

Real Estate 101

Valuable information to help you in your real estate decision.

- [Why Choose a REALTOR?](#)
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Why Use a REALTOR®?

All real estate licensees are not the same. Only real estate licensees who are members of the NATIONAL ASSOCIATION OF REALTORS® are properly called REALTORS®. They proudly display the REALTOR "®" logo on the business card or other marketing and sales literature. REALTORS® are committed to treat all parties to a transaction honestly. REALTORS® subscribe to a strict code of ethics, and are expected to maintain a higher level of knowledge of the process of buying and selling real estate. An independent survey reports that 84% of home buyers would use the same REALTOR® again.

Real estate transactions involve one of the biggest financial investments most people experience in their lifetime. Transactions today usually exceed \$100,000. If you had a \$100,000 income tax problem, would you attempt to deal with it without the help of a CPA? If you had a \$100,000 legal question, would you deal with it without the help of an attorney? Considering the small upside cost and the large downside risk, it would be foolish to consider a deal in real estate without the professional assistance of a REALTOR®.

But if you're still not convinced of the value of a REALTOR®, here are a dozen more reasons to use one:

- 1. Your REALTOR® can help you determine your buying power** -- that is, your financial reserves plus your borrowing capacity. If you give a REALTOR® some basic information about your available savings, income and current debt, he or she can refer you to lenders best qualified to help you. Most lenders -- banks and mortgage companies -- offer limited choices.
- 2. Your REALTOR® has many resources to assist you in your home search.** Sometimes the property you are seeking is available but not actively advertised in the market, and it will take some investigation by your agent to find all available properties.
- 3. Your REALTOR® can assist you in the selection process by providing objective information about each property.** Agents who are REALTORS® have access to a variety of informational resources. REALTORS® can provide local community information on utilities, zoning, schools, etc. There are two things you'll want to know. First, will the property provide the environment I want for a home or investment? Second, will the property have resale value when I am ready to sell?
- 4. Your REALTOR® can help you negotiate.** There are myriad negotiating factors, including but not limited to price, financing, terms, date of possession and often the inclusion or exclusion of repairs and furnishings or equipment. The purchase agreement should provide a period of time for you to complete appropriate inspections and investigations of the property before you are bound to complete the purchase. Your agent can advise you as to which investigations and inspections are recommended or required.
- 5. Your REALTOR® provides due diligence during the evaluation of the property.** Depending on the area and property, this could include inspections for termites, dry rot, asbestos, faulty structure, roof condition, septic tank

and well tests, just to name a few. Your REALTOR® can assist you in finding qualified responsible professionals to do most of these investigations and provide you with written reports. You will also want to see a preliminary report on the title of the property. Title indicates ownership of property and can be mired in confusing status of past owners or rights of access. The title to most properties will have some limitations; for example, easements (access rights) for utilities. Your REALTOR®, title company or attorney can help you resolve issues that might cause problems at a later date.

6. Your REALTOR® can help you in understanding different financing options and in identifying qualified lenders.

7. Your REALTOR® can guide you through the closing process and make sure everything flows together smoothly.

8. When selling your home, your REALTOR® can give you up-to-date information on what is happening in the marketplace and the price, financing, terms and condition of competing properties. These are key factors in getting your property sold at the best price, quickly and with minimum hassle.

9. Your REALTOR® markets your property to other real estate agents and the public. Often, your REALTOR® can recommend repairs or cosmetic work that will significantly enhance the salability of your property. Your REALTOR® markets your property to other real estate agents and the public. In many markets across the country, over 50% of real estate sales are cooperative sales; that is, a real estate agent other than yours brings in the buyer. Your REALTOR® acts as the marketing coordinator, disbursing information about your property to other real estate agents through a Multiple Listing Service or other cooperative marketing networks, open houses for agents, etc. The REALTOR® Code of Ethics requires REALTORS® to utilize these cooperative relationships when they benefit their clients.

