

## Complements of David Sugarman, Real Estate Agent

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[www.OttawaAreaHomes.info](http://www.OttawaAreaHomes.info)

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### Real Estate Glossary

Real estate is a complicated matter, and so is the language. If you don't know the lingo you could be left in the dark. Here is a glossary of terms to help get you started.

**Amortization:** The number of years it will take to pay back your mortgage loan.

**Anniversary:** Most lenders allow borrowers to make payments against the principal on the anniversary of the mortgage.

**Appraisal:** The act of estimating the market value of a property.

**Appreciation:** The increase in value in a home from when the home was first purchased.

**Approved Lender:** A lending institution, authorized by the Government of Canada, to make loans under the terms of the National Housing Act. Only Approved Lenders can negotiate mortgages that require mortgage insurance.

**Assumption Agreement:** A legal document signed by the homebuyer that requires the buyer to assume responsibility for the obligations of a mortgage by the builder or the previous owner.

**Balanced Market:** A market condition where the demand for property equals the supply of available properties for sale. There is typically a good number of homes available to choose from at fair and stable prices.

**Blended Payment:** A mortgage payment that includes principal and interest. It is paid regularly during the term of the mortgage. The payment total remains the same, although the principal portion increases over time and the interest portion decreases.

**Breach of Contract:** The failure to fulfill an obligation under a contract.

**Buyer's Market:** A market condition where there are a higher number of homes to choose from, than buyers able to purchase. Houses will typically remain un-sold for longer periods and tend to sell at a lower price, allowing for increased negotiating leverage for buyers.

**Closed Mortgage:** A mortgage loan that has a locked-in payment schedule and can not be prepaid or renegotiated before the term's end (unless included in the terms).

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**Closing Costs:** Costs, in addition to the purchase price of the property, such as legal fees, transfer fees and disbursements. Closing costs typically range from 2% - 4% of a property's selling price and are payable on the closing day.

**Closing Date:** The date at which the sale of a property becomes final and the new owner takes possession.

**Commitment Letter/Mortgage Approval:** Written notification from the mortgage lender to the borrower, that approves the advancement of a specified amount of mortgage funds under specified conditions.

**Conditional Offer:** An Offer to Purchase that is subject to specified conditions, for example, on approved financing or upon an approved home inspection. Conditional offers typically have a stipulated time limit within which the specified conditions must be met.

**Condominium Fees or Strata:** Payments made by owners of condominiums or townhouses to the property management of a complex that is allocated to pay expenses, such as maintenance, repairs and management costs.

**Conventional Mortgage:** A mortgage loan up to a maximum of 80% of the lending value of the home. Mortgage loan insurance is usually not required for this type of mortgage.

**Counteroffer:** When an original offer to the seller is not accepted, the seller may counteroffer.

**Deed:** A legal document that is signed by both the vendor and the purchaser, transferring ownership. This document is registered as evidence of ownership.

**Default:** Failure to abide by the terms of a mortgage loan agreement. A failure to make mortgage payments may give cause to the mortgage holder to take legal action to foreclose the mortgaged property.

**Delinquency:** Failing to make a mortgage payment on time.

**Deposit:** A sum of money placed in trust by the purchaser when an Offer to Purchase is made. The real estate representative or lawyer holds the sum until the sale is closed, and then it is paid to the vendor.

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**Depreciation:** The decrease in value in a home from when the home was first purchased.

**Discharge of Mortgage:** A signed document by the mortgage lender given to the borrower when a mortgage loan has been repaid in full.

**Down Payment:** The portion of the house price the buyer must pay up front, before securing a mortgage. Deposits generally range from 5% - 25% of the purchase price.

**Easement:** A right acquired for access to or over another person's land for a specific purpose, such as a driveway or public utilities.

**Equity:** The difference between the price for which a property could be sold and the total debts registered against the property.

**Foreclosure:** A legal process in which the lender takes ownership of a home if the borrower defaults on the mortgage loan.

**First Home Loan Insurance (FHLI):** A product of the CMHC (Canada Mortgage and Housing Corporation) which allows qualified first-time buyers to purchase a home with as little as 5% down.

**Gross Debt Service Ratio (GDS):** The percentage of the borrower's gross monthly income that will be used for monthly payments of principal, interest, taxes, heating costs, and half of any condominium maintenance fees.

**High-Ratio Mortgage:** A mortgage loan higher than 80% of the lending value of the property. Such types of mortgages may need to be insured.

**Holdback:** The amount of money withheld by the lender during construction of a property to ensure that construction at every state is satisfactory.

