

Real Estate Terms

A

Adjustable rate mortgage

A type of mortgage rate loan that allows the interest rate to change periodically up or down, usually once or twice a year.

Agent

A person who acts, or has the power to act for another. A real estate agent acts on behalf of the principal (the buyer or seller) and has fiduciary responsibilities towards the principal.

Buyer's agent

An agent who represents the buyer and owes fiduciary duties to the buyer.

Seller's agent

An agent who represents the seller and owes fiduciary duties to the seller. Usually referred to as the listing agent, this agent is authorized by a property owner to find a buyer or a tenant for the property.

Agreement of sale

A written agreement or contract in which the seller agrees to sell and the buyer agrees to buy under specific terms and conditions.

Amenities

Features that enhance and add to the value or desirability of real estate. Common amenities include a swimming pool, clubhouse and a good view.

Amortization

The reduction of a debt over time by making periodic payments (usually monthly) a portion of which is interest and a portion of which reduces the outstanding amount of the debt. The monthly mortgage payments remain the same over the life of the loan, even though the proportion of principal to interest changes over time. In the early part of the loan, principal repayment is very small and interest repayment very high; at the end of the loan, that relationship is reversed.

Appraisal

The act or process of estimating value; an estimate of value.

Appraiser

Someone who practices appraisal. Appraisers' work involves appraisal (see above), review (the process of critically studying a report prepared by another), or consulting (the process of providing information, analysis of real estate data, and recommendations on diversified problems in real estate, other than estimating value).

B

Balloon mortgage

A mortgage for a fixed term shorter than necessary to fully repay the debt. As a result, the remaining amount of principal is due at the maturity of the loan.

Bridge loan

A loan, usually short term that finances the portion of the purchase price not provided by the mortgage loan and the down payment. A bridge loan is commonly

used when a purchaser has not sold his existing home before he closes on his purchase of a new home. The bridge loan is paid off when the old home is sold, out of the proceeds of that sale.

Broker, as in real estate broker

A real estate professional who has acquired a higher level of training and/or experience than a sales agent. Generally, the legal representative or proprietor of the office.

C

Capital gain

Income that results from sale of a capital (tangible) asset.

Closing

The end of the transaction; when the seller hands over the title to the buyer in exchange for payment.

Closing costs

Costs the buyer must pay at the time of the closing in addition to the down payment which may include points, title charges, mortgage insurance premium, prepayments for property taxes, and homeowners insurance. Closing costs can be as much as three to four percent of the loan amount.

Condominium or condo

A condominium, literally, is a home in a shared building or development. The buyer owns title to his or her unit, shares the common areas with other unit owners, and pays a maintenance fee to the condominium association to pay for needed maintenance, repairs and improvements to the property.

Contingency

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

Conventional loan

A fixed-rate, fixed-term loan that is made without government insurance.

Co-operative or co-op

In a residential co-operative, the buyer purchases shares in the co-op corporation, made up of the residents in the co-op property. The buyer owns the shares rather than owning real property. In exchange, he has the right to lease and occupy a co-op unit.

D

Deed

A legal document by which property title is transferred from one owner to another.

Down payment

The down payment is the percentage of the purchase price that the buyer must pay in cash and may not borrow from the lender. The down payment amount, in addition to the mortgage, equals the purchase price of a property.

Dual agency

Representing both parties in a transaction. In virtually all states, it is unethical and illegal for a broker to represent both buyer and seller in a real estate transaction without written consent of both.

E

Earnest money

The deposit money given to the seller by the potential buyer as evidence of good faith in purchasing real estate. The broker places the money in an escrow/trust account until closing, when it becomes part of the down payment.

Equity

The value of the property, less the amount of unpaid mortgages and any outstanding liens.

Escrow

Money or other valuables given to a third party with directions to deliver them to another party upon the fulfillment of a specific act or condition.

Exclusive agency listing

A written agreement giving the broker the right to market an owner's property for a certain period of time, but also allowing the owner to sell the property during that period without paying a commission.

Exclusive right-to-sell

A written agreement between the agent and the owner, whereby the owner promises to pay a fee or commission to the broker if his property is sold during the listing period, regardless of whether the broker is responsible for the sale.