10. Your REALTOR® will know when, where and how to advertise your property. There is a misconception that advertising sells real estate. The NATIONAL ASSOCIATION OF REALTORS® studies show that 82% of real estate sales are the result of agent contacts through previous clients, referrals, friends, family and personal contacts. When a property is marketed with the help of your REALTOR®, you do not have to allow strangers into your home. Your REALTOR® will generally prescreen and accompany qualified prospects through your property.

11. Your REALTOR® can help you objectively evaluate every buyer's proposal without compromising your marketing position. This initial agreement is only the beginning of a process of appraisals, inspections and financing -- a lot of possible pitfalls. Your REALTOR® can help you write a legally binding, win-win agreement that will be more likely to make it through the process.

12. Your REALTOR® can help close the sale of your home. Between the initial sales agreement and closing (or settlement), questions may arise. For example, unexpected repairs are required to obtain financing or a cloud in the title is discovered. The required paperwork alone is overwhelming for most sellers. Your REALTOR® is the best person to objectively help you resolve these issues and move the transaction to closing (or settlement).

Realtor® Credentials

- [What is a GRI?](#)
- [What is a CCIM?](#)
- [Why Choose a REALTOR® With a GRI designation?](#)
- [Why Become A GRI?](#)
- [How do I get information about the GRI program in my state?](#)
- [Promoting Your GRI Designation](#)
- [GRI Referral Form](#)

What is a GRI?

The Graduate REALTOR® Institute (GRI) symbol is the mark of a real estate professional who has made the commitment to provide a high level of professional services by securing a strong educational foundation. REALTORS® with the GRI designation are highly trained in many areas of real estate to better serve and protect their clients.

What is a CCIM?

A Certified Commercial Investment Member (CCIM) is a recognized expert in the disciplines of commercial and investment real estate. A CCIM is an invaluable resource to the commercial real estate owner, investor, and user, and is among an elite corps of more than 9,000 professionals who hold the CCIM designation across North America and more than 30 countries. Nearly 10,000 additional professionals are pursuing the CCIM designation. Recognized for its preeminence within the industry, the CCIM curriculum represents the core knowledge expected of commercial investment practitioners, regardless of the diversity of specializations within the industry. The CCIM curriculum consists of four core courses that incorporate the essential CCIM skill sets: financial analysis, market analysis, user decision analysis, and investment analysis for commercial investment real estate. Additional curriculum requirements may be completed through CCIM elective courses, transfer credit for graduate education or professional recognition, and qualifying non-CCIM education. Following the course work, candidates must submit a portfolio of closed transactions and/or consultations showing a depth of experience in the commercial investment field. After fulfilling these requirements, candidates must successfully complete a comprehensive examination to earn the CCIM designation. This designation process ensures that CCIMs are proficient not only in theory, but also in practice. With such a wide range of subjects to be mastered and in a dynamic business such as real estate, the educational process doesn't end once the designation is earned; there is a strong commitment among CCIMs to continuing education. Only 6 percent of the estimated 150,000 commercial real estate practitioners nationwide hold the CCIM designation, which reflects not only the caliber of the program, but also why it is one of the most coveted and respected designations in the industry. The CCIM membership network mirrors the increasingly changing nature of the industry and includes brokers, leasing professionals, investment counselors, asset managers, appraisers, corporate real estate executives, property managers, developers, institutional investors, commercial lenders, attorneys, bankers and other allied professionals. Through this business network, CCIM members successfully complete thousands of transactions annually, representing more than \$200 billion in value. Certified Commercial Investment Members are in more marketplaces in North America -- 1,000 cities -- than all major real estate companies combined. Regions and chapters provide designees and candidates the opportunities to promote business and educational goals through local and regional forums and meetings. Conferred by the

CCIM Institute, the CCIM designation was established in 1969. Courses leading to the designation are now offered throughout the world. For more information, call (800) 621-7027.

Why Choose a REALTOR® With a GRI designation?

