

## GLOSSARY

### A

#### **Agent**

A person authorized by another to act on his or her behalf.

#### **Agreement of sale**

A contract in which a seller agrees to sell and a buyer agrees to buy, under certain specific terms and conditions spelled out in writing and signed by both parties.

#### **Amortization**

A payment plan that enables the borrower to reduce his or her debt gradually through monthly payments of principal.

#### **Appraisal**

An expert judgment or estimate of the quality or value of real estate as of a given date.

#### **Asking price**

The price that a seller is requesting for their property, specified in a listing contract.

#### **Assessed value**

Value placed on property by the tax assessor.

#### **Assessment**

The valuation of property for the purpose of levying a tax or the amount of the tax levied.

#### **Assessor**

One appointed to assess property for taxation.

### B

#### **Balloon payment**

The final installment paid at the end of the term of a note; used only when preceding installments were not sufficient to pay off the note in full.

#### **Bill of sale**

An instrument used to transfer personal property.

### C

#### **Capital gains**

A term used for income tax purposes, which represents the gain realized from the sale of an asset less the purchase price and deductible expense.

#### **Capitalization**

An appraising term used in determining value by considering net operating income and a percentage of reasonable return on investment.

#### **Cash flow**

The owner's "spendable" income after operating expenses and debt service is deducted.

#### **Certificate of title**

A certificate issued by a title company or a written opinion rendered by an attorney that the seller has good marketable and insurable title to the property, which he or she is offering for sale.

#### **Closing**

In the sale of real estate, it is the final moment when all documents are executed and recorded and the sale is complete. Also, a general selling term where a sales person is attempting to sell something the buyer agrees to purchase.

#### **Closing costs**

The expenses which buyers and sellers normally incur to complete a transaction in the transfer of ownership of real estate. These costs are in addition to price of the property and are items prepaid at the closing day.

#### **Closing date**

The date on which the title to the property changes hands.

#### **Closing disclosures**

A required final disclosure from the lender reflecting the actual terms of the transaction.

#### **Contingency**

A condition upon which a valid contract is dependent. Typically found in the offer to purchase and the purchase and sale agreement. For example, the sale of a house is contingent upon the buyer obtaining adequate financing.

#### **Conventional mortgage**

A mortgage loan not insured by HUD or guaranteed by the Veterans Administration. It is subject to conditions established by the lending institution and State statutes. The mortgage rates may vary with different institutions and between States.

#### **Counteroffer**

An offer in response to an offer.

### D

#### **Deposit**

A sum of money sometimes referred to as earnest money, binder, or escrow, which is presented with the offer to purchase and the purchase and sale agreement. This money is held in escrow and goes towards the buyer's closing costs.

#### **Depreciation**

Decline in value of a house due to wear and tear, adverse changes in the neighborhood, or any other reason.

#### **Down payment**

The amount of money to be paid by the purchaser to the seller upon the signing of the agreement of sale.

### E

#### **Earnest money**

The deposit money given to the seller or his or her agent by the potential buyer upon the signing of the agreement of sale to show that he or she is serious about buying the house. If the sale goes through, the earnest money is applied against the down payment. If the sale does not go through, the earnest money will be forfeited or lost unless the binder or offer to purchase expressly provides that it is refundable.

#### **Equity**

The residual value of real property beyond any mortgage thereon.

#### **Escrow**

Funds paid by one party to another (the escrow agent) to hold until the occurrence of a specified event, after which the funds are released to a designated individual.

#### **Extensions**

Written or verbal extensions of dates in the offer to purchase and the purchase and sale agreement.

### F

#### **Fair market value**

The price a property will bring given that both buyer and seller are fully aware of market conditions and comparable properties.

#### **Fixed-rate loan**

A loan that has an unchanging interest rate.

### G

#### **Grantee**

That party in the deed that is the buyer or recipient.

#### **Grantor**

That party in the deed that is the seller or giver.

#### **Gross estimate**

All money coming into a household on a regular basis.

## H

### **Homeowners association (HOA)**

An association of homeowners within a community formed to improve and maintain the quality of the community.

### **Homeowners insurance**

An insurance policy protecting against a variety of hazards.

### **HUD**

U. S. Department of Housing and Urban Development. Office of Housing/Federal Housing Administration within HUD insures home mortgage loans made by lenders and sets minimum standards for such homes.

## I

### **Inclusions**

A section of the offer to purchase designed to exhibit any extra items the buyer or seller would like to be included with the real estate (i. e.: personal property).

### **Inspections**

The analysis of the home to find defects that may exist.

### **Interest**

Money paid to a lender as compensation for money that is borrowed.

## L

### **Lease**

A contract between the owner of real property, called the lessor, and another person, referred to as the lessee, covering all conditions by which the lessee may occupy and use the property.

### **Lien**

A claim by one person on the property of another as security for money owed. Such claims may include obligations not met or satisfied, judgments, unpaid taxes, materials, or labor.

### **Listing**

(a) A property included in the multiple listing services. (b) A written agreement between a seller and a broker authorizing the broker to procure a buyer or tenant for his or her real estate.

### **Listing agent**

The broker employed by the principal to market the property.

### **Loan estimate**

A required disclosure from the lender reflecting good-faith estimates of credit costs and transaction terms.

### **Loan fee**

Also known as points, discount points, or an origination fee, this is a one-time charge by a lender as compensation for their services. One point equals 1% of the mortgage amount.

### **Loan originator**

A person who works for the lending institution whose job it is to meet with potential borrowers to discuss loan options, rates, etc.

