach — www.cityofnsb.com

City of Oak Hill — www.oakhillfl.com

Southeast Volusia Chamber of Commerce — www.sevchamber.com

Flood Maps/Flood Zone — www.msc.fema.gov

Volusia County Recorded Documents — www.clerk.org

Volusia County — www.volusia.org

Volusia County Schools — www.volusia.k12.fl.us