Buying property is a complex and stressful task. In fact, it's often the biggest single investment you will make in your lifetime. At the same time, real estate transactions have become increasingly complicated. New technology, laws, procedures and the increasing sophistication of buyers and sellers require real estate practitioners to perform at an ever-increasing level of professionalism. So it's more important than ever that you work with an agent who has a keen understanding of the real estate business. The GRI program has helped the best and the brightest in the industry achieve that level of understanding. GRIs are:

- Nationally recognized as top performers in the real estate industry
- Professionally trained
- Knowledgeable
- Dedicated to bringing you quality service

A GRI can make a difference. When you see the letters "GRI" after an agent's name, you can count on receiving the knowledge and guidance you need to make your transaction go smoothly. In short, you can count on getting the best service available from a real estate professional. Don't you deserve the best?

Why Become A GRI?

GRI – The Professional Edge Set yourself apart. Earn the designation that makes a difference and increases your income. * According to the data in the 2003 National Association of REALTORS® Profile nineteen percent of all REALTORS® have earned the GRI designation. * According to the member survey conducted in 2003 by the National Association of REALTORS®, REALTORS® with a designation earned over \$33,200 more annually than non-designees. * Expand your network of real estate professionals through course contacts to generate more leads and referrals. In today's competitive business environment you need more than just motivation and initiative to succeed, you need the advantage of the education you receive in the GRI program. The Graduate REALTOR® Institute (GRI) designation indicates to buyers, sellers and other real estate industry professionals that you have made the commitment to provide a high level of professional service to your clients by securing a strong educational foundation. The GRI designation is obtained by attending a specific, intensive series of a minimum of 90 hours of classroom instruction, covering subjects in contract law, professional standards, sales and marketing, finance and risk reduction. The subject matter has been chosen to educate practitioners about local, state and national real estate practices that affect them and their clients. GRI courses are taught by leading real estate professionals from around the country. The REALTOR® Institute is more than twenty-five years old and has graduated thousands of REALTORS®. These professionals find the GRI designation a powerful tool for attracting and

building new business. In today's competitive business environment you need more than just motivation and initiative to succeed, you need the advantage of the education you receive in the GRI program.

How do I get information about the GRI program in my state?

Do you have some questions about education programs in your area? Contact your state and local education directors. A list of state education directors follows. To contact your local association education director, view the [State/Local Leadership Directory](#).

[State Education Directors](#)

Promoting Your GRI Designation

The following materials are provided to assist GRI designees in marketing their GRI designation. The items can be used individually or collectively to create or enhance marketing materials.

- [Designation Awareness Brochure](#)
- [Download GRI Logo](#)
- [GRI Press Release](#)
- [Taglines](#)
- [The Code of Ethics -- The REALTORS® Pledge of Performance and Service](#)

GRI Referral Form

The attached referral form is provided for your convenience to use when referring clients to other GRI designees. Please follow the guidelines within your state's laws regarding compensation and any other issues related to referrals.

There are fields within the form that you can fill in. There are also options available on the form to print and save the document. You will need a copy of Adobe Reader. [Download it for free](#).

[GRI Referral Form \(97K PDF File\) >>](#).

Tips for Buyers

- [Is there a difference between buying a house or a home?](#)
- [What do I look for in a REALTOR®?](#)
- [Are all agents the same?](#)
- [Why should I pay attention to the disclosure statement?](#)
- [How do I find an agent?](#)
- [Where do I search for a real estate agent?](#)
- [Is it acceptable to change jobs?](#)
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- [Can I make a major purchase?](#)
- [Should I consolidate my money?](#)
- [What if I want to start my own business?](#)

Is there a difference between buying a house or a home?

