

## **Real Estate Glossary**

### **Add-on Rate**

A type of loan repayment plan arranged to divide the principal into equal installments. Interest is added on to the principal, resulting in high initial monthly payments that, over time, are reduced as the principal balance is reduced.

### **Adjustable Rate Mortgage (ARM)**

A mortgage in which interest and payment rates vary periodically, based on a specific index such as 30-year Treasury bills or the Cost-of-Funds index.

### **Adjustments**

Money credited to either/both buyer and seller at closing, including real estate taxes, price adjustments based on disclosures in the inspection, etc.

### **Agent**

A licensed person who represents the seller (and/or buyer) and who provides market assessment, sales or buying strategy, recommends various services and sources important to the seller or buyer.

### **Amortization**

A method by which monthly mortgage payments are equalized over the life of the loan despite the fact that the proportion of principal to interest changes.

### **Appraisal**

Professional and unbiased written opinion of property's value based on recent, comparable sales, quality of construction and current condition, and style of architecture.

### **Asking Price**

The price at which the property has been placed on the market for sale.

### **Assessor**

A municipal or county official who determines the value of properties for the purpose of taxation.

### **Assumption of Mortgage**

The buyer assumes liability for an existing mortgage held by the seller, subject to approval by the lender.

### **Balloon Mortgage**

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

**Binder**

Generally a small amount of money from the buyer, accompanying a brief written offer to buy. (See Earnest Money)

**Broker**

A person licensed to represent home buyers or sellers for a contracted fee. Most real estate offices are managed by a broker who employs licensed sales agents to sell the properties.

**Cap**

A limit on the total amount an interest rate can be increased (see ARM).

**Closing**

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

**Closing Costs**

All fees, taxes, charges, commissions and other costs paid by buyer and/or seller at the closing.

**Commission**

A previously agreed upon percentage of the home's sale price paid to the listing and selling agent(s).

**Comparables**

Closely similar properties in type, size and price that have changed hands within recent months, used for comparison in the appraisal report.

**Condominium (Condo)**

Real estate ownership in which a property owner has title to a specific unit but shared interest in the common areas.

**Conventional Mortgage**

Most popular home financing form not insured by FHA or guaranteed by VA. Available from many lenders at varying rates, terms and conditions.

**Conversion Clause**

Clause in an ARM permitting conversion from an adjustable to a fixed-rate loan.

**Cooperative (Co-op)**

Real estate ownership in which all property owners (shareholders) own the entire property and each shareholder has proprietary rights to specific units.

**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 or sale.

**Curb Appeal**

A term used by realtors including all that a buyer sees from the street that may induce the buyer to look more closely at the property.

**Deed**

A legal "instrument" that conveys the title to a property from seller to buyer.

**Down Payment**

The buyer's payment to the seller at the time the sales contract has been mutually agreed to, or at closing, for the percentage of the total purchase price required by the buyer's mortgage loan.

**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, however, it may be forfeited if the buyer fails to complete the purchase under the terms of the sales contract.

**Equity**

The difference between the sale price of a property and the mortgage on the property.

**Escrow Account**

A third-party account used to retain funds including the property owner's real estate taxes, buyer's earnest money or hazard insurance premiums.

**Fair Market Value**

The highest price an informed buyer will pay assuming there is no unusual pressure to complete the purchase.

**Fannie Mae**

Federal National Mortgage Association (FNMA) is a privately owned corporation created by Congress to buy mortgage notes from local lenders and provide guidelines for most lenders to use to qualify borrowers.

**FHA Insured Mortgage**

The Federal Housing Administration makes available through banks and other lenders insured mortgages with low down payment requirements.

**Fixed-rate Mortgage**

A mortgage that has a set interest rate and is basically unaffected by interest rate changes.

**Graduated Payment Mortgage**

This mortgage offers low initial monthly payments which increase at a pre-determined rate, then cap at a final level for the duration of the mortgage.

**Hazard Insurance**

Often confused with "Home Owner's" insurance, it's designed to compensate for specific hazards including fire and wind. An "all-risk home owner's policy" provides more complete coverage.

**Home Inspection**

A formal survey of a home's structure, mechanical systems and overall condition, generally performed by a licensed professional inspector.

