

F O U R T H E D I T I O N

How to **Buy a Home** on the **East End**

Most commonly asked questions and answers



Twomey, Latham,
Shea, Kelley, Dubin & Quartararo LLP
ATTORNEYS AT LAW

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Twomey, Latham,
Shea, Kelley, Dubin & Quartararo LLP
Attorneys at Law

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Should you have questions that are not answered in this brochure, please feel free to contact us at

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1. What type of benefits can a real estate professional offer?

■ A knowledgeable realtor or broker will educate the purchaser about the properties that have sold in the area, how long they were on the market, what the selling price was, and what the property offered, such as the number of bedrooms, type of pool, size of property, etc. Other important information a realtor may be able to offer the purchaser is the history of the property being offered for sale (who built the house, who installed the pool, or who maintains the furnace).

2. How do I choose a real estate professional to work with?

■ In today's economy, many individuals have no spare time to search through lists of "For Sale By Owner" classifieds. Instead, they solicit a well-established, reputable real estate company and have sales agents do the work for them. A real estate professional will stay in touch with you and keep you informed of new listings that meet your criteria. Choosing such a professional is one of the most important aspects of real estate sales. Realtors and brokers dedicate their time and energy to marketing and selling property, so find an energized professional. Look for a broker who is organized, truthful, and someone you are comfortable with. Scanning the advertisements in the local newspapers or magazines, or asking a friend or colleague who has recently purchased property are good starts.

3. Should I use a buyer's broker?

■ Traditionally, real estate agents work for the seller unless you make a special written arrangement with the agent to be your broker. In this instance, the broker works for you and not for the seller. Often times you will have to pay a percentage of the real estate commission directly to your agent.

4. Can real estate professionals show listings from other real estate agencies?

■ Absolutely. Realtors and brokers can sell any property that is listed with their office and often share or “co-broke” a listing with other agencies. Through the use of computers, brokers can show you all the properties listed in a given area thereby limiting your search and saving you time. Not all areas have multiple listing, so inquire what the custom is in your area.

5. What information should I bring when I visit a real estate professional?

■ You should have an idea of what kind of house you are looking for and list any special needs you may have including the price range, school district (if a factor), and the hamlet you prefer. You may wish to create a community checklist listing recreational facilities, zoning, amount of acreage and maximum real estate taxes you wish to pay.

6. How much house can I afford?

■ To figure this, you should calculate your total average monthly income and subtract from that your average monthly expenses for non-housing items. The amount you have left is the amount of money available for your monthly housing expenses. Generally your monthly mortgage payment should not exceed 35% of your gross monthly income. Most mortgage brokers or bank representatives will pre-qualify you for a mortgage when you decide to purchase property. You should also determine how much money you have available for the deposit or down payment on the property. Tell your broker your pre-qualified range and the amount of down payment you are working with, it may work in your favor when negotiating a purchase price. In such discussions remember that the broker or realtor usually represents, and is paid by, the seller, unless you have entered in an arrangement with a buyer’s broker as discussed above.

FINDING THE RIGHT HOME OR BUILDING LOT

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1. How do I find out about the local school district?

■ You can contact the local school district office and request that information regarding the school system be sent to you. Often times your real estate professional is knowledgeable about the school district.

2. How can I determine the amount of real estate taxes on the premises?

■ A real estate agent will be able to give you the amount of taxes on any given property as it is customary for them to ask this question when the property is listed for sale. However, if you are not using a realtor to find a home, you can contact the local tax assessment office and they will be able to tell you the amount of taxes. You will need the address and tax map number of the property in order to obtain this information. However, a year or two after the closing, new owners may receive a notice from the Town and Village (if located therein) that taxes have increased as a result of an increase in the value of the home or an increase in the tax rates.

3. How can I find out if there is a property owners' association?

■ Your realtor can tell you if the property is subject to the rules of a property owners' association. Most associations collect dues each year for the maintenance of common property or roads in the area. Your realtor can also tell you the amount of the maintenance fees. You can contact the association directly to find out what the dues are and what their responsibilities are to maintain the area.

4. To build or not to build?

■ Existing homes have character, but you may want specific attributes that you will not be able to find in an existing home. You may choose to build your own home to add those specific attributes or create a living space that will be perfect for you and your family. However, building a home is no easy feat.

Architects, contractors and sub-contractors, building inspectors, and others will need to be involved in the building process. The amount of time (it can take up to a year from start to finish) and money needed to design and build a home may restrict you from achieving that ideal house. Also, building loans are sometimes complex and have higher interest rates than traditional mortgages.

5. What is zoning and does it apply to the use of my property?

■ Zoning laws are the public regulations that control the specific use of land in a given district or zone. All properties are governed by zoning laws and regulations. Zoning laws divide land into zones and within each zone regulate the purpose for which buildings may be constructed, the height and bulk of the buildings, the area of the lot that they may occupy, and the number of persons that they can accommodate. Through zoning, a community can control development so that each parcel of land will be adequately serviced by streets, sanitary and storm sewers, schools, parks, and utilities.