F

Fannie Mae

Nickname for the Federal National Mortgage Association, FNMA is a public corporation originally established by the federal government. Fannie Mae purchases mortgage loans from lenders, and thus, is a major source of funds for mortgage companies.

FHA or Federal Housing Administration

Part of the US Department of Housing and Urban Development (HUD) --established in 1934 to encourage improvement in housing standards and communities. The FHA insures mortgage loans. See HUD listing.

FHA mortgage

A mortgage loan insured by the Federal Housing Administration.

G

H

Home inspection

An examination of the physical structure, systems and condition of a home.

Homeowners insurance

Insurance that protects the homeowner from "casualty" (losses or damage to the home or personal property) and from "liability" (damages to other people or property). Homeowners insurance is required by the lender and is usually included in the monthly mortgage payment.

HUD or the US Department of Housing and Urban Development

Department of Housing and Urban Development, a government agency created to make the American dream of home ownership a real possibility for everyone. HUD has many programs involving homeownership assistance for low- and moderate-

income families, community planning and development, fair housing and equal opportunity, and home improvement loans. The Housing and Urban Development home page is a rich resource of information.

I

J

K

L

Lien

A hold or a claim on the property of another to satisfy an unpaid debt.

Listing contract

An agreement between a homeowner and a licensed real estate broker that authorizes the broker to market the property for sale during a given time period.

Loan origination fee

A fee charged by the lender for evaluating, preparing and submitting a proposed mortgage loan.

Loan-to-value ratio

The ratio of a mortgage loan principal to the property's appraised value or its sales price, whichever is lower. Loan-to-value ratios vary depending upon the individual lender's policy.

Lock-in rate

A commitment made by a lender to make a mortgage loan at a specified rate, pending loan approval, on or prior to a specified date.

M

Market value

The highest price a buyer will pay for a property and lowest price the seller will accept.

Mortgage

A lien on real estate given by the buyer to secure repayment of money borrowed to purchase the real estate.

Mortgage broker

An individual or company that obtains mortgages for others by finding lending institutions, insurance companies, or private sources to lend the money; may also handle collections and disbursements.

Mortgage insurance

A policy that provides protection for the lender in case of default and/or which guarantees repayment of the loan if the borrower becomes disabled or dies.

N

NATIONAL ASSOCIATION OF REALTORS®

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O

Offer

A proposal to purchase real estate at a particular price and subject to other specified terms and conditions. Acceptance of the offer by the seller creates a purchase contract. (Counteroffer: An offer made in response to a different offer.)

P

Private Mortgage insurance or PMI Insurance

Insurance issued to a lender to protect it against loss on a defaulted mortgage loan. Its use is usually limited to loans with high loan-to-value ratios (generally in excess of 80%). The borrower pays the premiums.

PITI Payment

A loan payment that combines Principal, Interest, Taxes and Insurance.

Point

An amount equal to one percent of the loan amount paid to a lender for making the loan. A lender may charge the borrower several points in order to provide the loan.

Principal

One of the parties to a transaction. For example, the buyer and seller are principals in the purchase of real property.

Q

R

REALTOR®

A REALTOR® is a real estate professional who is a member of the NATIONAL ASSOCIATION OF REALTORS® and subscribes to its strict Code of Ethics. This distinguished professional is committed to protecting and promoting private ownership of real property, establishing and maintaining high professional standards of practice, and creating unity in the NATIONAL ASSOCIATION OF REALTORS® organization and respect for the real estate profession. When you want to buy or sell a home, call a REALTOR®.

S

T

Title

Ownership of real property. Title is transferred from one party to another through a document called a deed.

Title insurance

Protection for lenders and homeowners against financial loss resulting from legal defects in or other claims against the property's title.

Trust

A property interest held by one person for the benefit of another.

U

V

VA or US Department of Veterans Affairs

A federal agency designed and operated to help veterans enter the housing market.

The VA assists veterans in terms of low or no down payment, mortgage qualification assistance and low interest rates.

VA loan

A mortgage loan guaranteed by the US Department of Veterans Affairs against loss to the lender, and made through a private lender.