## M

### **Market analysis**

An analysis performed to determine the current value of a property based on recently sold comparable properties, comparable properties that are currently for sale and the current overall market conditions.

### **Mortgage**

A legal document that pledges property to a creditor for the repayment of the loan, and is the term used to describe the loan itself. Some states use the term First Trust Deeds to refer to mortgage loans.

### **Mortgage contingency**

A contingency in the offer to purchase and/or the purchase and sale agreement which protects the buyers in case they are unable to get a mortgage commitment by a date specified in the contract. In this case, the buyers would be able to cancel the contract to purchase and receive back all deposits made.

### **Multiple listing**

A listing taken by a member of an organization of brokers, whereby all members have an opportunity to find a buyer.

## N

### **Negative amortization**

When monthly payments are not enough to cover interest costs, they are added to the principal balance, and may end up owing more than when the loan was originally started. This is most likely to occur with Adjustable Rate Mortgages (ARM) loans that have payment caps.

### **Notary public**

One who is authorized by federal or local government to attest authentic signatures and administer oaths.

### **Note**

A written instrument acknowledging a debt and promising payment.

## P

### **Points**

Sometimes called "discount points." A point is one percent of the amount of the mortgage loan.

### **Private mortgage insurance (PMI)**

Private mortgage insurance, required by many lenders when a borrower's down payment is less than 20% of the purchase price.

### **Preapproval**

A pre commitment from a lending institution to a buyer based on background checks, hard credit reports, and review by an underwriter.

### **Prequalifying**

The lender's process of judging if a borrower is creditworthy and capable of making payments on a loan.

### **Prepayment**

Payment of mortgage loan or part of it before due date. Mortgage agreements sometimes restrict the right of prepayment either by limiting the amount that can be prepaid in any one year or charging a penalty for prepayment. The Federal Housing Administration does not permit such restrictions in FHA insured mortgages.

### **Prepayment penalty**

A penalty within a note, mortgage, or deed of trust imposing a penalty if the debt is paid in full before the end of its terms.

### **Principal**

The basic element of the loan as distinguished from interest and mortgage insurance premium. In other words, principal is the amount upon which interest is paid.

### **Promissory note**

A written promise to pay a debt as set forth in writing.

### **Property tax and insurance escrow**

Money collected monthly by the lender and held to pay taxes and insurance when due.

### **Purchase and sale agreement**

A detailed document(s) regarding the agreement between the buyer and seller on the price and other terms and conditions of the transaction written in "legalese."

## R

### **Recording deed**

Entering the deed (owner's title) in public records to protect against subsequent claimants.

### **Realtor**

A real estate broker holding membership in a real estate board affiliated with the National Association of Realtors.

### **Refinancing**

The process of the same mortgagor paying off one loan with the proceeds from another loan.

### **Residential Real Estate Inspector (RREI)**

Residential Real Estate Inspector (RREI) or Commercial Real Estate Inspector (CREI) both are members of the Foundation of Real Estate Appraisers (FREAA).

## S

### **Seller's market**

More buyers than sellers.

### **Septic system**

A private sewerage system consisting of a tank, distribution box, and leaching field. The sewerage flows into the tank, the wastewater rises and goes out a pipe to the distribution box. From this point the waste water is diverted into the leaching field consisting of three perforated pipes which allow the waste water to leach into the ground. The sludge remains in the tank and must be pumped regularly.

### **Setback**

The distance from the front or interior property line to the point where a structure can be located.

### **Special conditions**

A section of the offer to purchase designed to exhibit any special circumstances, contingencies, or addendums desired by the buyer or seller.

### **Special lien**

A lien that binds a specified piece of property, unlike a general lien, which is levied against all one's assets. It creates a right to retain something of value belonging to another person as compensation for labor, material, or money expended in that person's behalf. In some localities it is called "particular" lien or "specific" lien.

### **Survey**

A map or plot made by a licensed surveyor showing the results of measuring the land with its elevations, improvements, boundaries, and its relationship to surrounding tracts of land. A survey is often required by the lender to assure him that a building is actually sited on the land according to its legal description.

## T

### **Tax**

As applied to real estate, an enforced charge imposed on persons, property, or income, to be used to support the State. The governing body in turn utilizes the funds in the best interest of the general public.

### **Term**

The length of time in which a loan is to be paid off.

### **Terms and Conditions**

The negotiable issues outlined in the offer to purchase and/or the purchase and sale agreement.

## Title

Possessing ownership of real estate. As generally used, the rights of ownership and possession of particular property.

### **Title insurance**

Protects lenders or homeowners against loss of their interest in property due to legal defects in title. Title insurance may be issued to a "mortgagee's title policy."

### **Trustee**

A party who is given legal responsibility to hold property in the best interest of or "for the benefit of" another. The trustee is one placed in a position of responsibility for another, a responsibility enforceable in a court of law.

## U

### **Underwriter**

The person in the lending institution whose job it is to review loan documentation and evaluate the borrower's ability and willingness to repay the loan.

## V

### **Variable interest rate**

A fluctuating interest rate that can go up or down depending on the going market rate.

### **Voluntary lien**

A voluntary lien by the owner such as a mortgage, as opposed to involuntary liens (taxes).

## W

### **Waive**

To relinquish or abandon. To forego a right to enforce or require anything.

### **Walk through**

A final inspection of the property before closing to see that all agreed to repairs, etc. have been completed and that the property is in the condition the buyer expects.

### **Warranties and representations**

A section of the offer to purchase designed to exhibit representations or warranties made by the real estate brokers or the seller.

## Z

### **Zoning ordinances**

The acts of an authorized local government establishing building codes, and setting forth regulations for property land usage.