6. Are there restrictions on clearing and building on my lot?

■ Local zoning laws often affect residential building and the first thing you must do is find out the zoning district of the property by reviewing an up-to-date zoning map. You can obtain one by going to your local government offices or asking your local attorney. Next, you should obtain a survey of the property, which you may need to present to the local municipal board (for example, the Zoning Board of Appeals, the Planning Board, a Conservation Board and/or the Department of Environmental Conservation) for their approval. There may be local zoning restrictions on clearing a lot. The zoning laws and the municipal boards will control the final decisions, so it is best to know about the zoning laws prior to buying a lot to build upon. Ask a local attorney to advise you on how local zoning laws affect the property.

7. Can I build any style house on my land?

■ The answer is maybe. Many subdivisions have deed restrictions, also called covenants and restrictions, that can be used to dictate such matters as the purpose of the structure to be built, construction requirements, setbacks, size of the structure, and aesthetics. Zoning laws may also restrict the style of house that may be built.

8. What happens when I find a house or unimproved property that I want to purchase?

■ Your real estate professional will negotiate a purchase price with the seller. A non-binding Memorandum of Sale is faxed to the attorneys for the buyer and seller setting forth the price and terms, the conditions to closing (such as the buyer being able to get a certain amount mortgage) and the contact information including the attorneys for the seller and buyer. The next step would be for the seller's attorney to generate a draft contract of sale that would be sent to your local attorney for negotiation and signature.

PRIOR TO THE SIGNING OF A CONTRACT

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1. Do I need an engineer's report?

■ It is good practice to have an engineer inspect the property you are purchasing for any defects or flaws prior to signing a contract. Obtaining an engineer's report is a prudent step for both re-sales as well as new construction. Most lenders will require an engineer's report, a termite inspection and water test as a stipulation to obtaining a mortgage.

2. How do I know there are no zoning violations affecting the property?

■ By obtaining an updated certificate of occupancy prior to closing you can be assured that there are no zoning violations on the property. It is the responsibility of the seller to provide an updated certificate of occupancy.

3. What if there are zoning violations affecting the property?

■ The first thing you should do is contact your attorney. There are various ways to clear up zoning violations affecting the property. For example, the seller may have the structure that is in violation moved or torn down or may obtain a variance from the zoning ordinance.

4. Does the property have beach rights or rights to use common areas with others in the neighborhood?

■ It is possible that the deed or title history for the property grants to the owner certain easements and rights to common areas. An easement is a right or privilege one party has to the use of land of another for a special purpose consistent with the general use of the land. You must check the deed and title history of the property to find out what rights you and your neighbors may have, if any. However, there are several types of easements that are not written in the deed or set forth in a title report. One such type of easement is an easement by necessity; another is an easement by prescription. Check with your attorney about these and other types of easements that may benefit your property.

5. What are wetlands?

■ Wetlands are areas that may be continually or periodically inundated by tidal or fresh water, or contain vegetation defined as wetland vegetation by state or local laws. Freshwater wetlands can even exist in the woods around kettle holes or ponds. Where wetlands exist, development may be limited and improvements may be required to be setback significantly from classified vegetation. Special permits may be required to build near wetlands, so you should consult a local attorney on how to proceed.

6. How important is it to hire a local attorney?

■ Generally a local attorney has knowledge of local zoning regulations and pending land use legislation which may affect the property. A local attorney's experience with local real estate, insurance and mortgage professionals and building and tax department personnel can help expedite the transaction. Local counsel can report to your existing attorney if you desire.

7. What are real estate exchanges and how do I get involved with one?

■ Most real estate transactions involve the exchange of real estate for monetary consideration. Exchanging real property for real property has been popular for two reasons. One, real estate trades can be accomplished without large amounts of cash. It sidesteps the intermediate step of converting real estate to cash and then converting cash back to real estate. Two, by using an exchange under certain circumstances, you can dispose of one property and acquire another without paying income taxes on the profit on the first property at the time of the transaction. This is especially useful if the property you are exchanging has substantially increased in value since you obtained it. Contacting your realtor or your attorney will be helpful to bring about sophisticated real estate transactions such as these.

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1. What is a real estate contract and what should it state?

■ A real estate contract is a legally enforceable agreement to buy and sell a particular piece of real estate. The following is a list of some of the most important common terms: 1) the purchase price; 2) the amount of the down payment; 3) a mortgage contingency; 4) the anticipated date and place of the closing; 5) a description of the property; 6) a list of all the personal property, appliances and fixtures included in the sale; 7) clauses concerning the ownership and permissible use of the property; and 8) the responsibilities of the buyer and seller. In most cases, unless otherwise agreed, the seller's attorney usually prepares the first draft of the contract of sale. Your local attorney prepares the rider provisions (attached to the contract) to protect you.

