

Real Estate Terms

Adjustable Rate Mortgage (ARM): Interest rates on this type of mortgage are periodically adjusted up or down, depending on a specified financial index.

Agreement of Sale: Known by various names, such as "contract of purchase," or "binder," according to location or jurisdiction. 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.

Amortization: A method of equalizing the monthly mortgage payments over the life of the loan, even through 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: An expert opinion of the value or worth of a property.

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

Certificate of Title: A document signed by a title examiner stating that the seller has good marketable and insurable title.

Closing (Settlement): The computation of financial adjustments between buyer and seller as of the day of closing a sale to determine the net amount of money which the buyer must pay to the seller to complete purchase of the real estate, and seller's net proceeds. Also, "settlement sheets."

Comparative Market Analysis (CMA): A survey of attributes and selling prices of comparable houses on the market or recently sold; used to help determine correct pricing strategy for a seller's property.

Contingency: A condition in a contract that must be met for the contract to be binding.

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.")

Earnest Money: The money given to the seller by the potential buyer upon the signing of the agreement of sale to show that the buyer is serious about purchasing the house. Also, "deposit".

Equity: The interest or value, which the owner has in real estate over and above the debts against it. Sales Price-Mortgage Balance = Equity.)

Escrow: Funds, property, or other things of value left in trust to a third party. The escrow may be released upon the fulfillment of certain conditions or by agreement of the parties.

Fixture: A recognizable entity (such as a toilet bowl, kitchen cabinet, or light unit) that is permanently attached to property and belongs to the property when it is sold.

Home Inspection Report: Prepared by a qualified inspector, it evaluates a property's structure and mechanical systems.

Lien: A security claim on property until a debt is satisfied.

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".

Market Price: The actual amount for which a piece of property is sold. Also "sales price," "purchase price".

Market Value: The price that is established by present economic conditions, location, and general trends.

P.I.T.I.: Principal, interest, taxes and insurance. Most residential mortgage payments include the above and are therefore referred to as P.I.T.I. Also, "carrying charge".

Points: Sometimes called "discount points". A point is one percent of the amount of the mortgage loan.

Prequalification: Informal estimate of how much financing a potential borrower might expect to obtain. Done before paying substantial loan application fees.

Principal: This word has several meanings:

- A) to denote the most important;
- B) a capital sum lent on interest;
- C) one who appoints an agent to act for and in principal's stead;
- D) either party to a contract.

Title: As generally used, a document that indicates rights of ownership and possession of particular property.

Title Insurance: Protects against loss from legal defects in the 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.

Transfer Tax: State tax, local tax (where applicable) and tax stamps (in some areas) required by law when title passes from one owner to another