Yes. There is a considerable difference between buying a house and buying a home. However, you may find the words used interchangeably throughout your real estate research process. Like the old adage, “home is where the heart is”, a home is where you feel safe, comfortable, and secure. It is where you live. A house is an investment, a piece of property. But a house can also be where you put other belongings, eat, sleep, and reside. A lot of emotion goes into purchasing a home. When buying a house you think more logically. There needs to be a balance between both logic and emotion when buying real estate. For example, you want to buy a south-facing house because you like a lot of sunlight streaming into the main rooms. But, the house is more expensive than what you are comfortable with. What do you do? Borrow the money to buy the house? Buy the less expensive north-facing house? People often look at a house emotionally. They see the warm, secure, joyful place where their family will grow and be happy. But logic jumps into action when they start filling out the mortgage application or put an offer on the real estate – this is where “buyers remorse” can kick in. **Finding the balance** When buying real estate it is important to consider both the emotional and logical perspectives. Remembering what you are capable of buying while keeping in mind what you want is tricky. Many times wants and needs will conflict with one another. When this happens, determine whether it is a big problem, or a small one. The large conflicts should be won with logic, and many of the smaller conflicts should tilt toward the emotional side. This balance will help get you into a cozy, comfortable, and secure home that will be the investment for your future you hoped for.

What do I look for in a REALTOR®?

You should start with your way of thinking. You shop for a real estate agent the same way you shop for any other professional. Gather all the information that you can. Use the Internet as a guide. If a Web site has a lot of information to help inform buyers, it is probably better than a site

that only talks about themselves and how great they are. Remember, you want someone who will inform you about the process as it occurs. The focus is not on the agent or agency, but on the client and the client's needs. Whether you are looking to buy or sell real estate, it is important to choose the person who will represent you. Usually when a person is looking to buy a home, they typically find themselves with whatever REALTOR® helped them first. But, when someone is looking to sell their house, they more often than not research and interview REALTORS® until they find someone who best fits their needs. They want someone who will represent their best interests. It should be the same when buying a new house. You have choices. Do a little investigating. After all, this is your home, the place where you will live and make memories. It does make a difference.

Are all agents the same?

There are two sides to every sale. There is the listing agent, and there is the selling agent or buying agent. The selling agent represents the buyer's side of the transaction. The listing agent represents the selling side of the transaction. Agents are capable of dealing with both sides of the sale but often chose to specialize in one side or the other, buying or selling. You should interview agents and chose the one the best fits your needs. Ask about their education, years of experience and specialty if applicable. Remember, it is important to hire a real estate agent in the same manner you would go about hiring any other professional. Since there is often two agents involved in a deal, it's a good idea to line up an agent before you start making offers on a home. If you find a home and would like to make an offer, but you haven't secured a real estate agent yet, the listing agent would then handle both sides and things would work out differently then if you had your own representation.

Why should I pay attention to the disclosure statement?

If you go straight to the listing agent to make an offer, there should be a disclosure that specifies the working relationship to exist – this means the agent represents only the seller or both you and the seller. The document you sign that explains this relationship is called the “agency disclosure”. If the real estate agent is representing both parties, they will often become more of a transaction facilitator than an advocate for either side. However, if the agent specifies that they are acting on behalf of the seller, then they are directly the advocate of the seller alone. **Possible Conflicts** On the whole, real estate transactions go well, but nearly everyone has to face challenges during the process. Often times these difficulties are routine, but once in awhile one party comes out on top, and the other feels like they got the raw end of the deal. If there is only one agent, it is possible for the buyer to feel that the agent took the seller's side in a conflict. This is seldom truly the case, but it can happen to anyone. Ultimately, when you are thinking about

making an offer directly to the listing agent, ask yourself some key questions. What are you really missing out on if you do not have your own real estate agent to represent you? Will you gain anything by simply making your offer to the listing agent? Once you have the answers, make your decision based on what you want.

How do I find an agent?

Any REALTOR® can dig up a list of houses for you to look at by going to the Multiple Listing Service – that means you can open the phone book and call any real estate office and get someone to show you houses. Unfortunately, you won't know whether or not you're talking to a great REALTOR®, or a non-productive and lazy one. In order to have a good relationship between a real estate agent and their client, besides representing you and your best interests, the agent must be able to educate you about the process as it happens. Don't just look for property – look for an agent that is willing to inform you. Ask around. It is always a good idea to use referrals. Maybe a friend or family member recently bought a house and had a good experience with the agent they used. However, be sure the agent is familiar with the area you wish to live in. It is important that your agent is familiar with the neighborhoods. The agent should know the community well, because you are not just buying a house, you are buying a home. An understanding of the nearby businesses, schools, and parks is a part of that community that you are interested in knowing about. Your REALTOR® should be able to give you specifics.