2. How much of a down payment is required?

■ The down payment or earnest money is a tangible indication of the buyer's intent and may be a source of compensation to the seller in the event the buyer does not carry out his or her promises. The seller and his or her agent will want a reasonably substantial deposit to show the buyer's earnest intentions and to have something for their trouble if the seller accepts and the buyer fails to follow through. The buyer, on the other hand, will prefer to make as small a deposit as possible, as a deposit ties up his or her capital and there is the possibility of losing it. Generally, 10% of the purchase price is acceptable to the seller, their agent, and if you will be applying for a mortgage, to the mortgage company.

3. What happens if I can't get a mortgage?

■ Many real estate contracts include a mortgage contingency clause. This clause protects you from the risk of losing your deposit money by making your offer to buy subject to your obtaining a loan approval. If you intend to get a mortgage and do not see this contingency in the contract, make sure you bring this to your attorney's attention so it may be added. To further protect yourself against having to accept a loan "at any price," the terms on which you will accept a mortgage should be stated in the contract.

If you cannot obtain such financing, the seller will have to return your deposit and begin searching for another buyer. Sometimes an “all cash” offer (i.e. no mortgage contingency) is a way to purchase property, especially in a case where there is more than one bidder. If you make an “all cash” offer, make sure you can close title without a mortgage. If you can't close because you do not have the liquid assets, you would lose your contract deposit.

4. What can I expect about the condition of the house at the time of closing?

■ The condition of the house should be the same as it was when you signed the contract of sale. In addition, the contract should provide that on the date of closing all electrical, plumbing, heating systems and appliances should be in working order and that the roof and basement be free of leaks. Just prior to the closing, the house should be in broom clean condition. An important aspect of closing is that prior to the closing, you should make an appointment to inspect the property for any changes or defects. If anything is out of order, you should let your attorney know before or at the closing.

5. If I purchase a furnished house, how can I account for the items at closing?

■ If items of furniture are included in the sale, a room-by-room inventory list should be prepared and attached as an exhibit to the contract. Otherwise a misunderstanding can occur at the closing. The broker is often willing to assist in preparing this inventory list.

6. If there is a swimming pool on the premises and closing occurs during the winter, how can I make certain it has no defects?

■ One way to assure you will get your money's worth is to provide in the contract that after the closing the seller's attorney will hold a sum of money (to be determined by the parties) in escrow for a specified period until an examination can be performed in warmer weather. A further precaution is to obtain a letter from the seller's pool service company that the

pool and pool equipment were in good working order and free from leaks when they were winterized.

7. Is a termite report necessary?

■ A termite inspection and report are necessary to detect any signs of termites and/or wood-eating insects. The contract should provide that a termite inspection can be performed within ten (10) days of the contract date and the sale should be contingent upon a satisfactory report from a licensed pest control inspector. If the report does show infestation or damage, the contract should have a provision stating that the seller will pay for any treatment deemed necessary by the report (up to a certain amount) or the purchaser can cancel the contract.

8. When is a water quality report necessary?

■ If you are purchasing a property that has a private water supply such as a well, it is important that you obtain a water-quality report. The cost of such a report is minimal and will determine if the water is suitable for human consumption. This requirement should be addressed in the contract of sale.

9. Why do I need the seller to supply a current Certificate of Occupancy?

■ The most important reason to get a certificate of occupancy is to make certain there are no illegal decks, additions, pools or other structures on the premises. If there are, the contract should provide that the seller has to take the necessary steps to legalize these improvements.

10. When do I need flood insurance?

■ It is advisable to get flood insurance (and mandatory by most lenders) when a property is in a flood-prone area. Coverage is available under a federal program. Your local building inspector has maps printed under the Federal Flood Insurance Program that delineate flood prone areas in your community.

11. What is a tax map designation?

■ Suffolk County assigns a number to each parcel of land on the county tax map. The primary purpose is to

aid in the assessment of property for tax collection purposes. However, these parcel numbers are public information and are used extensively to assist in identifying real properties. Tax maps should not be relied upon as the final authority for the legal description of a parcel. Only a survey map or deed description should be used for legal descriptions.

12. What can I do with my accessory buildings?

■ See the following specific questions and answers below. But it is also a good idea to consult with your local attorney to obtain advice about accessory uses.

Can I have a home office?

■ Most municipal zoning ordinances allow some form of home office in a residential neighborhood. Whether you can have an office will depend on the specific provisions of the local ordinance, which usually relate to the size of the office and whether it is attached to the principal home, the type of occupation, the number of parking spaces, etc.

Can I use my den as an art studio?

■ Some zoning ordinances permit an art studio within a home or an accessory structure that has plumbing facilities. This will depend on the wording of the local ordinance.

Can I put a kitchen in my pool house?

■ Most local ordinances prohibit living quarters, usually defined as areas with cooking and/or sleeping facilities, in pool houses. However, some accessory structures pre-date the code requirements and are therefore exempt or “grandfathered.” In some cases, a “wet bar” is permitted allowing a sink and refrigerator (but no cooking range).

Can I use my garage as a guest cottage?

