

Glossary

Who'd have thought you'd have to learn a new language to buy or sell your home? Thankfully, now you don't.

We'll admit, at times it seems like the real estate industry does have a language of its own. With all the abbreviations and legal terms being tossed around, it can be rather confusing for buyers and sellers.

That's why we created this glossary. Feel free to use it to decipher some of the language commonly used in real estate transactions. If you have a question, please don't hesitate to call us or your real estate professional.

Abstract of Title – A written history of the property title from the original source of title to the present.

Accrued Interest – The amount of interest due since interest was last paid.

Adjustable Rate Mortgage Loan (ARM) – A type of mortgage in which the interest rate changes periodically according to a predetermined index.

Agreement For Sale – A written document by which a Buyer agrees to buy and a Seller agrees to sell real property, also called a purchase contract.

Amortization – Repayment of a debt in equal installments resulting in retirement of the debt rather than interest-only payments.

Amortization Schedule – A schedule of each payment due on a mortgage loan showing the amount applied to principal, the amount applied to interest and the remaining principal balance due.

Annual Percentage Rate (APR) – A rate which represents the total cost of the loan, including finance charges.

Application – The form used and the process of applying for a mortgage loan.

Appraisal – A report by a qualified person setting forth an opinion of value of real estate.

Appreciation – An increase in value of real estate.

Balance Sheet – A statement of assets, liabilities and net worth.

Balloon Mortgage – A mortgage with monthly payments due for a certain period of time at the end of which the remaining balance is due.

Cap – A limitation on the interest rate increase for a specified period and over the life of the loan.

Closing – The process by which title to real estate is transferred.

Closing Cost – The cost associated with the sale of real estate.

Condominium – A form of real estate ownership. The owner receives title to specific real estate plus an interest in common areas.

Credit Report – A report by a credit-reporting agency used by Lenders to determine the credit-worthiness of an applicant.

Deed of Trust – (See Mortgage)

Depreciation – A loss of value in real estate.

Discount/Discount Points/Points – The amount withheld from the loan proceeds by the Lender. The amount is used to adjust the interest rate of the loan to the required yield.

Down Payment – Cash portion of the amount of the purchase price.

Earnest Money – The deposit made to a third party by a person purchasing property held in trust until the transaction is completed.

Equity – The difference between the value of the property and the amount owed on the property.

Escrow – In some western states, the use of a third party who carries out the wishes of the Buyer and Seller in a real estate closing.

Fannie Mae – Federal National Mortgage Association (FNMA)

First Mortgage – A mortgage having priority over all other mortgage liens.

Ginny Mae – Government National Mortgage Association (GNMA)

Hazard Insurance – An insurance policy whereby, for a premium, an insurer agrees to insure property against loss.

Homeowners Insurance – An insurance policy which covers property and contents.

Homestead State – Owner-occupied property is protected by law (up to a certain amount) from attachment and sale for creditor claims (governed by state law).

Impound – Escrow or reserve payment for items such as taxes, insurance, etc.

Interest Rate – The percentage of an amount of money which is paid for the use of that money over a period of time.

Judgment Lien – A judgment entered by a court and recorded as lien against real estate.

Loan To Value Ratio – The relationship between the value of property and the loan amount.

Loss Payee Clause – The clause in an insurance policy indicating who is to be paid in event of a claim.

Margin – The percentage a Lender adds to the index rate to determine the new interest rate.

Maturity – The due date of a note.

Mortgage – The conveyance of interest in real estate used as security for repayment of a note. (Also called a Deed of Trust or Trust Deed).

Mortgage Banker – A person or firm engaging in mortgage banking.

Mortgage Banking – The packaging of mortgage loans to be sold to a permanent investor. The mortgage banker may retain servicing of the loan.

Mortgage Insurance – Insures the Lender against loss caused by the Borrower's failure to make the payments.

Note – A written promise to repay a stated amount of money at a stated interest rate over a stated period of time.

Origination Fee – A fee charged by a Lender to cover the cost of the process of making a mortgage loan.

PITI – Principal, Interest, Taxes and Insurance

Points – (See Discount)

Principal – The amount of a debt outstanding.

Private Mortgage Insurance (PMI) – (See Mortgage Insurance)

Regulation Z – The implementing regulation of the Truth in Lending Act.

Release of Lien – An instrument which releases a lien.

Rescission – The cancellation of a transaction subject to specific requirements under Regulation Z.

RESPA – Real Estate Settlement Procedures Act

Secondary Financing – Any financing on the property junior to first mortgage.

Security Instrument – The mortgage or deed of trust.

Subordination – The act of acknowledging that a lien will have a position junior to another lien. This is accomplished by recording a Subordination Agreement.

Tax Lien – A lien for unpaid taxes.

Term – The period of time over which a loan is repaid.

Title – The evidence of ownership of real property.

Title Insurance Policy – A policy which protects the Lender in the event of a loss due to a defect in the title. An Owner's insurance policy protects the Owner in this same way.

Trust Deed – (See Mortgage)

Underwriting – The risk analysis of a Borrower's loan application.

Vacancy Factor – The percentage by which rental income is reduced to cover the anticipated time the property will be vacant.