

REAL ESTATE TERMS



Adjustable Rate Mortgage (ARM): A loan with an interest rate that fluctuates according to the movements of a predetermined index.

Amortization Schedule: A schedule showing the principal and interest payments throughout the life of the loan.

Appraised Value: A professional opinion of the value of a property at a given time.

Appreciation: The difference between the increased value of a property and the original sales price.

Balloon Payment: A loan with monthly payments too low to pay off the balance in the specified term; the balance must be paid in full when the loan comes due.

Caps (Interest): Consumer safeguards which limit the amount the interest rate on an adjustable rate mortgage may change per year and/or over the life of the loan.

Closing Costs: Costs incurred on closing day in addition to the down payment. These costs can include, but are not limited to, fees such as attorney, loan origination, appraisal, title examination, lenders' service fees and recording fees.

Conforming Money: A mortgage loan under \$240,000.

Earnest Money: Good faith money provided by the potential buyer to show he/she is serious about purchasing the home.

Equity: The money realized when a property is sold and all claims against it are paid.

Fixed Rate Mortgage: Interest rate is constant for the entire term of the loan.

Floating Rate: An interest rate that is not guaranteed. One that can change as the "market" changes.

Good Faith Estimate: An estimate of the fees involved in buying a home and of the monthly payment. Must be furnished within three days of loan application.

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

Interest: Cost of loan funds; always-paid in arrears.

Jumbo Money: A mortgage loan in excess of \$240,000.

Loan Origination Fee: A fee charged by the lender for originating a new loan.

Lock-In: A lender's promise to guarantee an interest rate or points for a set period during the qualifying process.

Mortgage: A legal document that pledges a property to the lender as security for payment of debt.

Mortgagee: The lender.

Mortgagor: The borrower or homeowner.

Option Fee: A non-refundable fee, paid by the buyer to the seller, for an unrestricted right to terminate within a certain number of days after the effective date of the contract.

Owner's Title Policy: Insures that the buyer has title to the property.

PITI: Principal, interest, taxes and hazard or homeowner's insurance.

Point: 1% of the loan amount.

Pre-Approval: A formal approval given by a lender to a buyer prior to the buyer purchasing a home.

Pre-Qualification: A determination of how much money a prospective buyer will be eligible to borrow before a loan application is made.

Prepays: Expenses necessary to create an escrow account. Can include taxes, hazard insurance, private mortgage insurance and special assessments.

Prepayment: A privilege in a mortgage permitting the borrower to make payments in advance of their due date.

Principal: The amount of money owed on a mortgage, excluding interest payments.

REALTOR®: A collective membership mark that may be used only by real estate professionals who are members of the National Association of Realtors and subscribe to its strict code of ethics.

Settlement Statement or HUD 1: This form, required by federal law, itemizes the services provided and lists the charges to the buyer and the seller. The Title Company conducting the closing completes it. Both buyer and seller must sign.

Tax Proration: Seller pays property taxes from January 1 to closing. This is shown as a credit to the buyer.

Title: A document showing the buyer has clear ownership of property.

Title Search: The process of checking all records relating to the title. It determines whether the seller can transfer the title free of liens or other encumbrances.

Tax Certificates: Certificates issued by taxing authorities showing the current year's taxes, the last year the taxes were paid and any delinquencies.