■ Most local zoning ordinances prohibit the creation of guesthouses or guest cottages in accessory structures, such as a detached garage. However, most will permit improvements of an attached garage, either on a first or second floor, to accommodate guestrooms with a bathroom. Some detached garages may be grandfathered as guest cottages. It is

best to consult your attorney no matter what type of change you want to make to any accessory buildings on your property. There are a variety of ordinances that may prohibit you from making the changes you desire. Speaking with your attorney will clear up any questions you have before you incur any expense.

13. What is a fixture?

■ A fixture in real estate terms is an object that was once personal property that has been attached to land (or a building thereon) so as to become part of the real estate. Fixtures may include built-in shelves or cabinetry, plumbing and electrical equipment, etc. Do not assume that lighting fixtures, blinds, shades, curtains, or wall-to-wall carpeting, for example, are included. It is always better to specifically inquire.

14. How can I find out the tradesmen who are familiar with the house?

■ The contract should provide that the seller will deliver the names and addresses of the trades people they have had work at the house together with the architectural plans, if any exist.

15. What if there exists a buried fuel tank on the premises?

■ The contract should provide a representation by the seller that there is no buried fuel tank on the premises and/or if one does exist, the seller will remove it and any contamination at their own expense. To find out about any contamination that a fuel tank may have caused, a tank test or a soil test can be performed by an environmental consultant as a condition of the contract.

16. What if a vacant lot is not buildable?

■ The contract should provide that the vacant parcel is a valid buildable lot and if it is determined prior to closing that such is not the case, the purchaser can cancel the contract and receive a refund of the contract deposit, survey and title costs.

AFTER THE CONTRACT IS SIGNED

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(Which do I use?)

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How do I resolve any encroachment issues?

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What happens if the seller is unable to convey title
due to estate, bankruptcy or tax problems?

1. How do I obtain financing?

■ There are many financing options in today's market that you should consider. You could ask your attorney to suggest a mortgage company or bank that offers good service and rates. You could also ask if the seller would agree to hold a mortgage. Some sellers may be very interested in this option if they do not need the money right away.

2. What is a mortgage broker?

■ A mortgage broker is a person who brings borrowers and lenders together, just as realtors bring together buyers and sellers of real property. Mortgage brokers do not lend their own money, nor do they usually service the loans they have arranged; however, they are knowledgeable in a variety of loan programs that may be beneficial for you. The fee for a mortgage broker's service is usually expressed in percentage points and paid by the borrower.

3. Local lenders vs. Regional banks (Which do I use?)

■ For the most part, local lenders collect the bulk of their deposits and make loans within 50 miles of their offices. It is this specialization in local geographic areas that has been a major factor in their record for making sound loans. They often provide a lower interest rate for a longer term than large regional banks.

4. Do I need title insurance?

■ Title insurance gives you and your lender protection against financial loss due to title problems and the possible expense of defending your title in court associated with someone disputing your free and clear ownership of the property after you have purchased it.

5. What is a title report?

■ A title report is a statement of the current condition of the right to or ownership of a parcel of land. A title company examines the public records, reviews the findings and renders an opinion as to who the fee owner is and lists anyone else they feel has a

legitimate right or interest in the property such as a mortgage lender or easement holder. It will also list any judgments or liens against the property that will need to be satisfied prior to the sale of the property.

6. How much homeowner's insurance should I carry?

■ You should consider having at least enough insurance to cover the replacement value of the dwelling. Most lenders will require this much and also that they be made an additional insured.

7. Should I obtain a survey of the property?

■ You should make sure your attorney hires a licensed surveyor to prepare a survey of the property. The survey serves multiple purposes. It shows you the boundaries of the property that you are purchasing, the outlines of the buildings and other improvements on the property and also whether any neighbors haven't crossed those boundary lines with any structures, driveways or fences. These encroachments need to be discovered and cleared up by the seller prior to the closing.

8. How do I resolve any encroachment issues?

■ The seller is responsible for clearing up any encroachments. The seller may have the neighbor sign a boundary line agreement waiving rights to your new property. Failure to do so may result in the encroaching neighbor claiming a legal right to continue his use.

9. What happens if the seller is unable to convey title due to estate, bankruptcy or tax problems?

■ The seller must clear all liens and judgments against the property before title can be transferred. The contract should provide that if these title problems cannot be removed or satisfied within a reasonable time, the purchaser can void the contract and have the down payment returned, together with any costs incurred for a survey and title investigation.

WHAT TO EXPECT AT THE CLOSING TABLE

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Who is responsible for paying the broker's commission?

1. Can I inspect the property just before closing?

■ Yes. One or two days before the closing, you should make a final inspection of the house and property. Check all the appliances, windows, doors, and so on. Verify that any furniture, curtains, shades, etc., that were included in the sale are still in the house. Be thorough! Tell your attorney about any changes in the condition of the house between the time you signed the contract and the final inspection. It will be very difficult to take care of any problems after the closing.

2. What are closing costs?

■ Closing costs are the fees you will pay to the mortgage company, the title company, and your attorney for their services including points, taxes, report and inspection fees. Usually the seller pays the broker's commission.

