

# Real Estate Dictionary

**1031 Exchange:** Also known as an IRS Section 1031 Exchange, a Starker Exchange or Like-kind Exchange, is a way of structuring a sale of certain kinds of property so the seller's profit or gain is not currently taxed. Instead, the property sold is replaced with another "like kind" property. If the transaction is properly structured, the seller's profit or gain is deferred to a future date. These transactions are governed by Internal Revenue Service (IRS) rules, Section 1031.

**24-hour notice:** Mandatory by law, tenants must be notified 24-hours before agents arrive for a showing.

## A

**Abstract:** A summary of the key components of recorded deeds, mortgages, leases and other factors that affect a property's title.

**Abstracting:** The act of composing an abstract.

**Abstractor:** The person or entity that composes an abstract.

**Acknowledgement:** Legal validity granted to a document by an authorized official (such as a notary public) who certifies that a document is indeed executed (signed) by the named executor (signer).

**Addendum:** Something added (additions to a document). Real property sales often have addenda (plural of addendum) as the buyer and seller negotiate fine points.

**Adjustable Rate Mortgage (ARM):** A mortgage with an interest rate that changes at specific intervals as the loan matures; generally linked to some major benchmark rate such as movements in the economic index. The ARM is commonly offered for one, three, five or seven-year periods.

**Adjustable Mortgage Loan (AML):** See Adjustable Rate Mortgages (ARM).

**Adjustment Period:** The time span between changes in the interest rate of an Adjustable Rate Mortgage (ARM).

**Adverse Possession:** An unauthorized possession of land for an allotted amount of time that results in the land owner losing land to the occupier.

**Affiliated Business Arrangement:** An AFBA or ABA – sometimes also referred to as a Controlled Business Arrangement or Joint Venture – is a business established by two or more partner companies, often involved in providing services to consumers in a real estate transaction.

**All-Inclusive Rate:** In the title insurance industry, this term refers to a price set forth that includes both a title search and a closing. (This varies by company.)

**ALTA:** The acronym for American Land Title Association, the title insurance industry's national trade organization.

**Agent:** A licensed individual enacted to represent the buyer or seller in a real estate transaction.

**Amended Value:** The actual sale price of a home as adjusted from the previously listed or valued price.

**Amortization:** Derived from the French word "to kill," it means paying off a debt through regular partial payments that reduce both the principal and interest of an incurred debt, instead of only paying down the interest.

**Annual Percentage Rate (APR):** Is the annual rate on the loan and the rate used to calculate the monthly payments. The APR includes both the interest rate and any additional costs or prepaid finance charges such as prepaid interest, private mortgage insurance, closing fees, points, etc. It represents the total cost of credit on a yearly basis after all charges are taken into consideration.

**Application Fees:** The fees that a mortgage company charges to process a loan application, customarily equivalent to approximately 1% of the loan amount or a flat fee.

**Appraisal:** A process by which a specialist (a licensed or certified appraiser) estimates a property's value and submits it in the form of a written statement. An appraisal may take into account the quality of the property, values of surrounding properties and market conditions in the area.

**Appraisal Fee:** The price that a Lender charges to determine the value of a property on which a loan is requested, usually paid at the time of the loan application.

**Appraisal Report:** The statement prepared by an appraiser that includes the factual information and reasoning as to how the appraiser arrived at an estimate of the property value.

**Arrears:** Payment made after the cost has been incurred. For example, rent is usually paid in advance of the time a space is to be used, whereas when you eat at a restaurant you pay after you eat, hence, in arrears.

**"As-Is" Condition:** The condition in which the buyer is accepting the home at the time of the sale, including its faults. The seller gives no guarantee on the quality of the asset and makes no repairs that may be necessary.

**Asking Price:** The price for which the seller has placed the property on the market.

**Assessment:** The placing of a value on property for the purposes of taxation.

**Assessor's Parcel Number (APN):** A unique string of numbers that are used to identify a property, referenced on a parcel map.

**Assumption Fee:** The cost a lender imposes for the purchase of an existing mortgage.

**Assumption of Mortgage:** A bank-approved agreement to transfer to a new purchaser the responsibility of an existing loan that is tied to a mortgage or deed of trust.

