

Glossary Of Real Estate Terms

ADJUSTABLE-RATE MORTGAGE (ARM): A loan with an interest rate that changes periodically in keeping with a current index, like one-year treasury bills. Typically, ARMs shouldn't jump more than 2 percentage points per year or 6 points above the starting rate.

AMORTIZATION: A payment plan which enables the borrower to reduce his debt gradually through monthly payments of principal.

APPRAISED VALUE: An estimate of the value of the property offered as security for a home loan. This appraisal is done for financial lending purposes and may not reflect the actual market value.

BRIDGING FINANCE: A short-term loan, usually at a higher rate of interest, taken out by people who have bought a house while waiting for theirs to be sold, or when a normal mortgage and their savings fall below the asking price.

CAVEAT EMPTOR: Latin for "let the buyer beware". This puts the burden onto the buyer to be satisfied with the item before purchasing the property.

CERTIFICATE OF TITLE: Legal proof of ownership of a property carrying the owner's name and other information.

CHATELS: Chattels are personal property. There are 2 types: Real chattels are buildings and fixtures; personal chattels are clothes, furniture, etc.

CONVENTIONAL MORTGAGE: A mortgage loan not insured by HUD or guaranteed by the Veterans' Administration. It is subject to conditions established by the lending institution and state statutes. The mortgage rates may vary with different institutions and between states. (States have various interest limits.)

CREDIT REPORT: A report on the past ability of a loan applicant to pay installment payments in a timely manner.

COMMISSION: Fee payable to real estate agent for selling the property by the person authorizing the sale; usually a percentage of the sales price.

CONTRACT OF SALE: Written agreement setting out the terms and conditions of a property sale.

COVENANT: Conditions affecting the use of land or property written into the title.

DEPOSIT: Usually 10% of the purchase price of a property placed in trust as evidence of intention to buy. Nonrefundable after exchange of contract, the deposit goes towards the purchase price when the sale goes through.

DOCUMENT PREPARATION FEE: A charge by an attorney for preparing legal documents for a transaction.

EARNEST MONEY: The deposit money given to the seller or his agent by the potential buyer upon the signing of the agreement of sale to show that he or she is serious about buying the house. If the sale goes through, the earnest money is applied against the down payment. If the sale does not go through, the earnest money will be forfeited or lost unless the binder or offer to purchase expressly provides that it is refundable.

ENCROACHMENT: When a building overhangs someone else's property, or a fence is built over the dividing line between two properties.

ENCUMBRANCE: An easement, mortgage or other liability on a property which impedes its use or transfer.

EQUITY: The difference between the market value of the property and any loans that are outstanding on the property.

EXCLUSIONS: Any item that is specifically not included in the sale, e.g. an above ground pool, garden shed, etc.

ESCROW: Funds paid by one party to another (the escrow agent) to hold until the occurrence of a specified event, after which the funds are released to a designated individual.

FLAT INTEREST RATE: An interest rate that is based on the original amount of the mortgage for the whole term of the loan.

FIXED-RATE MORTGAGE: A loan that carries an unchangeable interest rate over its entire term -- typically a period of 15-30 years.

FREEHOLD: An owner's interest in land where the property and the land on which it stands both belong to their owner indefinitely.

HOMEOWNER'S INSURANCE: Protects the property and contents in case of damage or loss; must be for at least the loan amount or for 80% of the value of the improvements, whichever is greater.

INCLUSIONS: Lights, curtains, blinds, ceiling fans, air-conditioning units, window screens, TV antenna, dishwasher, range hood, stove, fixed cupboards, clothes hoist or any other removable item that the vendor has agreed will be included in the sale.

INTEREST: A charge paid for borrowing money.

INTEREST-ONLY LOAN: Loan on which interest is only paid periodically and the principal paid at the end of the term.

INSPECTIONS: An examination of property for various reasons such as termite inspections; inspection to see if required repairs were made before funds are received, etc.

INVENTORY: List of items included with a property for sale; usually furniture, furnishings and other removable items.

INVESTMENT: The purchase of an asset, such as real estate, with the ultimate goal of producing capital gain on the resale of the asset.

JOINT TENANTS: Joint Tenancy is the equal holding of property by two or more persons. If one person dies, their share passes to the survivors.

LAND TAX: Value-based levy applied to some property (exemptions include principal place of residence).

LIABILITIES: Your outstanding debts or what you owe.

LIEN: A claim by one person on the property of another as security for money owed. Such claims may include obligations not met or satisfied, judgments, unpaid taxes, materials or labor.

LIMITED TITLE: Form or Torrens Title which applies to a property before it has been adequately surveyed.

LOAN APPLICATION FEE: Paid to the lender at time of application: check with lender for amount.

LOAN DISCOUNT: The points a lender charges; may be paid by either buyer or seller on conventional loans; number of points fluctuates with mortgage money market.

MAINTENANCE FEE: Charged by the homeowner's association as set out in the subdivision restrictions.

MATURITY DATE: The last day of the term of the home loan agreement. The home loan must then be paid in full or the home loan agreement must be renewed.

MORTGAGE: Legal agreement on the terms and conditions of a loan for the purpose of buying real estate. (A mortgagee lends the money to a mortgagor, the borrower).

MORTGAGEE'S TITLE POLICY: Required by the lender to insure that the lender has a valid lien; does not protect the buyer.

MULTIPLE LISTING: System of selling the property through many agents. The buyer pays only one commission. This goes to the agent who lists the property on an official multiple listing form for other agents (if the agent sells the property), or is shared between the first agent and the agent who actually finds the buyer.

OFFER TO PURCHASE: A formal legal agreement which offers a specified price for a specified property. The offer may be firm (no conditions attached) or conditional (certain conditions apply).

OPTION TO BUY: Legal agreement giving the buyer the right to purchase property at a certain time and price. Option fee, usually one percent of the price, is payable and forfeited if the buyer does not go through with the transaction.

ORIGINATION FEE: A fee the buyer pays the lender to originate a new loan.

OWNER'S TITLE POLICY: Insures that the buyer has title to the property.

PITI: Abbreviation for principal, interest, taxes, and insurance, all of which are lumped together in your monthly mortgage payment.

POINTS: A one-time only fee you pay up front to your lender, sometimes in exchange for a slightly lower mortgage rate. One point equals one percent of the total amount you plan to borrow.

PRINCIPAL: The actual amount of money that has been borrowed to buy a property.

PRIVATE MORTGAGE INSURANCE (PMI): Insurance against a loss by a lender (mortgagee) in the event of default by a borrower (mortgagor).

REALTOR FEES: An amount paid to the Realtor as compensation for his/her services.

RECORDING FEES: Charged by the County Clerk to record documents in the public records.

RESTRICTIONS: Certified copy of deed restrictions required by lender.

SETTLEMENT: Completion of sale when balance of contract price is paid to the vendor and the buyer is legally entitled to take possession of the property.

SURVEY: Confirms lot size and identifies any encroachments or restriction violations.

TITLE INSURANCE: Protects lenders and homeowners against loss of their interest in property due to legal defects in title.

TITLE SEARCH: The process of examining the land title to ensure the vendor has the right to sell and therefore transfer ownership. A title search details the names of the owners and other information about the property such as encumbrances or caveats on the title.

VENDOR: Person offering property for sale.

VENDOR STATEMENT: Statement setting out the particulars of the property, made by the vendor.