**Home Warranty**

A policy available to the buyer or seller as assurance against unanticipated home repair costs.

**Homeowner's Policy**

A hazard insurance policy covering, at the very least, the appraised value of a house and property.

**Inspection Clause**

A written stipulation contained in an offer to buy that makes the sales contract contingent upon the findings of a professional home inspector.

**Interest**

The pre-determined charge or fee paid to a lender by the borrower for the use of monies loaned.

**Lease-Purchase Agreement**

An agreement between owner and tenant specifying a portion of monthly rent, during a specified period, to be credited toward purchase of property.

**Listing**

A contract through which a seller agrees to terms and a fee with the agent who will sell the property to a buyer.

**Market Price**

The actual price at which a property is sold.

**Market Value**

The price that is established by existing economic conditions, property location and market style and size preferences.

**Mortgage**

A legal claim received by the lender on a property as security for the loan made to a buyer to facilitate the purchase.

**Mortgage Broker**

An independent, third-party, licensed broker who arranges loan transactions between lenders and borrowers by facilitating the application and approval process and by securing favorable terms.

**Multiple Listing Service (MLS)**

A system through which participating brokers agree to share commissions, on a pre-determined percentage split, on the sale of properties listed by any broker in the system.

**Negative Amortization**

Most likely to occur with ARMs when monthly payments are not sufficient to cover interest costs. Additional interest is added to principal balance, and the borrower may end up owing more than at the initiation of the loan.

**Offer**

A legally binding, written contract that defines how much a buyer will pay for a property, depending on satisfactory agreement with a list of contingencies.

**Open House**

A period of time when the seller's house is open to prospective buyers to view the house in a low-pressure environment usually without their own sales agent.

**Origination Fee**

Similar to a point, this fee is a supplemental fee paid by buyers to lenders.

**Over Improvement**

Additions or improvements in which the cost is greater than the value added.

**PITI**

Common real estate acronym meaning Principal, Interest, Taxes, Insurance.

**Point**

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

**Prepayment**

Borrower pays off an entire mortgage before the scheduled date.

**Prepayment Penalty**

A fee included in the mortgage agreement requiring borrower to pay in the event the loan is paid before the due date.

**Prequalification**

An informal estimate of the "financing potential" of a prospective borrower.

**Principal**

The amount of money borrowed against which interest and possibly fees will be charged. (A second meaning: one of the parties to a contract.)

**Prorate**

Proportionate division of expense based on days or time occupied or used by the seller and/or buyer.

**Purchase Agreement**

See definition of Contract.

**Qualify**

Ability of a borrower to satisfy a lender's mortgage approval requirements.

**Rate Cap**

See definition of Cap.

**Referral**

The recommendation by one agent of a potential buyer and/or seller to another agent either locally or long distance.

**Refinancing**

The process of applying for a new mortgage to gain better terms or use of equity.

**Relocation Specialists**

A firm or person specializing in advising buyers or sellers on relocating to different and/or new communities.

**RESPA Statement**

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

**Return on Investment (ROI)**

The profit gained as the result of money spent on an improvement or addition to a home or property.

**Settlement**

This term relates to all legal and financial transactions required to finalize the contract between buyer and seller, at the conclusion of which closing takes place.

**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 and reviewed at closing by buyer and seller.

**Title**

A legal document that defines the property, right of ownership and possession.

**Title Insurance**

An insurance policy that protects the buyer against errors, omissions or any defects in the title.

**Title Search**

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

**VA Mortgage**

The Department of Veterans Affairs has made guaranteed mortgages available, through banks and other lending institutions, to active military personnel, veterans or spouses of veterans who died of service-related injuries.

**Walk-through Inspection**

The final inspection by the buyer, usually in the company of the buyer's real estate agent, to ensure that all conditions noted in the offer to purchase and all seller-related contingencies have been met. This inspection is most often completed immediately prior to the official act of closing after the seller has vacated the property.

**Zoning**

Virtually all local communities have established specific restrictions for land use, new construction, remodeling and/or improvements made to existing structures. Records of all recent construction and/or remodeling activity are available to you through a local regulatory department such as the Building Inspector's department or office or the Planning and Zoning Board (P & Z).

*(Source: <http://www.prutropical.com/site/glossary/default.aspx>)*