**Attorney Fee:** Cost for the preparation of the necessary documentation in a real estate transaction.

**Attorney In-Fact:** An authorization granted by the power of attorney to act as an agent on someone else's behalf.

**Attorney's Opinion:** A written statement documenting the professional opinion of an attorney in regards to the status of a property title.



## **B**

**Basic Rate:** In terms of title insurance, the standard rate incurred by consumers who do not qualify for a reduced rate.

**Beneficiary:** Regarding loans, it is the Lender.

**Binder:** A contract consisting of a brief, written agreement acknowledging a deposit is made for a real estate purchase.

**Broker:** A professional negotiator who acts on behalf of another and is paid in commission or fees.

**Broker's Market Analysis (BMA):** A document real estate brokers use to calculate and estimate property value, suggest a marketing strategy, and present the marketing strategy in a logical way.

**Broker's Price Opinion (BPO):** A professional estimate made by a real estate broker of the net sale price of a property. A BPO is based on the characteristics of the property being considered.

**Broker's Tour:** A time and date set by multiple brokers in order for real estate agents to view various listed properties on the market.

**Brokerage:** Either a fee or commission paid to a broker.

**Buyer:** The person, persons, or company purchasing a property.

**Buyer Agency:** Where the real estate agent represents the buyer in a real estate transaction.

**Buyer Agent:** Working on behalf of the buyer, the agent who shows and seeks the property, negotiates the contract, and assists the buyer in closing the transaction.



## C

**Cap:** A limit on how much an adjustable mortgage rate can vary (in an ARM or AML), either monthly, at each adjustment interval, or over the span of the entire mortgage.

**Carrying Costs:** Standard costs incurred when owning a property, such as taxes, insurance, interest, utilities, maintenance, etc.

**CC&Rs:** The acronym for Covenants, Conditions and Restrictions. A recorded document that controls the use, requirements and restrictions of a property, commonly created when a subdivision is built.

**Certificate of Title:** A document issued by an attorney or title company certifying the status of title to real property and the absence or presence of title defects, liens and adverse claimants.

**Certified of Reasonable Value (CRV):** In a VA-guaranteed mortgage, this is a document establishing the maximum value and loan amount.

**Certified Residential Broker (CRB):** For certification, a Broker is required to have worked as a licensed broker for five years, be a member of the National Association of REALTORS®, and complete five required Residential Division courses.

**Chain of Title:** The history of all owners and lienholders of real property along with the dates of their acquisition and the nature of their title, going back to the first deed out of the government.

**Claim:** To make a demand for money, property or for enforcement of a right provided by law.

**Closing:** The final step in the transaction process, where title exchanges hands, money is disbursed and all documents are signed. In some states, a real estate transaction is not considered “closed” until the documents record at the local recorder’s office. Also known as a settlement.

**Closing Cost:** The fees that are part of closing at a title company, such as legal fees, recording fees, title policy, mortgage company charges, etc., incurred by either the buyer or seller as is set forth in the contract of sale.

**Closing Disclosure:** A 5-page disclosure document designed to help consumers understand all of the costs associated with taking out a mortgage and purchasing a home. The Closing Disclosure must be provided to consumers three business days before they close on the loan.

**Closing Statement:** An all-inclusive summary itemizing debits and credits to each party, seller and buyer, and presented in the form of a balance sheet.

**Cloud on Title:** Any claim or encumbrance that may impair the title to a property, making its validity questionable, and that might prevent the title from being cleared to transfer.

**C.L.U.E. (Comprehensive Loss Underwriting Exchange):** Is a claims-history database generated by the national insurance industry's that enables insurance companies to access consumer claims information (personal property and personal auto) when they are underwriting or rating an insurance policy.

**Commission:** The compensation real estate brokers, mortgage brokers and real estate professionals are paid upon the final sale for their services.

**Commission Split:** The percentage by which a real estate agent and the real estate sales brokerage divide the commission amount.

**Comparative Market Analysis:** The study of active, pending and sold comparable properties to estimate a listing price for a property that is done by a real estate agent or broker.

**Competitive Market Analysis:** The analysis of market information that is provided to the seller and assists the real estate agent in securing the listing.

**Conditions:** A term related to restrictions and reservations, a term alluding to provisions in deeds and real estate documents that are hinged to a future event.

**Condominium:** Real estate ownership that provides title to a specific unit within a larger structure encompassing various units, and that also provides the owner with a proportionate interest in certain common areas.

