

# Glossary

## Of Real Estate Terms

**Agency:** A relationship where one person acts (with authority) on behalf of another.

**Amenities:** A property's desirable or attractive features, whether tangible or intangible.

**Amortized Loan:** A loan that is completely paid off, interest and principal, by series of regular payments that are equal or nearly equal. Also called a "Level Payments Loan."

**Appraisal:** An opinion or statement of the value of a property based on comparable sales with similar amenities, square footage, and location.

**Appreciation:** An increase in value of real estate.

**Assumption of Mortgage:** The taking of title to property by a grantee, wherein he or she assumes liability for payment of an existing note secured by a mortgage or deed of trust against the property, becoming a co-guarantor of a mortgage or deed of trust note.

**Balloon Payment:** The final payment of a mortgage loan when it is larger than the regular payment. It usually extinguishes the note.

**Capital Gains:** The taxable profit derived from the sale of a capital asset. It is the difference between the sale price and the basis of the property, after making appropriate adjustments for closing costs, fixing up expenses, capital improvements, allowable depreciations, etc.

**Closing:** The final settlement of a real estate transaction between buyer and seller. It is also known as "recording".

**Closing Costs:** The expenses incurred in a real estate transaction including costs of title insurance, escrow fees, lender service charges, documentary tax, recording fee, appraisal fees, credit report, underwriting, processing, reconveyance, etc.

**Condominium:** A system of individual fee ownership units, combined with joint ownership of common areas of the structure and land.

**Conventional Mortgage:** A mortgage securing a loan made by investors without governmental underwriting, not FHA insured or VA-guaranteed.

**Counter Offer:** An additional agreement to sell the property to the potential buyer on terms differing from the original offer, which may accept or reject items in the original offer, or previous counter offer.

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*Terms (cont.)*

**Close of Escrow (COE):** Documents have been signed; the loan has been funded; title has recorded to new owner; sometimes possession of the home is immediate, sometimes after a certain number of days, per contract.

**CRV-Certificate of Reasonable Value:** A document of appraisal issued by VA establishing their opinion of the maximum value.

**Deed:** The written instrument which, when properly executed and delivered, conveys title.

**Discount Points-additional charges:** Made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent. These additional interest charges are paid at the time a loan is closed to increase the rate of return to the lender so as to approximate the market level.

**Earnest Money Deposit:** A down payment made by a purchaser of real estate as evidence of good faith.

**Easement:** Created by grant or agreement for a specific purpose, an easement is the right, privilege or interest which one party has in the land of another.

**Equity:** The interest or value an owner has in real estate over and above the liens against the real property.

**Escrow:** The deposit of instruments and funds with instruction to a neutral party (Escrow Agent) to carry out the provisions of an agreement or contract. When everything is deposited to enable carrying out of instructions, it is called a complete, or perfect, escrow.

**Exchange:** The trading of equity in a piece of property.

**Fannie Mae:** The nickname of the Federal National Mortgage Association (FNMA), a tax-paying corporation created by Congress to support the secondary mortgages insured by FHA or guaranteed by the VA, as well as conventional home mortgages.

**Fee Appraisal:** The act or process of estimating values of real estate or any interest therein for a fee.

**FHA Loan:** A loan which has been insured by the federal government guaranteeing its payment in case of default by the owner.

**Fiduciary:** One who holds a position of trust and confidence to act primarily for the benefit of another in matters of responsibility.

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**Firm Commitment:** A lender's agreement to make a loan to a specific borrower on a specific property. An FHA or PMI agreement to insure a loan on a specific property, with a designated purchaser.

**FMHA Loan:** A loan insured by the federal government similar to FHA loans, usually used for residential properties in rural areas.

**Freddie Mac:** The nickname of the 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.

**Improvement:** Any development of land or buildings.

**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 interest and have equal rights in the property.

**Land Contract:** A contract ordinarily used in connection with the sale of the property in cases 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:** The buyer makes a deposit for the future purchase of property with the right to lease the property in the interim.

**Lien:** An encumbrance on the property which usually names the property as security for the payment of a debt or discharge of an obligation. Examples: judgments, taxes, mortgage, and hazard insurance, and other special requirements.