Where do I search for a real estate agent?

A good way to find the right REALTOR® is to interview people from different, but related, professions and ask them who they recommend, like an escrow officer or title representative. They might know someone who impresses them and would work well for you too. When talking to a loan officer be sure they deal with purchase money first trust deeds and mortgages, not refinances or second trust deeds. You want to talk with someone who deals with REALTOR® often. There's nothing wrong with making a few phone calls either. Asking the manager questions about REALTOR® is a good way to see who they respect as an agent. You can even ask about the competition – that is a great way to find out who they respect as a competitor, not just a good agent. The Internet is a great way to find a real estate agent. If an agent is advertising themselves, and not the property, you are likely looking at a good buyers agent instead of a listing agent. Check out their Website and see what kind of information is offered to you. Remember, you want someone who will inform of the process all the way through the transaction.

Is it acceptable to change jobs?

Changing employers shouldn't change your ability to qualify for a mortgage loan if you're going to be earning more money. Unfortunately, it can have a very adverse effect when you list a new job on your loan application. You should be able to show a long-term commitment to your existing career. However, for many home buyers, taking a higher paying job isn't going to affect your ability to qualify.

Should I buy a car?

You may be asking yourself, “what does buying a car have to with buying a new home?” Loads! When you first begin to earn more money you may have the natural instinct, (as all Americans do) to spend increasingly more of it. It may start with a simple dinner or two out to your favorite restaurant. But a few dinners out quickly turn into new clothes, sporting equipment, and then the big one, a new car or truck. That shiny new truck is great for hauling all that new camping gear you just bought, but there's a catch... ..now that you have made some larger purchases you start looking at buying a home. You go to a lender to prequalify for a loan. You jump through the hoops and the loan officer asks about your income, maybe your tax info, and then... ..that big truck shows up towing a big monthly payment. It doesn't look promising. Don't do it. Wait to buy the truck, or any other large item that may come with a hefty monthly price tag.

Can I make a major purchase?

No. Review the article entitled “Should I buy a car?”, and pay close attention, it applies to all major purchases including, electronics, furniture, appliances, vacation, or even weddings.

Should I consolidate my money?

It is not a good idea to move your money around. A Lenders job is to review your package for approval. One of their responsibilities is to locate the source of the funds being used as a down payment and for closing costs. You will probably be asked to provide two to three months worth of statements on your liquid assets. Things you may have to provide include: bank account information, (savings and checking), certificates of deposit, stocks, money market funds, and mutual funds. By moving money around, your accounts will show large withdrawals and deposits. The person who approves your loan (mortgage underwriter) will likely want to see a full accounting of all the withdrawals and deposits – this means you will have to pull together everything from canceled checks to deposit receipts and more. It is a lot of work and eats up a lot of time. You may think you are making it easier by consolidating your funds, however, it may

very well make it more difficult. The lender must be able to accurately document the source of your funds to avoid potential fraud – that is a requirement on most loans. If you are planning on buying a home, it is best not to move your money around.

What if I want to start my own business?

If you want to make a job switch and think self-employment is the way to go, don't go there. Always purchase your home before making this kind of change. A lender is going to want a two-year record of self-employment earnings before approval. Aside from that, most self-employed people show quite a bit on the Schedule C of their tax returns early on in their business – that might decrease the tax obligation, but it also decreases the income shown for qualification on the new home loan. The above applies to changing your business from a sole proprietorship to a partnership. Don't make the change until you buy the house.

Tips for Sellers

- [Are all agents the same?](#)
- [What do I look for in a REALTOR®?](#)
- [How do I find an agent?](#)
- [Where do I search for a real estate agent?](#)

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