**Condominium Association:** All the owners associated with a particular condominium.

**Condominium Budget:** A financial report of expenses and savings incurred by the condominium and the financial prediction of the future.

**Condominium By-Laws:** Rules set forth by an association that governs the administration of the property.

**Condominium Declarations:** A document that establishes a condominium legally.

**Condominium Right of First Refusal:** The first opportunity to purchase or meet an offer in condominium real estate that is granted to a person or association.

**Condominium Rules and Regulation:** Agreed-upon rules for the condominium that owners abide by.

**Consumer Financial Protection Bureau (CFPB):** The CFPB is an independent agency of the United States government authorized and created by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Act was passed in 2010 in response to the financial crisis of the 2000s that led to the Great Recession. The new agency was given jurisdiction over all of the consumer protection statutes that had been heretofore scattered among several government agencies, including RESPA and TILA.

**Contingency:** A condition that must be met before a contract is legally binding.

**Continue to Show:** When a seller does not stop showing prospective buyers a property although it's under contract for the period in which there are outstanding contingencies waiting to be met.

**Contract:** A legal agreement between two or more parties that is written and enforceable by law.

**Contract for Deed:** Also referred to as an installment sale contract, it is a contract for which the buyer takes possession of the property but the seller holds the title until the loan has been paid.

**Contract of Sale:** A legally binding agreement between two parties concerning the terms of purchase or transfer of real property.

**Conventional Loan:** A term commonly applied to a fixed-term or fixed-rate loan, it refers to a mortgage loan that is not guaranteed by the VA or FHA.

**Conventional Mortgage:** A type of mortgage in which the underlying terms and conditions meet the funding criteria for Fannie Mae and Freddie Mac. About 35-50% of mortgages, depending on market conditions and consumer trends, are conventional mortgages. They may be fixed-rate or adjustable-rate mortgages.

**Conversion Clause:** A clause in a mortgage loan that allows the borrower to convert from an adjustable-rate mortgage to a fixed-rate mortgage.

**Cooperating Commission:** A commission offered by the selling broker to the buyer's broker for bringing them a buyer.

**Cooperative (Co-Op):** A form of property ownership whereby the occupants of the building are shareholders of the cooperation and entitled to a specific unit, as opposed to owning the unit itself.

**Corporate Client:** When relocating employees, this is the company that handles employee relocation with whom the third-party company has an agreement.

**Counter-Offer:** The response the seller makes to the potential buyer's initial offer.

**Covenant:** A formal agreement between two parties in which one party makes promises and assurances to the other.

**Credit Report:** A report that includes a borrower's financial history, including all credit cards, outstanding balances, and payments on past or current debts.

**Credit Report Fee:** The price charged by the lender to verify the information on the Credit Report, usually paid at the time of the loan application by the potential buyer.

**Credit Score:** A score based on the information provided in the credit report.

**Curb Appeal:** The appearance of property when viewed from the street.



## **D**

**Days on Market:** A term used to refer to the number of days a property has been listed on the market.

**Decree:** A court judgment that delineates the rights and agreement between two parties.

**Deed:** The official document that represents ownership of a property. When property is sold, it is transferred from one owner to the other.

**Deed Book:** A place where deeds are recorded in public records, namely a book.

**Deed of Re-conveyance:** Is a written document that is issued when a Deed of Trust (or mortgage) has been paid off to formally close it.

**Deed of Trust:** A legal document issuing a trustee a land title as security for a loan between a lender and borrower. It contains all the mortgage information, such as property, loan amount, borrower, etc.

**Default:** Failure to pay an obligation when it is due or failure to fulfill a promise.

**Defect:** A title that is irregular and faulty such that it contains a blemish, imperfection or deficiency.

**Deposit Receipt:** A document whereby a seller is accepting earnest money from a potential buyer as a binding promise to adhere to a price and contract terms for a property.

**Depreciation:** Loss in value as a result of the elements, wear and tear, and functional or economical obsolescence.

**Desk Fees:** A fee charged by a brokerage or real estate company for the use of a desk by a real estate agent.

**Destination Services:** Services provided to the transferees upon arrival at the new location, such as school searches, temporary housing, etc.

**Direct Home-Selling Costs (DHSC):** Carrying costs, commission, closing costs, interest on equity loans, loss on sale, principal, taxes and insurance, repairs and improvements, and utilities.

