

Important Real Estate Terms

Adjustable Rate Mortgage (ARM): A mortgage that provides for periodic changes in the interest rate, based on changing market conditions.

Amortize: To liquidate or extinguish (a mortgage, debt, or other obligations), especially by periodic payments to the creditor or to a sinking fund, to write off a cost of (an asset) gradually.

Annual Percentage Rate (APR): Annual percentage rate: the annual rate of interest; the total interest to be paid in a year divided by the balance due.

Appraisal: The act of estimating or judging the nature or value of something or someone. An estimate of value, as for sale, assessment or taxation; valuation.

Backup Offer: An offer on a home under contract that becomes Active if the primary contract falls through.

Closing: The final step in property purchase where the title is transferred from the seller to the buyer. At closing the seller receives payment for the property. Also known as settlement.

Closing Costs: Fees charged to the purchaser by a bank, lawyer, etc. For services related to a sale, a title search, an appraisal, etc. Any expenses over the purchase price of the house, land, etc., that is paid by the purchaser or seller at the completion of the sale.

Closing Disclosure: A closing disclosure provides final details about the mortgage loan you have selected. It will be sent prior to closing and the initial document must be signed 72 business hours before closing. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs).

Contingency: A clause in a purchase contract outlining conditions that must be fulfilled before the contract is executed. Both buyer and/or seller may include contingencies in a contract, but both parties must accept the contingency.

Contingent Offer: An offer that is accepted by the seller, but certain conditions must be met before the sale is final.

Conventional Loan: A private sector loan, one that is not guaranteed or insured by the U.S. Government.

Deed: A writing or document executed under seal and delivered to affect a conveyance, especially of real estate.

Disclosures: The release of relevant information about a property that may influence the final sale, especially if it represents defects or problems. "Full disclosure" usually refers to the responsibility of the seller to voluntarily provide all known information about the property. A seller found to have knowingly lied about a defect may face legal penalties.

Down Payment: The percentage of the homes purchase price-dependent upon loan type

Earnest Money: Money given by a buyer to a seller to bind a contract.

Easement: A right held by one property owner to make use of the land of another for a limited purpose, as a right of passage.

Escrow: A contract, deed, bond, or other written agreement deposited with a third person, by whom it is to be delivered to the guarantee or promise on the fulfillment of some condition.

Fannie Mae (FNMA): A federally chartered enterprise owned by private stockholders that purchases residential mortgages and converts them into securities for sale to investors; by purchasing mortgages, Fannie Mae supplies funds that lenders may loan to potential home buyers.

Federal Housing Authority: Provides mortgage insurance on loans made by FHA-approved lenders throughout the United States and its territories. FHA insures mortgages on single family and multifamily homes including manufactured homes and hospitals.

Fixed-Rate Mortgage: A home mortgage for which equal monthly payments of interest and principal are paid over the life of the loan, usually for a term of 30 years.

Freddie Mac: Federal Home Loan Mortgage Corporation (FHLM); a federally chartered corporation that purchases residential mortgages, secures them, and sells them to investors; this provides lenders with funds for new buyers.

Good Faith Estimate (GFE): A form used by lenders to give to borrowers with an estimate of fees due at closing.

Homeowners Association: A management organization within a community, subdivision or neighborhood that creates and enforces rules for properties within its jurisdiction.

Inspection: An examination of a property and its systems performed by a qualified professional.

Jumbo Mortgage: A mortgage that exceeds the conforming-loan amount limit, commonly used for luxury home purchases.

Key Rate: An interest rate set by the federal government that determines the cost to borrow money.

Lien: The legal claim of one person upon the property of another person to secure the payment of a debt or the satisfaction of an obligation.

Loan-to-value (LTV): The risk assessment ratio used by lenders. To calculate the LTV, divide the mortgage by the appraised value.

Multiple Listing Service (MLS): A database for real estate agents to list and market for sale homes.

Net Proceed: The amount received by the seller at closing after all other costs have been deducted.

Open House: An event hosted by a listing agent to showcase a home to potential buyers.

Origination Fee: A fee charged by a lender for evaluating and processing a loan application, usually a percentage of the face value of the loan.

PITI: Principal, interest, taxes, and insurance.

Pre-approval letter: A letter indicating that a lender is willing to loan a specific amount of money for a home purchase: pre-approval does not guarantee a loan.

Promissory Note: A written promise to pay a specified sum of money to a designated person or to his or her order, or to the bearer of the note, at a fixed time or on demand.

Quitclaim Deed: A deed that transfers property rights without any validation of ownership; typically used between spouses and family members.

Rate Lock: A commitment by a lender to a borrower guaranteeing a specific interest rate over a period of time at a set cost.

Real estate owned (REO) property: A repossessed property owned by a lender after an unsuccessful sale at auction.

Seller Disclosure: A document completed by the seller disclosing the property's history and defects.

Title: In property law, a title is a bundle of rights in a piece of property in which a party may own either a legal interest or equitable interest. The rights in the bundle may be separated and held

by different parties. It may also refer to a formal document, such as a deed, that serves as evidence of ownership.

Title Insurance: Insurance protecting the owner or mortgagee of real estate from lawsuits or claims arising from a defective title.

Underwriting: The process of analyzing a loan application to determine the amount of risk involved in making the loan; it includes a review of the potential borrower's credit history and a judgement of the property value.

Under Contract: A buyer has submitted an offer and the seller has accepted, but the closing is not final.

VA Loan: A mortgage loan for veterans and their spouses, made by private lenders and guaranteed by the U.S. government.

Walkthrough: The final inspection conducted before a home sale is final.