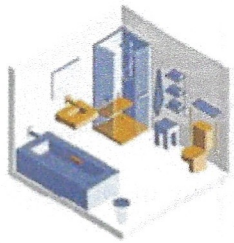


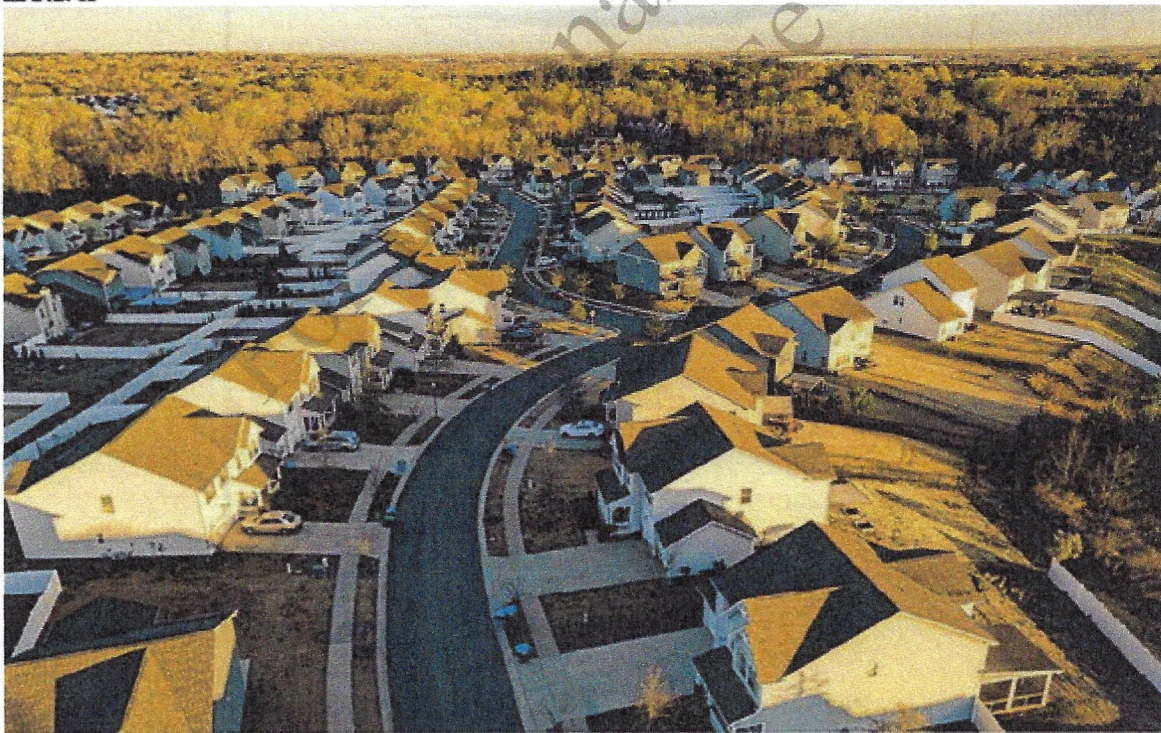
WSJ Print Edition

Get Your Home Ready

More than half of homes don't have basic features like grab bars and stair lifts for aging in place.



Scan this code for our interactive tool to help you plan for an elderlyfriendly home.



FROM TOP: ANGELA OWENS/ WSJ; ELIZAVETA GALKINA Americans have accumulated trillions of dollars of home equity over the past few years.

Ready to Buy a Home? Test Your Knowledge on the ABCs

From PMI to ARMs, homeownership has its own language—take our quiz

BY VERONICA DAGHER

For many Americans, their home isn't just a place to live, it is the biggest purchase they will ever make and their most valuable asset.

Homeowners have stockpiled trillions of dollars of equity over the past few years of rising prices. But they also put up with their fair share of headaches. It takes a specialized set of knowledge to own, not to mention buy or sell.

Take our quiz to test your knowledge:

1. Why is a home appraisal necessary when getting a mortgage?

- A. To determine the tax assessment value used for property-tax calculations
- B. To identify any structural defects that need repair
- C. To ensure the property's market value justifies the requested loan amount
- D. To negotiate the final sale price between the buyer and the seller

2. What is the key feature that makes an adjustable-rate mortgage (ARM) different from a fixed-rate mortgage?

- A. An ARM is only available to first-time home buyers
- B. The interest rate changes at predetermined intervals after an initial fixed period
- C. The monthly payment is calculated based on the home's appraised value rather than the final sale price
- D. The interest rate on an ARM is always lower than a fixed-rate mortgage

3. Property taxes are calculated by applying a local government's millage rate, or tax rate, to which specific valuation of a home?

- A. The outstanding principal balance of the mortgage
- B. The assessed value
- C. The initial purchase price of the home
- D. The appraised value

4. If a married couple sell their main home for a profit of \$400,000 after living there for 10 years, how much of that profit will they typically pay taxes on?

- A. The entire \$400,000 profit is excluded from capital-gains tax
- B. The first \$250,000 is excluded from tax, and the remaining \$150,000 is taxed
- C. The entire \$400,000 is immediately subject to capital-gains tax
- D. The gain is only taxed if the couple buy a more expensive replacement home

5. What type of damage is most often not covered by a standard homeowners insurance policy and requires a separate purchase?

- A. Theft and vandalism
- B. Earthquakes and landslides
- C. Fire and smoke damage
- D. Damage from a falling tree

6. Which of the following documents outlines all of the loan terms, projected monthly payments and closing costs a home buyer can expect to pay?

- A. The seller's disclosure notice
- B. The property-tax statement
- C. The comparative market analysis
- D. The loan estimate

7. For someone selling their home, what is the main purpose of the listing agreement they sign with a real-estate broker?

- A. To guarantee a specific sale price for the property

B. To formally offer the property to a specific buyer at a set price

C. To establish the duration of the broker's representation and the commission

D. To certify that the home is free of all known structural defects

8. What legally binding document typically outlines the rules and financial obligations of property owners within a homeowner's association (HOA)?

A. The community annual budget

B. Covenants, conditions and restrictions

C. The articles of incorporation D. The HOA bylaws 9. When are borrowers required to pay for private mortgage insurance (PMI)?

A. The down payment is less than 20% of the purchase price

B. The loan is an ARM C. The home is located in a highrisk flood zone

D. The borrower's credit score is below 620

Answers: 1: C; 2: B; 3: B; 4: A; 5: B;

6: D; 7: C; 8: B; 9: A

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