**Disclosures:** Requirements of disclosure at the local, county, state, and federal level made by the seller and acknowledged by the buyer.

**Discount Points:** The difference between the loan yield and the investment value of the money, expressed as a percentage, payable to the lender. One point equals one percent of the loan amount. Paying a point to the lender can buy down the interest rate of the loan.

**Divorce:** A court decree entirely dissolving the legal relationship of a husband and wife; the granting of a legal separation.

**Document Preparation:** The creation of all paperwork needed to consummate a real estate transaction.

**DOM:** Acronym for Days on Market. See Days on Market.

**Down Payment:** The cash amount a borrower places towards a property purchase.

**Drive-by:** The physical act of a real estate agent or broker driving past a potential or existing listing.

**Dual Agent:** An agent who is required to hold a state license, acting on behalf of both the buyer and the seller in a single real estate transaction.

**Due On-Sale Clause:** A provision that accelerates the full payment of the mortgage or deed of trust when the secured property changes ownership.



## **E**

**Earnest Money:** A down payment or portion of the payment a buyer makes with an offer to demonstrate the good faith of their intention to buy. Usually held by the escrow agent.

**Easement:** A right of way giving persons other than the owner access to or over a property.

**Egress:** The right of a person to leave a property, usually used in terms of an easement.

**Ejectment:** An eviction; a legal action taken to repossess land by its owner. A legal action to remove an unwelcome trespasser or tenant from owned property.

**Eminent Domain:** The right of the government to oblige property owners to forfeit their property, or a portion thereof as in an easement, in exchange for fair market value in order to use the property for public purposes.



**Encroachment:** An instance where a piece of real property extends past its own property lines and onto another's property.

**Encumbrance:** A servitude, claim, right or lien made on a property title that may be financial or non-financial.

**Endorsement:** An alteration made to the title insurance policy that affects the existing coverage at the request of the insured.

**Escrow:** As it pertains to title insurance, an arrangement whereby an impartial third party holds the property title, paperwork, funding and a series of instructions for which that party is responsible until all the conditions of the transaction have been met.

**Escrow Agreement:** A written agreement between the escrow agent and either the buyer and seller or both, setting forth the conditions as to how the objects being placed in escrow are to be administered.

**Escrow Account:** An Escrow account is an account set up to handle funds for bill payment of annual home expenses such as homeowners insurance and property insurance. The costs are divided into monthly payments, and the bills are then paid when they are due.

**Escrow Account for Real Estate Taxes and Insurance:** An account that is set up for monthly payments of real estate taxes and property insurance by a borrower.

**Escrow Money:** See Earnest Money.

**Escrow Fee:** The amount the Escrow Company charges for all the miscellaneous activities it must conduct to handle the transaction, such as notary fees, issuance of checks, etc.

**Escrow Shortage:** Is when there is not enough money in the Escrow account to cover the expenses. It must either be paid in a lump sum immediately or the monthly payments must be raised to compensate the difference.

**Estate:** The ownership interest of an individual in real property. The sum total of all the real property and personal property owned by an individual at time of death.

**Examination:** In reference to the title industry, it is the studying of all documents to determine the condition of a title.

**Examiner:** More accurately called Title Examiner, it is the one who conducts the examination.

**Exchange / Service Account:** An expense account that a brokerage uses to administer marketing monies.

**Exclusions:** Personal property or fixtures that are not to be included in the contract for purchase.

**Expired (listing):** A property that has passed the terms for its listing agreement.

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## **F**

**Fax Rider:** A legal document authorizing a document sent via facsimile transmission (fax) to be accepted in lieu of the original.

**Feedback:** Commentary requested by a listing agent from a real estate agent and/or client about their thoughts on a property.

**Federal Housing Administration (FHA):** An agency of the federal government that insures private first-mortgage loans for the financing of new and existing homes and home repairs, and does not permit second mortgages on insured mortgage loans.

**FHA Loan:** A loan program insured by the FHA obtained through an FHA-approved lender.

**FHA Mortgage Insurance:** A mortgage insurance program insured by the FHA obtained through an FHA-approved lender

**Federal National Mortgage Association (FNMA):** Better known as Fannie Mae. It is a congressionally chartered, shareholder-owned company that is the nation's largest supplier of home mortgage funds.

