

Glossary

Terms buyers want to know

ABSTRACT OF TITLE: A summary or digest of the conveyances, transfers, and any other facts relied on as evidence of title, together with any other elements of record which may affect the marketability of the title.

AMORTIZED LOAN: A loan that is completely paid off, interest and principal, by a series of regular payments that are equal or nearly equal. Also called Level Payment Loan.

APPRECIATION: An increase in value of real estate.

ASSUMPTION OF MORTGAGE: The taking of title to property by a grantee, wherein he or she assumes liability for payment of an existing note secured by a mortgage or deed of trust against the property; becoming a co-guarantor for the payment of a mortgage or deed of trust note.

CLOSING: The final settlement of a real estate transaction between buyer and seller.

CONDOMINIUM: A system of individual fee ownership of units combined with joint ownership of common area of the structure and the land.

CONTRACT FOR DEED: A contract ordinarily used in connection with the sale of property in cases where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer.

CONVENTIONAL MORTGAGE: A mortgage securing a loan made by investors without governmental underwriting, i.e. which is not FHA insured or VA guaranteed.

COUNTER-OFFER: A rejection of an offer by a seller along with an agreement to sell the property to the potential buyer on terms differing from the original offer.

DEED: Written instrument which, when properly executed and delivered, conveys title.

DISCOUNT POINTS: Additional charges made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent. These additional interest charges are paid at the time a loan is closed to increase the rate of return to the lender so as to approximate the market level.

EARNEST MONEY DEPOSIT: Down payment made by a purchaser of real estate as evidence of good faith.

EASEMENT: Created by grant or agreement for a specific purpose, an easement is the right, privilege or interest which one party has in the land of another. (Example: right of way).

EQUITY: The interest or value which an owner has in real estate over and above the liens against real property.

ESCROW: The deposits of instruments and funds with instructions to a third neutral party (Escrow Agent) to carry out the provisions of an agreement or contract; when everything is deposited to enable carrying out the instructions, it is called a complete or perfect escrow.

FHA LOAN: A loan which has been insured by the federal government guaranteeing its payment in case of default by the borrower.

FMHA LOAN: A loan which has been insured by the federal government similar to a FHA loan usually used for residential properties in rural areas.

FEE APPRAISAL: The act or process of estimating values of real estate or any interest therein for a fee.

JOINT TENANCY: Joint ownership by two or more persons with right of survivorship; all joint tenants own equal interest and have equal rights in property.

LAND CONTRACT: A contract ordinarily used in connection with the sale of property in cases where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer.

LIEN: A form of encumbrance which usually makes property security for the payment of a debt or discharge of an obligation. Example: judgments, taxes, mortgages, deeds of trust, etc.

MARKETABLE TITLE: Merchantable title, title free and clear of objectionable liens or encumbrances.

MORTGAGE: An instrument recognized by law by which property is hypothecated to secure the payment of a debt or obligation; procedure for foreclosure in event of default is established by statute.

MULTIPLE LISTING: Multiple listing is the name given a service performed by the Local Board of Realtors (Multiple Listing Service). MLS provides necessary information to aid in the sale of listings. It is a marketing tool used by members of the Service to expose properties to a wider market base.

ORIGINATION FEE: A fee charged the borrower by the lending institution.

PERSONAL PROPERTY: Any property that is not real property, e.g., money, savings accounts, appliances, cars, boats, etc.

PROMISSORY NOTE: Following a loan commitment from the lender, the borrower signs a note promising to repay the loan under stipulated terms. The promissory note establishes personal liability for its repayment.

PURCHASE AGREEMENT: An agreement between a buyer and seller for the purchase of real estate.

REAL PROPERTY: Land and whatever by nature or artificial annexation is a part of it.

SPECIAL ASSESSMENT: Legal charge against real estate by a public authority to pay cost of public improvements such as: street lights, sidewalks, street improvements, etc.

SUB-DIVISION: A parcel of land that has been divided into smaller parts (lots, blocks, tracts).

TENANCY IN COMMON: Ownership by two or more persons who hold undivided interest; without right of survivorship; interests need not be equal.

TERMS OF MORTGAGE: The period during which a mortgage must be paid.

TRUST ACCOUNT: An account separate and apart and physically segregated from broker's own funds, in which broker is required by law to deposit all funds collected for clients.

VA LOAN: A loan guaranteed by the Veteran's Administration insuring payment in case of default by the borrower. Available to qualified veterans.

WARRANTY DEED: A deed used to convey real property which contains warranties of title and quiet possession, and the grantor agrees to defend the premises against the lawful claims of third persons.