

Glossary of Real Estate Terms



ADJUSTABLE RATE MORTGAGE: A loan that allows the lender to adjust the borrower's interest rate and payments at prescribed times and sometimes with prescribed limits.

AGENT: A person acting on behalf of another, called the principal.

AGREEMENT OF SALE: Known by various names, such as "contract of purchase", "purchase agreement". A contract in which a seller agrees to sell and a buyer agrees to buy, under certain specific terms and conditions spelled out in writing and signed by both parties.

AMORTIZED LOAN: A loan, which is paid off in equal installments during its term.

APPRAISAL: An estimate of real estate value, usually issued to the standards of FHA, VA, FNMA. Recent comparable sales in the neighborhood are the most important factor in determining value.

ASSESSED VALUE: The valuation placed upon property by a public tax assessor as the basis for taxes.

BILL OF SALE: An instrument which transfers title to personal property (chattels); a "Deed" transfers real property.

CLOSING COSTS: Expenses incurred in the closing of real estate or mortgage transaction. Purchaser's expenses normally include: cost of title examination, premiums for title policies, survey, attorney fee, lender's service fees, and recording charges. In addition, the purchaser may have to place in escrow a sum of money to cover accrued real estate taxes and insurance.

COMMISSION: Payment of money or other valuable consideration to a real estate broker for services performed.

CONVEY: To deed or transfer title of property from one person to another.

DEED: A formal written instrument by which title to real property is transferred from one owner to another. Also, "conveyance".

DEED OF TRUST: Like a mortgage, a security instrument whereby real property is given as security for a debt. However, in a deed of trust there are three parties to the instrument: the borrower, the trustee, and the lender (or beneficiary).

EQUITY: The difference between the market value of property and the homeowner's indebtedness (mortgage).

ESCROW PAYMENT: That portion of the monthly payment held in trust by the lender to pay for taxes, hazard insurance, mortgage insurance, and other items as they become due.

FANNIE MAE: Nickname for 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.

FIXED RATE MORTGAGE: A loan that fixes the interest rate at a prescribed rate for the duration of the loan.

FIXTURE: What was formerly personal property which is now permanently attached to real property and goes with the property when it is sold.

FREDDIE MAC: Nickname for 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.

LEASE PURCHASE AGREEMENT: Buyer makes a deposit for the future purchase of a property with the right to lease the property in the interim.

LISTING CONTRACT: Between a home owner (as principal) and a licensed real estate broker (as agent) by which the broker is employed to sell the real estate within a given time for which service the owner agrees to pay a commission. Also, "listing agreement".

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%.

MARKET VALUE: The highest price which a buyer, ready, willing and able but not compelled to buy, would pay, and the lowest price a seller, ready, willing and able but not compelled to sell, would accept. Basis for "listing price" or "asking price".

MORTGAGE: A lien or claim against real property given by the buyer to the lender as security for money borrowed.

MORTGAGE NOTE: A written agreement to repay a loan. The agreement is secured by a mortgage, serves as proof of an indebtedness, and states the manner in which it shall be paid. Also, "deed of trust note".

ORIGINATION FEE: A fee or charge for work involved in the evaluation, preparation, and submission of a proposed mortgage loan.

P.I.T.I: Principal interest, taxes and interest. Most residential mortgage payments include the above and therefore referred to as P.I.T.I.

POINT: One percent of loan amount.

PREPAYMENT PENALTY: A fee paid to the mortgagee for paying the mortgage before it becomes due.

PRIVATE MORTGAGE INSURANCE (PMI): Insurance written by a private company protecting the mortgage lender against loss occasioned by a mortgage default.

PRORATE: To allocate between seller and buyer their proportionate share of an obligation paid or due. For example, a prorate of real property taxes, fire insurance, or condominium fee.

STRAIGHT LOAN: A loan with periodic payments of interest only; the principal sum due in one lump sum upon maturity.

SURVEY: A map or plat made by a licensed surveyor showing the results of measuring the land with its elevations, improvements, boundaries, and its relationship to surrounding tracts of land. A survey is often required by the lender to assure a building is actually sited on the land according to its legal description.

TITLE: Often used interchangeably with the word ownership. It indicates the accumulation of all rights in property; the owners and others. Methods of taking title include: Tenants by the Entireties, Joint Tenants, Tenants in Common and Fee Simple.

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

TITLE SEARCH OR EXAMINATION: A check of the title records, generally at the local courthouse, to make sure the buyer is purchasing a house from the legal owner and there are no liens, overdue special assessments, or other claims.