

***When Dreaming of a Home
Dream of Jeanne!***



Glossary of Terms



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Glossary of Terms

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

Consent to an offer to enter into contract.

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 or debited to either/both buyer and seller at closing, including real estate taxes, association fees, garbage fees, rents, etc.

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.

Amortization

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

Annual Percentage Rate (APR)

The total finance charge (interest, loan fees, points) expressed as a percentage of the mortgage amount.

Appraisal

A professional and unbiased written opinion of a property's value that is based on recent, comparable sales; quality of construction and current condition; and style of architecture.

Appreciation

Increase in value to any cause.

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.

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 for the payment of a mortgage or deed for trust note.

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Glossary of Terms, continued

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.

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.

Building Codes

State and local laws that regulate the construction of Dream property and the rehabilitation of existing property.

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, Dream 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.

Commission

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

Comparables

Similar properties in type, size, price, and amenities that have sold recently, been adjusted, and are 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 common areas.

Contingency

A condition that must be satisfied before a contract is binding.

Contract

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

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Glossary of Terms, continued

Contract for Deed

A contract ordinarily used in connection with the sale of a 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.

Contract of Title

A summary or digest of the conveyances, transfers, and any other facts relied on as evidence of title together with any other elements or records that may affect the marketability of the title.

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.

Conversion Clause

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

Counteroffer

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.

CRV

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

Curb Appeal

A term used by REALTORS® that encompasses 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.

Disclosure Laws

State and federal regulations that require sellers to disclose such conditions as whether a house is located in a flood plain or if there are any known defects that would affect the value of the property.

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.

Down Payment

The buyer and lender determine the down payment requirements during the pre-qualification process. The down payment is usually expressed as a percentage of the purchase price: e.g., 0%, 5%, 10%, 20%, 25%, 30%.

Earnest Money (Escrow Deposit)

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.

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Glossary of Terms,

Easement

A 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.

Equity

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

Equity Mortgage

A mortgage based on the borrower's equity in their home rather than on their credit worthiness.

Escrow Account

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

Exchange

The trading of equity in a piece of property for equity in another property.

Fair Market Account

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

Fannie Mae

The 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.

Fee Appraisal

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

FHA-Insured Mortgage

A loan made by a local lending institution and insured by the Federal Housing Administration, whereas the buyer pays the premium.

Firm Commitment

A lender's agreement to make a loan to a specific borrower on a specific property. An FHA or Private Mortgage Insurance (PMI) agreement to insure a loan on a specific property, with a designed purchaser.

Fixed-Rate Mortgage

A mortgage with a set interest rate for the entire term of the mortgage.

FMHA Loan

A loan insured by the Federal Home Loan Mortgage Corporation (FHLMC), a federally controlled and operated corporation to support the secondary-mortgage market.

Foreclosure

A legal procedure whereby mortgaged property is seized and sold as payment for a debt in the event of default.

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Glossary of Terms, continued

Freddie Mac

The nickname for Federal Home Loan Mortgage Corporation (FHLMC), Freddie Mac is a federally controlled and operated corporation to support the secondary-mortgage market. It purchases and sells residential conventional home mortgages.

Graduated-Payment Mortgage

This mortgage offers low initial monthly payments that increase at a predetermined rate and then cap at a final level for the duration of the mortgage.

Home Inspection

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

Home Warranty

A policy available to the buyer or seller as insurance 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 Contingency

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

Installment Debts

Long-term debts that usually extend for more than one month.

Interest

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

Investor

The holder of a mortgage or the permanent lender. 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 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

A legal claim against a property that must be paid when the property is sold.

Listing

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

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Glossary of Terms, continued

Loan Commitment

A written promise by a lender to make a loan under certain terms and conditions. These include interest rate, length of loan, lender fees, annual percentage rate, mortgage and hazard insurance, and other special requirements.

Loan-to-Value Ratio

The relationship between the amount of a home mortgage and the total value of the property.

Lock-In Rate

A commitment made by lenders on a mortgage loan to “lock in” an interest rate pending mortgage approval. Lock-in periods vary.

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.

Marketable Title

Merchantable title, free and clear of objectionable liens or encumbrances.

Mold

Mold is a superficial and often woolly growth produced on damp or decaying organic matter or on living organisms. See www.epa.gov/iag/molds/moldguide.html for a guide that provides information and guidance for homeowners and renters on how to clean up residential mold problems.

Mortgage

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

Mortgagee

The lender of money or the receiver of the mortgage document.

Mortgage Broker

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

Mortgage Insurance Premium (MIP)

The consideration paid by a mortgagor for mortgage insurance either to the FHA or a PMI company. On an FHA loan, the payment is one half of one percent annually on the declined balance of the mortgage. It is a part of the regular monthly payment and is used by the FHA to meet operating expenses and provide loss reserves.

Mortgagor

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

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Glossary of Terms, continued

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.

Origination Fee

This fee is a supplemental fee paid by buyers to lenders, usually stated as a percentage or as points.

Personal Property

Any property which is not real property: e.g., money, savings accounts, appliances, cars, boats, etc.

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

When a borrower pays off an entire mortgage before the scheduled payoff date.

Prepayment Penalty

A fee included in the mortgage agreement that is required of the borrower in the event the loan is paid off before the due date. Look for a clause that says, "There shall be no prepayment penalty."

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. OR: One of the parties to a contract.

Private Mortgage Insurance (PMI)

Insurance issued to a lender by a private company to protect the lender against loss on a defaulted mortgage loan. Its use is usually limited to loans with high loan-to-value ratios. The borrower pays the premiums.

Promissory Note

A written contract that contains a promise to pay a definite amount of money at a specific time in the future.

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.

Qualification

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

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Glossary of Terms, continued

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. Your REALTOR® can supply a radon brochure.

Real Property

Any land and whatever by nature or artificial annexation is a part of it.

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 Dream 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 Dream communities. There are designations for REALTORS that indicate additional educational training. Look for the Certified Relocation Professional (CRP) designation.

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 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.

Survey

The process by which a parcel of land is measured and its area ascertained. Title companies study the survey to check for encroachments.

Title

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

Title Defect

An outstanding claim or encumbrance on property that affects marketability.

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 and all legal encumbrances to the property prior to title transfer to a Dream owner.

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Glossary of Terms, continued

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.

Variance

A special suspension of zoning laws to allow the use of property in a manner not in accord with existing laws.

Walk-Through Inspection

The final inspection by the buyers, usually in the company of the buyers' real estate sales 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 closing and after the seller has vacated the premises.

Zoning

Virtually all local communities have established specific restrictions for land use, Dream construction, and remodeling activity. These are available to you through a local regulatory department such as the Building Inspector's Department or office or the Planning and Zoning Board.

Anytime you have a real estate question, remember...
Always Call

The Jeanne Scott Dream Team

We are here to help!



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