3. How much can I expect to pay in closing costs?

■ Generally you will pay anywhere from 2 to 5% of the purchase price in closing costs. You will be required to pay a Community Preservation Fund Tax if the property is located in one of the five East End towns of Long Island. There is a limited exemption for qualified first time home buyers and you will need to discuss this with your local attorney to determine if you qualify.

4. Who attends the closing?

■ Your attorney will attend the closing to make sure the terms of the contract are adhered to and the proper sums of money are paid. Others who may attend

are the title company representative, the real estate broker, the attorney for the seller, the attorney representing the mortgage company, and of course, the buyer and seller.

5. What happens at the closing?

■ The closing is the event at which you receive all the documents required to convey the title of the home. These documents are reviewed by your attorney at the closing table to make sure all conditions and promises of the contract are fulfilled. Also at this time, the balance of the purchase price is paid and the keys to the house are delivered.

6. How are real estate taxes apportioned between the buyer and the seller?

■ Real estate taxes are generally paid once or twice a year by the owner of the property or the mortgage company. The date of the closing is used as a guideline for dividing the tax responsibility. If the seller has already paid the taxes, a portion of the money is returned to the seller by you, using the date of closing as the apportionment date. If taxes have not been paid, the seller must pay you for the portion of time he or she was in possession of the property, leaving the balance to be paid by the purchaser.

7. How are liens and judgments satisfied?

■ At the time of closing, a portion of the proceeds may go to payoff any outstanding liens and judgments. The title company will collect that money and a satisfaction letter from the lien or judgment holder will be supplied. The title company will make sure the money gets to the lien holder and that the satisfaction letter is recorded in the public records of the county where the property is located.

8. Must I bring a certified check to the closing and why?

■ Usually a certified check, bank check or check from your attorney's escrow account will be acceptable at the closing. Sometimes, arrangements are made to wire funds to your attorney's escrow account, so he or she can bring these checks on your behalf.

9. Should I change the utilities (electric, phone, oil company, etc.) into my name?

■ Yes. As soon as you know your closing date, you should notify the utility companies regarding the change of name and/or service. The companies will use the date of closing to prorate their bills for usage. You may also want to change the types of services the previous owner had. Some brokers will make these arrangements for you if you so request, however, in some cases, the utility company will require the owner to call directly.

10. Can I take possession of the house prior to closing?

■ If the seller is willing to allow you to take possession prior to the closing, you may be able to rent the property from the seller until the closing date. Speak with your attorney regarding early possession so that an agreement can be made prior to the contract being signed. You must have homeowner's insurance in effect on the day you take possession since the law provides that usually the person in possession is responsible for fire or other damage to the property.

11. Can the seller stay in possession of the house after closing?

■ Not without your permission and reasonable compensation for the use of the premises. Speak with your attorney about the consequences of this action and to prepare an agreement that spells out all the requirements, etc. This is not recommended since a true closing and allocation of utility expenses is more difficult to accomplish.

12. Who is responsible for paying the broker's commission?

■ Usually it is the seller's responsibility. However, in some cases, a Buyer's Broker may represent the buyer. In that case, the purchaser would pay the Broker's commission at the time of closing.

WHAT HAPPENS AFTER THE CLOSING?

1.

What is a closing statement?

2.

Can I rent my house out to an individual
or a group?

3.

Can I maintain the same homeowner's insurance
as from my previous home?

4.

Can I rebuild my shed/bulkhead/garage?

5.

Should I winterize and shut down my home
if I don't plan on living there year round?

6.

How do I pay the real estate taxes?

1. What is a closing statement?

■ A closing statement is an accounting of funds and other activities that transpire at the closing table. After the real estate transaction is complete, your attorney will provide you with a closing statement along with a copy of important documents signed at the closing to keep with your permanent records. You may wish to forward a copy of the closing statement to your accountant for tax purposes.

2. Can I rent my house out to an individual or a group?

■ You can always rent your house to an individual as long as it is consistent with your mortgage agreement (some mortgages require that you live at the premises or use it as your primary residence). Some municipalities regulate group rentals and you should consult your attorney before entering any such lease. If you rent the house on a twelve (12) month basis, your homeowner's policy does not cover fire or other losses. You would need to convert the homeowner's policy into a fire & casualty policy.

3. Can I maintain the same homeowner's insurance as from my previous home?

■ No. You should secure a new policy after a local insurance broker has inspected the premises.

4. Can I rebuild my shed/bulkhead/garage?

■ You must first obtain authorization from the local zoning and building departments in order to rebuild, but generally, if you are rebuilding the exact same structure, your building permit will be granted.

5. Should I winterize and shut down my home if I don't plan on living there year round?

■ Yes. If you are not going to live in the home or keep it heated through the winter months, it is vital that you winterize the heating and water systems. Pipes may freeze and burst during cold weather causing a flood in your home if not properly taken care of. A local plumber or heating expert can help you make a decision on whether and how to winterize your

home. Often an absent owner will engage a house-watcher to check the premises periodically.