**Interest Adjustment Date (IAD):** A date from which interest on the mortgage advanced is calculated for regular payments. This date is usually one payment period before regular mortgage payments begin. Interest due between the date the mortgage is advanced and the IAD is due on closing.

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**Indenture:** A document or deed expressing certain objects between the parties.

**Interest Rate:** The percentage which is charged for the use of borrowed money.

**Land Transfer Tax or Property Purchase:** Money paid to the provincial government for transferring property to the buyer from the seller.

**Lien:** A claim against a property for money owing.

**Listing:** A written agreement between a property owner and a real estate representative authorizing the agency to offer the owner's real property for sale.

**Loan-to-Value Ratio:** The ratio of the loan to the lending value of a property presented as a percentage. For example, the loan-to-value ratio of a loan for \$75,000 on a home which costs \$100,000 is 75%.

**Lump Sum Prepayment:** An extra payment made to reduce the principal balance of a mortgage (with or without penalty). A closed mortgage typically restricts lump sum payments. However, with open mortgages, a lump sum prepayment can be made without penalty.

**Maturity Date:** The last day of the term of the mortgage. On this day, the mortgage loan must either be paid in full or the agreement renewed.

**Mortgage:** Security for a loan to purchase property.

**Mortgage Life Insurance:** Insurance you can purchase to pay your mortgage in full should you die before it is paid off.

**Mortgage Loan Insurance:** Mortgage loan insurance is required by lenders for high-ratio mortgages (more than 80% of the purchase price). It is available from CMHC (Canadian Mortgage and Housing Corporation) or a private insurer.

**Mortgage Payment:** A regularly scheduled payment that can be blended to include both principal and interest.

**Mortgagee:** The lender who provides the mortgage loan.

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**Mortgagor:** The borrower who pledges the property as security for the loan.

**Net Worth:** An individual's total financial worth. This is calculated by subtracting total liabilities from total assets.

**Offer to Purchase:** A written contract detailing the terms under which the buyer agrees to buy. If accepted by the seller, it forms a legally binding contract subject to the terms and conditions stated in the document.

**Open Mortgage:** A mortgage that can be prepaid or paid off or renegotiated at any time without penalty. Interest rates for open mortgages are typically higher than the interest rates for closed mortgages.

**Operating Costs:** The monthly expenses required to operate a home. Typically, this includes property taxes, property insurance, utilities, telephone and home maintenance.

**P.I.T.H. (Principal, Interest, Taxes and Heating):** The costs that are used to calculate the Gross Debt Service ratio (GDS).

**Power of Sale:** The right of a mortgagee (the lender) to force sale of the property.

**Principal:** The amount of money borrowed to purchase the home. Mortgage payments consist of payment against the principal plus the interest the lender is charging for the borrowed money.

**Property Taxes:** Taxes charged to the homeowner by the municipality where the home is located based on the value of the property.

**Property Purchase or Land Transfer Tax:** Money paid to the provincial government for transferring property to the buyer from the seller.

**Real Estate Broker:** A brokerage that represents a principal in a real estate trade.

**Renewal:** The borrower renegotiates the mortgage loan for a new term with the lender at the end of a mortgage term.

**Second Mortgage:** An additional mortgage on a property that already has a mortgage.

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**Seller's Market:** A market condition where there are a higher number of buyers than homes available to purchase. Houses will typically sell faster and at a higher price.

**Strata or Condominium Fees:** Payments made by owners of condominiums or townhouses to the property management of a complex that is allocated to pay expenses such as maintenance, repairs and management costs.

**Survey:** A document that shows the property boundaries and measurements, specifies the location of buildings on the property, and indicates any easements or encroachments.

**Tenant:** An individual who occupies land or tenement under a landlord.

**Tenure:** A method of land holdings for a temporary period of time.

**Term:** The length of time during which a borrower pays a specific interest rate on the mortgage loan. At the end of the term, the borrower either pays off the mortgage or renews it. **Title (freehold):** A title gives the holder full and exclusive ownership of the land and building for an indefinite period.

**Total Debt Service Ratio (TDS):** The percentage of the borrower's gross monthly income needed to cover all monthly housing payments and debts, such as car payments and credit cards.

**Variable-rate Mortgage:** A type of mortgage with fixed payments, but fluctuating interest rates. The fluctuating interest rates do not alter your mortgage payment, but determines how much of each payment is applied against the principal opposed to how much is applied to pay the interest.

**Valuation:** The act of ascertaining how much a specific property is worth.

**Vendor:** A seller of a property.

**Zoning Bylaws:** Municipal or regional laws that direct the use of land.