

GLOSSARY



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ABSTRACT of TITLE: The Summary of the public records relating to the ownership of a particular piece of land. It represents a short legal history of an individual piece of property from the time of the first recorded transfer to present.

ACCEPTANCE: The date when both parties, seller and buyer, have agreed to and completed signing and/or initialing the contract.

ADJUSTABLE RATE MORTGAGE: A mortgage that permits the lender to adjust the mortgage's interest rate periodically on the basis of changes in a specified index. Interest rates may move up or down, as market conditions change.

AGENCY: A mutual-consent, legal relationship in which a seller or buyer engages a broker-agent in the sale or purchase of property.

AGENT/REALTOR: A licensed person who represents the seller (and/or buyer) and who provides market assessment, offers sales or buying strategy, recommends various services and sources important to the seller or buyer, is a member of the National Association of REALTORS (NAR), and subscribes to NAR's strict Code of Ethics

AMORTIZED LOAN: A loan, which is paid in equal installments during its term.

A.P.R. (ANNUAL PERCENTAGE RATE): A term used in the Truth in Lending Act. It represents the relationship of the total finance charge (interest, discount points, origination fees, loan broker, commission, etc.) to the amount of the loan.

APPRAISAL: An estimate of real estate value, usually issued to standards of FHA, VA, and FHMA. Recent comparable sales in the neighborhood is the most important factor in determining value. This should be contrasted against the home inspection.

APPRECIATION: An increase in the value of a property due to changes in market conditions or other causes. The opposite of depreciation.

ASKING PRICE: The price at which a property has been placed on the market for sale

ASSESSED VALUE: The established value of a property for tax-assessment purposes, which may or may not reflect market value.

ASSUMABLE MORTGAGE: Purchaser takes ownership to real estate encumbered by an existing mortgage and assumes responsibility as the guarantor for the unpaid balance of the mortgage.

BALLOON MORTGAGE: A short term mortgage, generally at a fixed rate of interest, to be paid back in predetermined, equal monthly payments with a large final payment for the balance of the loan to be paid at the end of the term.

BILL OF SALE: Document used to transfer title (ownership) of PERSONAL Property.

BROKER: A person licensed to represent home buyers or sellers for a contracted fee. Brokers manage real estate offices and employ licensed agents to sell properties.

BRIDGE LOAN: A short term mortgage made until a longer term loan can be made; it's sometimes used when a person needs money to build or purchase a home before the present one has been sold.

CAP: A limit on the total amount an interest rate can be increased in a specified time and over the lifetime of an adjustable rate mortgage.

CAPITAL GAINS: The taxable profit derived from the sale of a capital asset. A gain is the difference between the sale price and the basis of the property, after making appropriate adjustments for closing costs, fix-up expenses, capital improvements, allowable depreciation, etc.

CLOSING: The final settlement at which time the title is transferred from seller to buyer, accounts are settled, new mortgages are signed, and all fees and expenses are dispersed or satisfied.

CLOSING COSTS: All fees, taxes, charges, commissions, surveys, lender fees, inspection fees, and other costs paid by the buyer and or seller at the closing.

CLOSING STATEMENT (HUD1): A financial statement rendered to the buyer and seller at the time of transfer of ownership, giving an account of all funds received or expended.

CLOUD ON TITLE: Any condition that affects the clear title to real property.

COMPARABLE SALES: Sales that have similar characteristics as the subject property and are used for analysis in the appraisal process.

CONTRACT: An agreement to do or not to do a certain thing.

CONSIDERATION: Anything of value to induce another to enter into a contract, i.e., money, services, a promise.

CONVENTIONAL MORTGAGE: Most popular home financing form not insured by Federal Housing Administration (FHA) or guaranteed by Veteran's Affairs (VA). Available from many lenders at varying rates, terms and conditions.

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COUNTER OFFER: An offer made by a buyer or seller to the other party, responding to the asking price or a subsequent adjustment to that price to complete a purchase of sale.

DEED: Written instrument, which when properly executed and delivered, conveys title to real property.

DISCOUNT POINTS: A loan fee charged by a lender of FHA, VA or conventional loans to increase the yield on the investment. One point = 1% of the loan amount.

EARNEST MONEY: Money paid by the buyer at the time an official offer to purchase is submitted to the seller, intended to demonstrate the good faith of the buyer to complete the purchase. Earnest money is applied against the purchase price when the sale is finalized. Under certain conditions, the earnest money may be forfeited if the buyer fails to complete the purchase under the terms of the sales contract.

EASEMENT: The right to use the land of another.

ENCROACHMENT: A condition that limits the interest in a title to property such as a mortgage, deed restrictions, easements, unpaid taxes, etc.

ENCUMBRANCE: Anything that burdens (limits) the fee title to property, such as a lien, easement, or restriction of any kind.

EQUITY: The value of real estate over and above the liens against it. It is obtained by subtracting the total liens from the value.