6. How do I pay the real estate taxes?

■ At the closing, your attorney should secure a copy of the most recent Town tax bill. If the premises are located in a village, that tax bill is also secured. If the closing occurs in the winter or spring, the new owner often has to pay the second half of the town taxes by the end of May. Depending on the month of closing, the new owner may not get the tax bill(s) for the next year since they may be sent to the seller. Arrangements need to be made at the closing to get the next tax bill since the new owner is legally responsible to pay the town taxes and will incur a late penalty after January 10th (even if the Town mails the bill to the wrong person at the wrong address).

The Mortgage Application

(Items you should bring with you when applying for a mortgage)

1. Purchase and sales agreement executed by all parties.
2. Account numbers for each bank account where deposits are held, plus name, address, and zip code of each depository.
3. Loan numbers for each mortgage loan outstanding on other properties owned, plus the name, address, and zip code of each lender.
4. Loan numbers for each installment loan outstanding, plus the name, address, and zip code of each lender.
5. Name and telephone number of a person who the appraiser should contact to gain access to the property being purchased.
6. Name and telephone number of the real estate broker involved in the transaction.
7. Your attorney's name and telephone number.
8. A copy of your cancelled earnest money (down payment) check.
9. A complete schedule of your real estate holdings. Include the address of each property, the type of property and number of rental units if rented, the income from each property, the mortgage payments, the taxes and insurance and any income (or loss) from operating the property.
10. If you are self-employed or have tax shelters, bring two years' income tax returns.
11. Social Security numbers for each borrower.
12. Name and address of your present employer(s); if employed less than two (2) years, the name(s) and address(es) for the previous two-year period.
13. If you were a full-time student at any time during the past two years, be prepared to verify that fact.

- 14.** Photocopies of your stocks and bonds, if you use their value to qualify for the mortgage loan. If they are in the hands of your broker, provide the name and address of your broker, plus your account number(s).
- 15.** Condominium buyers should try to obtain a copy of the condominium documents.
- 16.** An estimate of the annual property taxes and a reliable quote for homeowner's insurance. Condominium buyers should provide an estimate for the homeowner's association fee.
- 17.** Credit Report from one of the three major credit companies. If you do not have one, the bank will order one for you.

List of Closing Documents

Contract of Sale
Title Report
Deed
Certificate of Occupancy
Survey
Mortgage
Note
Payoff letters
Satisfaction of Mortgage
Gains Tax Affidavit
Peconic Bay Region Community Preservation Fund
Real Property Transfer Report
Affidavit of Title
Pool Escrow Agreement
Warranty (if new home)
Numerous Affidavits required by Bank Attorney
HUD-1 Settlement Statement
Power of Attorney
Notice of Right to Cancel
Hazard Insurance
Fuel/Propane Adjustment
Homeowners Association Letter
Bank Undertaking
Bank Certification
Satisfaction of Judgment
Non-Foreign Certification
Form 1099
Form W-9
Escrow Agreement for current taxes
Photo Identification
Disbursement Authorization
Closing Statement

List of Possible Bank Closing Costs

1. Bank Points

- Each point is 1% of the mortgage amount.
- On VA loans, the buyer can pay no more than 1 point. For all other programs, the points are fully negotiable between buyer and seller.

2. Bank Appraisal Fee

- An appraisal fee can run between \$150 and \$500.
- Must be paid at the time of application.

3. Bank Credit Report Fee

- Two unmarried buyers need two individual credit reports.
- This must be paid at the time of application.

4. Recording Fees

- Fees charged by the county clerk's office to file and record some of the closing documents such as the deed and mortgage. Depends on number of pages in each document.

5. Title Insurance

- Premium is established by the New York State Insurance Department. Varies with mortgage amount and purchase price.

6. Bank Attorney Fees

- Fees can run between \$400 and \$2,000 depending on amount of mortgage.

7. Attorney Fees

- Fees are based on the terms of your retainer agreement with your attorney.

8. Survey Fee

- A description and map of the land which identifies a parcel by specifying its shape and boundaries. Costs vary with the size of the parcel to be surveyed.

9. CPF Tax

- A Tax on properties in the five east end towns, equal to 2% of the purchase price that exceeds:

1. \$250,000 for improved properties and \$100,000 for vacant land for the Towns of East Hampton, Shelter Island and Southampton.
2. \$150,000 for improved properties and \$75,000 for vacation land for the Towns of Riverhead and Southold.

Please note these thresholds vary by Town, and you may qualify for an exemption if you are a first time homebuyer.

10. Mansion Tax

- A Tax of 1 % of the purchase price for improved properties of \$1,000,000 or more.

Glossary

Abstract of title - a complete summary of all recorded documents affecting the title of to the property.

Acre - a unit of land that contains 43,560 square feet.

Adjustable-rate loan - also known as a variable-rate loan, usually offers a lower initial interest rate than fixed-rate loans. The interest rate fluctuates over the life of the loan based on market conditions, but the loan agreement generally sets maximum and minimum rates. When interest rates rise, generally so do your loan payments; and when interest rates fall, your monthly payments may be lowered.

Agency - a relationship created when one person delegates to another person (the agent) the right to act on his behalf.

Agent - the person empowered to act by and on behalf of the principal.

