

Real Estate Dictionary of Terms

Adjustable Mortgage Rate (ARM)

A mortgage loan whose interest rate adjusts according to a market index. This means that as the interest rate goes up or down, so does your mortgage payment.

ALTA

A final listing of the costs of the mortgage transaction. It provides the sales price and down payment, as well as the total settlement costs required from the buyer and seller.

Amortization

A term used to describe the process of paying off a loan over a predetermined period of time at a specific interest rate. The amortization of a loan includes payment of interest and a portion of the outstanding principal balance during each payment cycle.

Appraisal

The amount a professional appraiser determines your home and its property to be worth.

Bridge Loan

A short-term loan collateralized by the buyer's present home (which is usually for sale) that allows the proceeds to be used for closing on a new house before the present home is sold. Also known as "swing loan".

Condominium

One unit in a complex of many. When you purchase a condominium, you solely own what is inside your walls and you jointly own the hallways, exterior, and common areas. You also pay a monthly fee for the management of these areas.

Closing Costs

The cost required to officially change the ownership of the property. Buyers and sellers have different costs they are responsible for at closing.

Closing

Also called settlement, the signing of documents and payment of funds to legally transfer the house and its property from the buyer to the seller.

Credit Rating/Score

The score that tells a borrower how much of a credit risk you will be.

Credit Report

A report detailing a borrower's credit history. A few items shown are the amount of the borrower's debt, their timeliness of making payments, and their credit rating.

Deed

The document that legally transfers the title of a property to the purchaser.

Default

Violation of a mortgage contract

Density

The number of homes that a local jurisdiction allows to be built on a certain acre of land.

Earnest Money

A "good faith" deposit submitted with a purchase offer to show that the potential home buyer is serious about buying the house. Ideally 1%.

Elevation

The exterior of a specific model. A floor plan may have multiple elevations for you to choose from, each with varying architectural styles, building materials and exterior treatments.

Escrow

When a third party handles funds or documents for the buyer, seller or both.

Equity

What your home is valued at after the balance of what you owe is subtracted.

Fixed Rate Mortgage

A mortgage that has an interest rate that stays the same for the life of the loan. This means your monthly payment will remain constant.

Good Faith Estimate

An estimate, given to the borrower by their lender, to show what settlement costs they will be responsible for and how much they will be.

Hazard Insurance

Insurance against damage to your home from vandalism, fire and other hazards. You are required to carry insurance equal to the value of your home.

Home Inspection

A professional inspection of a home to review the condition of the property. The inspection should include an evaluation of the plumbing, heating and cooling systems, roof, wiring, foundation and pest infestation.

Homeowner's Association

An association that manages the care of common areas of a community. The home owner pays a monthly or quarterly fee to this association for maintenance costs.

Homeowner's Insurance

Insurance that covers personal liability and hazards for a home and the contents inside of it.

Interest

The amount you pay to the lender for borrowing money. A portion of this becomes part of your monthly mortgage payment.

Lien

The claim against the property that has to be paid off when you sell a property.

Lifetime Payment Cap

The highest or lowest a payment on an Adjustable Rate Mortgage can reach for the life of the loan.

Lock-in Period

The amount of time the lender agrees to lock in an interest rate for the purchaser prior to settlement.

Mortgage Insurance

Insurance needed for mortgages with low down payments (usually less than 20% of the price of the home).

Note

A document that states a debt exists and the repayment terms.

Options

Items you can choose to add on to your home. Options add to the price of the house, but allow you to personalize your home (e.g. tile floors, fireplace, etc).

PITI

Principal, Interest, Taxes, and Insurance. The four main parts of your monthly mortgage payment.

Planned Community

A community where several builders offer a variety of home styles in many price ranges. There are usually amenities in the community such as recreational facilities and shopping.

Points

A charge by the lender to increase the amount of interest yield on a loan. Each point is 1% of the loan amount.

Prepayment

When you pay part or all of your loan before it's matured.

Principal

The amount you borrow for your loan. This amount does not include interest.

Punch List

A builder's list of changes or corrections to be made on a buyer's home.

Real Estate Broker

A Realtor who has earned a broker's license can employ real estate agents, as well as represent buyers and sellers.

Title

The certificate or deed that proves a person legally owns the property.

Title Insurance

Insurance that protects the lender or the buyer against any loss that comes out of disputes over who owns a property.

Title Search

When title records are searched to make sure the seller is the legal owner of the property. It also checks whether there are any outstanding claims or liens.

Walk-Through

A buyer's final inspection of the home before settlement to look for any problems that need to be fixed by the seller.