**Listing:** A written contract between an owner (principal) and an agent (broker) authorizing the agent to sell, lease or rent the owner's property in exchange for compensation.

**Loan to Value Ratio:** The ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price). On a \$100,000 home with a mortgage loan principal of \$80,000, the loan to value ratio is 80%.

**Marketable Title:** Merchantable title, free and clear of objectionable liens or encumbrances.

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**Mortgage/Deed of Trust:** An instrument recognized by law by which property is pledged as security or collateral for debt without transfer of title or possession, to secure the payment of a debt or obligation to the lender. Title transfers to the lender during the foreclosure process which occurs in the event that the debtor defaults on the loan obligation to the lender.

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*Terms (cont.)*

**Mortgage Insurance Premium (aka MIP):** The consideration paid by a mortgagor for the mortgage insurance either for FHA or a private mortgage insurance (PMI) either to FHA or private mortgage insurance company. On an FHA loan, the payment is one-half of one percent annually on the declining balance of the mortgage. It is a part of the regular monthly payment and is used by FHA to meet operating expenses and provide loss revenues.

**Mortgagee:** The lender of money or the receiver of the mortgage document.

**Mortgagor:** The borrower of money or the giver of the mortgage document.

**Non-Disclosure:** Misrepresentation by silence.

**Note:** A written promise to pay a certain amount of money with or without specific terms.

**Origination Fee:** A fee or charge for the work involved in the evaluation, reparation, and submission of a proposed mortgage loan. Origination fees are paid by the borrower to the lender.

**Personal Property:** Any property which is not real property. For instance, money, savings accounts, appliances, cars, boats, etc.

**Point:** One percent of the loan amount.

**Prepayment Penalty:** The fee paid to the mortgagee for paying the mortgage before it becomes due. Also known as the "Prepayment Fee" or "Reinvestment Fee".

**Prepayment Privilege:** The right given a purchaser to pay all or part of a debt prior to its maturity. The mortgagee cannot be compelled to accept any payment other than those originally agreed to.

**Private Mortgage Insurance (PMI):** Insurance written by a private company protecting the mortgage lender against loss occasioned by a mortgage default.

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**Privately Insured Mortgage:** A conventional mortgage loan on which a private mortgage insurance company protects the lender against loss.

**Promissory Note:** Following a loan commitment from the lender, the borrower signs a note promising to repay the loan under stipulated terms. The promissory note establishes personal liability for its repayment.

**Purchase Agreement:** An agreement between a buyer and seller for the purchase of real estate.

**Real Property:** Any land and whatever, by nature or artificial annexation, is part of it.

**Rent-Back:** A sale arrangement wherein the buyer leases the property back to the seller for a period of time.

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*Terms (cont.)*

**Rent with Option:** A contract which gives one the right to lease property at a certain sum with the option to purchase it at a future date.

**Sales Contract:** An agreement entered into for the purchase and sale of real property. Also known as: DEPOSIT RECEIPT or PURCHASE AGREEMENT.

**Second Mortgage/Second Trust:** Also known as a “Junior Mortgage” or “Junior Lien”. An additional loan imposed on property with the first mortgage, generally at a higher interest rate and shorter terms than a “first” mortgage.

**Special Assessment:** A legal charge against real estate by a public authority to pay the costs of public improvements such as street lights, sidewalks, street improvements, etc.

**Straight Loan:** A loan with periodic payments of interest only; the principal sum is one lump sum upon maturity.

**Subdivision:** A parcel of land that has been divided into smaller parts.

**Tenancy in Common:** Ownership by two or more persons who hold undivided interest, without the right of survivorship. Interest need not be equal.

**Term of Mortgage:** The period during which the mortgage must be paid.

**Title:** Often used interchangeably with the word “ownership” it indicates the accumulation of all rights in a property.

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

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**Trust Account:** An account separate and apart and physically segregated from a broker's own funds, in which the broker is required by law to deposit all funds collected for clients.

**VA (Veteran's Administration) Loan:** A loan guaranteed by the Veteran's Administration.

**Warranty Deed:** A deed used to convey real property which contains warranties of title and quiet possession, and the grantor agrees to defend the premises against lawful claims of third persons.

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