Annual percentage rate (APR) - the cost of credit expressed as a yearly rate. The APR includes the interest rate, points, broker fees, and certain other credit charges that the borrower is required to pay.

Appraisal - an estimate of value.

“As is” - property offered for sale in its present condition with no guaranty or warranty of quality provided by the seller.

Assessed value - a value placed on a property by a municipality for the purpose of taxation.

Assessment appeal board -local governmental body that hears and rules on property owner complaints of over-assessment.

Assessment roll - a list or book, open for public inspection, that shows assessed values for all lands and buildings in a taxing district.

Binder - a short purchase memorandum used to secure a real estate transaction until a more formal contract can be signed. Sometimes refers to a nominal amount of money paid by purchaser to a broker to confirm purchaser’s interest in property. See “Earnest Money Deposit” below.

Broker - a natural person or legal entity licensed to act independently in conducting a real estate brokerage business.

Building codes - local and state laws that set minimum construction standards.

Buyer’s market - one with few buyers and many sellers.

Certificate of occupancy - a government-issued document that states a structure meets local zoning and building code requirements and is suitable for, and limited to, a particular use.

Chain of title - the sequence of property ownership that connects the present owner to the original source of title.

Closing - the act of finalizing a transaction.

Closing statement - an accounting of funds to the buyer and the seller at the completion of a real estate transaction.

Community Preservation Fund (CPF) - a tax paid by a Purchaser in the five east end towns of Long Island on all real estate transactions. The proceeds of the tax are used to pay for the purchase of public open space.

Comparables - the prices paid for properties similar to the subject property that are used to estimate the value of the subject property.

Competent parties - persons considered legally capable of entering into a binding contract.

Competitive market analysis - a method of valuing homes that looks not only at recent home sales but also at homes presently on the market plus homes that were listed but did not sell.

Consideration - anything of value given to induce another to enter into a contract.

Construction loan - a loan under which money is advanced as construction progresses.

Contract - a legally enforceable agreement to do (or not to do) a particular thing.

Covenant - a written agreement or promise.

Conventional loans - mortgage loans other than those insured or guaranteed by a government agency such as the FHA (Federal Housing Administration), the VA (Veterans Administration), or the Rural Development Services (formerly known as Farmers Home Administration, or FmHA).

Deed - a written document that conveys title to land when properly executed and delivered.

Deed restrictions - provisions placed in deeds to control how future landowners may or may not use the property. (Often called "C&Rs" or "Covenants and Restrictions")

Discount points - charges imposed by lenders in exchange for adjusting the effective rate of interest on a loan.

Earnest money deposit - money that accompanies an offer to purchase as evidence of good faith.

Easement - the right or privilege one party has to use land belonging to another for a special purpose not inconsistent with the owner's use of the land.

Encroachment - the unauthorized intrusion of a building or other improvement onto another person's land.

- Encumbrance** - any impediment to a clear title, such as a lien, lease, easement, judgment or mortgage.
- Environmental impact statement** - a report that contains information regarding the effect of a proposed project on the environment.
- Escrow** - the holding of money or documents by a neutral third party or a party's attorney prior to closing. It can also be an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.
- Exclusive agency listing** - a listing wherein the owner reserves the right to sell his property himself, but agrees to list with no other broker during the listing period.
- Exclusive right to sell** - a listing that gives the broker the right to collect a commission no matter who sells the property during the listing period.
- Fixed-rate loans** - generally have repayment terms of 15, 20, or 30 years. Both the interest rate and the monthly payments (for principal and interest) stay the same during the life of the loan.
- Fixture** - an object that has been attached to land so as to become part of the real estate.
- Foreclosure** - the procedure by which a person's property can be taken and sold to satisfy an unpaid debt.
- Grantee** - the person named in a deed who acquires ownership.
- Grantor** - the person named in a deed who conveys ownership.
- Homeowners' association** - an administrative association comprised of each owner of property within a given area.
- Homeowner policy** - an insurance policy designed for homeowners or tenants, including property damage and public liability coverage.
- Improvements** - any form of land development, such as buildings, pools, roads, fences, pipelines, etc.
- Insurance premium** - the amount of money one must pay for insurance coverage.
- Interest rates** - the rates that are set for borrowing money.
- Joint tenants with right of survivorship** - one of the three ways in which two or more individuals or entities hold title to real property. If one of the individuals dies, the remaining title holder(s) automatically inherit(s) the decedent's interest in the real property.
- Judgment lien** - a claim against property in favor of the holder of a court-ordered judgment.