**Fee Simple:** The highest level of home ownership attainable, providing the owner complete ownership and the full power of disposition.

**Finance Charge:** The cost for a borrower to obtain credit, whether directly or indirectly.

**Fixed Rate:** A mortgage with an unchanging interest rate for the life of the loan.

**Fixture:** Property that is personal but has become a permanent part of the property.

**Flat Fee:** A set fee that is predetermined for specific real estate services.

**Flood Insurance:** Insurance for flooding that must be pre-paid annually for a property in a FEMA-designated flood zone.

**Flood Insurance Escrow:** If required, it is the monthly amount collected in advance for Flood Insurance.

**Floor Duty or Time:** A specified time that a real estate agent is available to handle inquiries.

**FSBO:** An acronym for "For Sale By Owner."

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## G

**Gift Letter:** A letter provided to a lender or government agency stating that money to be used as the down payment for a home loan was a gift and not a loan from the donor.

**Graduated Payment Mortgage:** A mortgage with payments that start low and are increased over time at set intervals.

**Grant:** A transfer of real property.

**Grant Deed:** A recorded document created at the time a part or all interest in a property is passed from one party to another.

**Grantee:** The party receiving a title or encumbrance.

**Grantor:** The party granting a title or encumbrance.

**GRI:** The acronym for Graduate REALTORS® Institute. A professional designation granted to a member of the National Association of REALTORS® who has in-depth training in legal and regulatory issues, technology, professional standards and the sales process.

**Good Faith Estimate:** An estimate of all mortgage fees and closing costs Lenders provided within three days of a loan application, as mandated by the Real Estate Settlement Procedures Act (RESPA). The GFE was used for most residential real estate mortgage applications prior to Oct. 2, 2015. For most residential real estate loans applied for on or after Oct. 3, 2015, the new Loan Estimate replaced the GFE as the new CFPB mandated loan disclosure.

**Gross Closed Commission Income:** The amount of commission a real estate agent receives after a transaction is closed.

**Gross Sale Price:** The actual price prior to any concessions.

**Guaranteed Offer:** The property amount an employer offers a transferring employee after appraisals.

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## H

**Hazard Insurance:** Insurance that protects real estate value against damages such as fires, natural disasters, wind, vandalism etc.

**Heir:** A person inheriting property by provision of law or provisions of a will.

**Home-finding Assistance:** Community information and other assistance provided by a third party in relation to finding a property.

**Home Inspection Report:** A report made by a qualified inspector evaluating condition of the structure and mechanical systems on a property.

**Homeowner's Insurance:** Insurance that covers personal liability and theft in addition to hazard insurance for a dwelling and its contents.

**Home Warranty Plan:** Protection that covers the mechanical, electrical, plumbing, heating systems and appliances of a home.

**HUD:** U.S. Department of Housing and Urban Development.

**HUD-1:** A document that reports all the monies transacted in a real estate property closing. The HUD-1 was used on most real estate transactions prior to Oct. 2, 2015. For most residential real estate loans applied for on or after Oct. 3, 2015, the new Closing Disclosure, mandated by the CFPB, replaced the HUD-1 as the final settlement statement for a real estate transaction closing.

**Hybrid Adjustable Rate:** A mortgage with the first few years (three, five, or seven) fixed, followed by the remaining years of the mortgage at adjustable rates.



## I

**IDX:** Acronym for Internet Data Exchange. A means for real estate agents to advertise each other's listings on databases (MLS).

**Impound Account:** An account a lender uses to retain funds to cover items such as taxes and hazard insurance premiums.

**Inclusions:** Personal property or fixtures included in the property contract or offer.

**Independent Contractor:** A real estate agent who receives listings directly from a broker and does not receive a salary or benefits.

**Index:** The determining measure of interest rate changes for an ARM over the course of its life.

**Ingress:** Permission or right of entry, including the place and means of entry.

**Inputting:** Term used referring to the entry and changing of listing data in multiple listing services (MLS).

**Inspection:** A property examination.

**Inspection Rider:** Two types are commonly used. The first gives the buyer the right to have the property inspected by a professional home inspector of the buyer's choice and at buyer's expense. If defects are found, the buyer has the right to cancel the contract within a specified time. The second type gives the seller time to either repair any problems found by the inspection or agree to reduce the selling price by the cost of the repairs.

