

*What does
that mean?*

REAL ESTATE TERMINOLOGY

ADJUSTABLE RATE MORTGAGE (ARM) - The interest rate is tied to a financial index making the monthly mortgage payment go up or down over time.

ANNUAL PERCENTAGE RATE (APR) - The percent of interest that will be charged on a home loan.

APPRAISAL - A report highlighting the estimated value of the property completed by a qualified 3rd party. This is typically done for the benefit of the buyer to ensure the property is worth what they are paying.

ASSOCIATION FEE/HOA FEE - In addition to a mortgage, certain housing communities have a monthly fee associated with maintaining the common areas and amenities.

BALLOON MORTGAGE - A long-term mortgage loan that starts small and has a large payment due at maturity.

CLOSING - This is the final meeting where the buyer and seller sign the necessary paperwork, complete with transaction, and release/take possession of the property. Usually the representing agents and attorneys attend.

CLOSING COSTS - The buyer & seller have expenses related to the transaction other than the actual cost of the home. For example, the buyer will have loan fees and the seller will pay commission to the real estate agents.

CLOSING DISCLOSURE - A form that provides the final details about the mortgage loan. It will include the interest rate, payment terms, fees and other misc loan costs.

COLLATERAL - The term collateral refers to an asset that a lender accepts as security for a loan. In the case of a home purchase, the home is the collateral. The collateral acts as a form of protection for the lender.

COMMISSION - A percentage of the sale price that is paid to the buyer and seller agent for their services in the sale of the home. The seller pays the commissions.



COMPARABLES - Refers to properties with characteristics (size, location, features) that are similar to a subject property whose value is being sought.

CONTINGENCIES - Clause in a formal real estate contract that states there are certain conditions that must be met by either the buyer or the seller in order to continue to the next step in the contract.

COUNTEROFFER - The response from the seller to an offer.

COVENANTS, CONDITIONS & RESTRICTIONS (CC&R's) - Some communities contain "rules" on how they govern themselves and the homeowners that live there. These rules may control things like: paint color, noise restrictions, building styles, size and so on. Every community is different and it is important to read through the restrictions document carefully before purchasing a home.

DEBT TO INCOME RATIO - A lender will look at a borrower's debt versus income to help determine if the amount of the home loan's monthly payment is something the borrower can afford when added to their other monthly debt payments.

DOWN PAYMENT - The amount of cash that is paid up front. A lender will express this amount as a percentage.

EARNEST MONEY - The deposit from the buyer to the seller when submitting an offer. The deposit is held in trust by a third party (usually the title company). Upon closing, the deposit is credited to the buyer toward the purchase of the home.

ESCROW - Typically referred to as the period between the execution of the contract and closing. Monies are held in "escrow" by a third party (typically the title company).

EQUITY - The difference between the amount owed on the home loan and the amount the home appraises for.

FHA LOAN - A mortgage that is financed through a lender and guaranteed/insured through the Federal Housing Administration. These types of loans often require lower down payments and income to qualify.

FIXED RATE LOAN - A type of loan where the interest rate remains the same for the life of the loan.

HOME EQUITY LINE OF CREDIT (HELOC) - A loan or line of credit that a homeowner borrows against the equity in the home.

HOME INSPECTION - The process in which a professional inspects the seller's home for issues that are not easily noticeable. A report is then provided to the party who paid for the inspection (typically the buyer).



HOMEOWNERS ASSOCIATION (HOA) - An HOA is in place for a variety of reasons. The single most important reason for an HOA's existence is to make sure that homeowners abide by the CC&R's. Frequently, HOA's will also coordinate fun activities for their community members. They assure maintenance of the community facilities (park, pool, gym etc).

HOME WARRANTY - A service plan that is paid monthly or annually to cover the cost of repair or replacement of items in the home (i.e. stove, oven, garage door etc).

HYBRID LOAN - A loan that starts with a fixed rate then converts to an adjustable rate at a particular point in time.

MORTGAGE INSURANCE - Insurance written in connection with a mortgage loan that protects the lender from buyer default. Typically, this insurance is only required if the borrower puts a down payment of less than 20%.

MORTGAGE NOTE - A promise to pay a sum of money.

MULTIPLE LISTING SERVICE (MLS) - Comprehensive listing of real estate properties that are available for sale.

OPTION PERIOD - The option period is a set number of days where the buyer has the opportunity to conduct inspections & negotiate repairs & remedies.. Typically, the buyer pays a small fee per day for the option period (i.e. \$10 per day). This fee can be credited to the buyer at closing if written in the contract. During the option period, a buyer can terminate the contract for any reason or no reason at all.

PRE-APPROVAL - A mortgage pre-approval means a loan officer has looked at your finances (your income, debt, assets, credit history) and determined how much money you can borrow, how much you can pay per month, and what your interest rate will be at that moment in time.

PRE-QUALIFICATION - When you prequalify for a home loan, you're getting an estimate of what you might be able to borrow, based on information you provide about your finances. The loan officer will also conduct a credit check.

PRINCIPAL - The actual amount of the loan without interest.

PROPERTY TAXES - The amount of money charged by government entities (city, county, state) that pay for a variety of services within that jurisdiction. Typically, these taxes are included in your mortgage payment and held in a special account, escrow, until they are due.

REAL ESTATE OWNED (REO) - These are properties that are owned by a financial institution. Typically, it is the bank that held the original note on the home with the previous owner.

REVERSE MORTGAGE - This type of mortgage is reserved for senior citizens. It helps them convert their equity to cash.

SHORT SALE - A situation where a lender is allowing a home to be sold for less than the mortgage amount owed by the seller.

TITLE - A legal document that proves the current and proper ownership of the subject property. It is also referred to as a Title Deed. The document highlights the history of the property ownership and transfers.

UNDERWRITING- The process in which the potential homebuyer is evaluated for the financial ability to obtain and repay a loan. An underwriter will check for accuracy of documentation, creditworthiness, appraisal etc. This is typically one of the final steps in the loan process.

VA LOAN - A type of loan that is given the Americans who have served in the armed forces. They are administered by the Department of Veteran Affairs.