- Lien** - a hold or claim which one person has on the property of another to secure payment of a debt or other obligation.
- Listing agreement** - an employment contract between a property owner and a broker.
- Loan origination fees** - fees charged by the lender for processing the loan; they are often expressed as a percentage of the loan amount. See "Points."
- Loan points** - a fee, expressed in percentage points, to obtain a loan.
- Lock-in** - this refers to a written agreement guaranteeing a homebuyer a specific interest rate on a home loan provided that the loan is closed within a certain period of time, such as 60 or 90 days. The agreement also often specifies the number of points to be paid at closing.
- Mansion tax** - a 1% tax paid on improved residential property where the purchase price is \$1 million or more.
- Market value** - the cash price that a willing buyer and a willing seller would agree upon, given reasonable exposure of the property to the marketplace, full information as to the potential uses of the property, and no undue compulsion to act.
- Mortgage** - a document signed by a borrower when a home loan is made that gives the lender a right to foreclose on the property if the borrower fails to pay the loan.
- Mortgage broker** - a person who brings borrowers and lenders together.
- Mortgage clearance** - the bank's authorization to its attorneys to schedule a closing.
- Mortgage commitment letter** - the bank's written offer to hold a mortgage and the terms and conditions on which it will agree to do so; by signing same, the borrower indicates his acceptance of said terms and conditions.
- Mortgage company** - a business that specializes in making real estate loans and selling the loans to investors.
- Mortgagee** - the party receiving the mortgage, i.e., the lender.
- Mortgagor** - the person who gives a mortgage pledging his property, i.e., the borrower.
- Nonconforming use** - an improvement that is inconsistent with current zoning regulations.
- Note** - a written promise to pay a debt.
- Open listing** - a listing that gives a broker a non-exclusive right to find a buyer.
- Option** - the right at some future time to purchase or lease a property at a predetermined price.

Peconic Bay Region Community Preservation Fund - see Community Preservation Fund.

Personal property - a right or interest in things of a temporary or movable nature or anything not classified as real property or a fixture.

Points - fees paid to the lender for the loan. One point equals 1% of the loan amount. Points are usually paid at closing. In some cases, the money needed to pay points can be borrowed, but doing so will increase the loan amount and the total costs.

Possession date - the date on which the buyer can move in.

Pre-approved - a lender's determination to approve a mortgage amount before purchaser finds a home to purchase. This is not the equivalent of a formal mortgage commitment.

Pre-qualified - the lender's determination that you are qualified to purchase a home you have identified with a certain size mortgage. This is not the equivalent of a formal mortgage commitment.

Private mortgage insurance (PMI) - protects the lender against a loss if a borrower defaults on the loan. It is usually required for loans when the down payment is less than 20 percent of the sales price or, in financing, when the amount financed is greater than 80 percent of the appraised value.

Quiet enjoyment - the right of possession and use of property without undue disturbance by others.

Real estate - land and all physical improvements in a physical sense as well as the rights to own or use them.

Real estate commission - the fee paid to a broker for his services.

Real property - ownership rights in land and its improvements.

Realtor-Associate - a membership designation for salespersons working for a Realtor.

Realty - land and buildings and other improvements to land.

Replacement cost - the cost at today's prices, using today's construction methods, of building an improvement having the same usefulness as the one being appraised.

Restrictive covenants - clauses placed in deeds and other recorded documents to control how future landowners may use real property.

Satisfaction of mortgage - a certificate from the lender stating that the loan has been repaid.

Tax map - maps used by the county clerk's office that show the location and boundaries of individual properties within a given area, available for public inspection at the clerk's office.

Tax map designation - an identification number assigned to a parcel of land by the county taxing authority. All the land within the county is divided into maps contained in numbered books.

On each page of the map books are numbered area maps. Each parcel of land on the area map is assigned a parcel number. These numbers make up the district (i.e., the township) section, block and lot number of a tax map number.

Tenants by the entirety - One of the three ways in which two or more individuals hold title to real property. This term refers exclusively to married couples. If a deed reads “John Doe and Jane Doe, his wife” or “Jane Doe and John Doe, her husband,” that means they hold title as tenants by the entirety.

Tenants in common - One of the three ways in which two or more individuals or entities hold title to real property. Unless it is apparent that the individuals are married or it is specifically stated that they are joint tenants with right of survivorship, it is assumed that the parties are tenants in common. As tenants in common, when one party dies, the decedent’s interest in the real property is transferred to the decedent’s estate or heirs (which may not necessarily be the decedent’s co-owner(s)).

Thrift institution - a general term for savings banks and savings and loan associations.

“Time is of the essence” - a phrase that means that the time limits of a contract must be faithfully observed or the party violating the time limit may be held in default under the contract.

Title - the right to or ownership of something; also the evidence of ownership such as a deed or bill of sale.

Title insurance - an insurance policy against defects in title that are not listed in the title report or abstract.

Title report - a statement of the current condition of title for a parcel of land based on a title search.

Title search - an inspection of publicly available records and documents to determine the current ownership and condition of title for a property.

Transaction, settlement, or closing costs - may include application fees, title insurance, and property survey fees, fees for preparing deeds, mortgages, and settlement documents; attorneys’ fees, recording fees; appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good-faith estimate of closing costs at the time of application for a loan or within three days of application. The good-faith estimate lists each expected cost either as an amount or a range.

Variable rate mortgage - a mortgage on which the interest rate rises and falls with changes in prevailing interest rates.

Variance - a permit granted to an individual property owner to vary from strict compliance with zoning requirements.

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