ESCROW PAYMENT: That portion of a mortgagor's monthly payment held in trust by the lender to pay for taxes, hazard insurance, mortgage insurance, lease payments and other items as they become due.

FANNIE MAE: Nickname for Federal National Mortgage Corporation (FNMA), a tax-paying corporation created by congress to support the secondary mortgages insured by FHA or guaranteed by VA, as well as conventional home mortgages.

FEDERAL HOUSING ADMINISTRATION (FHA): An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

FHA INSURED MORTGAGE: A mortgage under which the Federal Housing Administration insures loans made, according to its regulations

FIXED RATE MORTGAGE: A loan that fixes the interest rate at a prescribed rate for the duration of the loan.

FORECLOSURE: Procedure whereby property pledges as security for a debt is sold to pay the debt in the event of default.

FREDDIE MAC: Nickname for Federal Home Loan Mortgage Corporation (FHLMC), a federally controlled and operated corporation to support the secondary mortgage market. It purchases and sells residential conventional home mortgages.

GRADUATED PAYMENT MORTGAGE: Any loan where the borrower pays a portion of the interest due each month during the first few years of the loan. The payment increases gradually during the first few years to the amount necessary to fully amortize the loan during its life.

INSPECTION CONTINGENCY: A written stipulation contained in an "offer to buy" that makes the sales contract predicated upon the findings of a professional home inspector.

INVESTOR: The holder of a mortgage or the permanent lender for whom the mortgage banker services the loan. Any person or institution that invests in mortgages.

JOINT TENANCY: Joint ownership by two or more persons with right of survivorship; all joint tenants own equal interests and have equal rights in the property.

LAND CONTRACT: A contract ordinarily used in connection with the sale of property in case where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer.

LEASE PURCHASE AGREEMENT: Buyer makes a deposit for future purchases of a property with the right to lease the property for the interim.

LOAN TO VALUE RATION (LTV): The ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price). Example on a \$100,000 home, with a mortgage loan principal of \$80,000 the loan to value ratio is 80%.

MARKET PRICE: The actual price at which a property is sold.

MARKET VALUE: The price that is established for a property by existing economic conditions, property location, size, etc.

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MORTGAGE: A legal document that pledges a property to the lender as security for payment of a debt.

MORTGAGE INSURANCE PREMIUM (MIP): The amount paid by a mortgagor for mortgage insurance. This insurance protects the investor from possible loss in the event of a borrower's default on a loan.

MORTGAGOR: The borrower of money or the giver of the mortgage document.

MULTIPLE LISTING SERVICE (MLS): A system through which participating brokers agree to share commissions on a predetermined percentage split on the sale of properties listed on the system.

NOTE: A written promise to pay a certain amount of money.

ORIGINATION FEE: A fee paid to the mortgagee for paying the mortgage before it becomes due. Also known as prepayment fee or reinvestment fee.

PITI: Common real estate acronym meaning Principle, Interest, Taxes, Insurance.

POINT: A single percent of the loan principal, often charged by the lender in addition to various fees and interest.

PRIVATE MORTGAGE INSURANCE (PMI): See Mortgage Insurance Premium.

PROMISSORY NOTE: A written contract containing a promise to pay a definite amount of money at a definite future time.

PRO-RATION: Proportionate division of expenses based on days or time occupied or used by the seller and/or buyer.

PURCHASE AGREEMENT: A written, legally binding contractual agreement between a buyer and a seller for the purchase of real estate.

RADON: A colorless, odorless gas formed by the breakdown of uranium in sub-soils. It can enter a house through cracks in the foundation or in water and is considered to be a hazard.

REALTOR: A member of local and state real estate boards, which are affiliated with the National Association of Realtors (NAR).

RENT WITH OPTION: A contract, which gives one the right to lease property at a certain sum with the option to purchase at a future date.

RESPA STATEMENT: The Real Estate Settlement Act Procedures Act requires a precise listing of all closing costs for both sellers and buyers.

SECOND MORTGAGE/SECOND DEED OF TRUST/JUNIOR MORTGAGE OR JUNIOR LIEN: An additional loan imposed on a property with a first mortgage. Generally, a higher interest rate and shorter term than a "first" mortgage.

SETTLEMENT DISCLOSURE STATEMENT: A statement or list providing a complete breakdown of costs involved in finalizing a real estate transaction prepared by the lender's agent prior to closing and reviewed at closing by the buyer and seller.

SEVERALTY OWNERSHIP: Ownership by one person only. Sole ownership.

SURVEY: The process by which a parcel of land is measured and its area ascertained.

TENANCY IN COMMON: Ownership by two or more persons who hold an undivided interest without right of survivorship. (In event of the death of one owner, his/her share will pass to his/her heirs.)

TITLE INSURANCE: An insurance policy which protects the insured (purchaser or lender against loss arising from defects in the title).

TITLE SEARCH: A highly detailed search of the document history of a property title for the purpose of identifying any and all legal encumbrances to the property prior to title transfer to a new owner.