**Installment Land Contract:** A contractual agreement where until the property is paid, the seller keeps the title yet allows the buyer to take possession of the property.

**Interest Rate Float:** A period of time the borrower delays locking in a loan rate in anticipation of a rate decrease, and therefore "floats" until locking in a rate.

**Interest Rate Lock:** The mortgage interest rate that the lender and borrower agree to, applicable whether mortgage rates change. Usually set for a certain period of time such as 30, 45, 60 or 90 days.

**Intestate:** A description of a person who dies without making a valid will.

**Inventory:** A formal detailed list of articles of property of a person or estate, identifying the description, the quantity and value of each.

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## J

**Joint Tenancy:** Two or more people holding title to a property.

**Joint Tenancy with Right of Survivorship:** Two or more people hold title to the property together. If one person dies, the ownership automatically defers to the remaining owner(s).

**Judgment:** A court-ordered resolution to a legal matter.

**Jumbo Loan:** A loan that exceeds Fannie Mae's and Freddie Mac's loan limits (subject to change annually), currently at \$417,000 for a single-family home in the continental United States and Puerto Rico (\$625,000 in Alaska, Hawaii, Guam and the U.S. Virgin Islands). Also called a nonconforming loan.

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## L

**Late Charge:** A financial penalty for delayed payment of an installment amount.

**Lease:** An agreement where property can be used in exchange for rent for specific periods of time.

**Lien:** Security in the form of a legal claim or hold on property.

**Lis Pendens:** A Lis Pendens is a written notification filed with a clerk of courts, giving notice to a property owner that a lawsuit has been filed concerning the title to the property.

**Listing:** A term referring to a property on the market.

**List Date:** Precise date a property is listed with a broker.

**Listing Appointment:** The meeting of a real estate agent and a property owner to determine which real estate agent the owner will list with.

**Loan Commitment:** A written promise to grant a loan amount with binding terms.

**Loan Estimate:** A 3-page disclosure document designed to help consumers understand the key features, costs, and risks of the mortgage loan for which they are applying. The Loan Estimate must be provided to consumers no later than three business days after they submit a loan application.

**Loan Origination Fee:** A one-time cost to obtain a loan, usually equivalent to 1% of the loan amount.

**Loan Policy or Lenders Title Insurance:** A title insurance policy insuring the mortgage lender's interest in a property against title defects.

**Loan Underwriter:** The party binding itself to contribute a sum of money in support of another's loan.

**Loan-to-Value Ratio:** The interrelationship between the property value and the loan amount.

**Lockbox:** A container for storing keys to a property that is secured by a lock, located on the premises.



## **M**

**Managing Broker:** A real-estate-sales office manager, licensed by the state and noted as broker of record for the office.

**Market Familiarization Trip:** A trip taken by a corporate transferee to a new location to explore the new surroundings.

**Market Value:** The average of the highest value a non-interested buyer is willing to pay and the lowest value a non-interested seller is willing to accept.

**Marketable Title:** Ownership of real property that is free and clear from claims such as liens or mortgages, which allows for the free transfer of the property to a new owner.

**Marketing Period:** The amount of time a transferee is able to market property as set forth by a contract with a third-party company.

**Margin:** The difference between the interest rate and the index on an adjustable rate mortgage. The margin remains stable over the life of the loan. It is the index that moves up and down.

**Mechanic's Lien:** A legal lien on real estate where service providers (contractors, laborers and materialmen) receive priority of payment for the price or value of work performed and materials furnished in construction or repair or improvements to a property.

**Metes and Bounds:** The boundary lines of land, with their terminal points and angles. A way of describing land by listing the compass directions and distances of the boundaries.

**Mortgage:** A security, in the form of a property pledge, held by a creditor until the terms of its agreement have been met. Instead of mortgages, some states use First Trust Deeds.

**Mortgage Banker:** An individual who lends the funds to the borrower on behalf of the bank and manages the selling and servicing of them.

**Mortgage Broker:** A business or individual that originates loans for a prospective homebuyer by offering a range of mortgage products from a variety of lending sources.

**Mortgage Life Insurance:** A policy that fulfills the obligations of a mortgage when the policyholder dies.

**Mortgage Loan Servicing Company:** A company that collects loan payments from borrowers on a monthly basis.

**Mortgagee:** One who lends money for the purchase of real property, typically a bank or mortgage company.

**Mortgagor:** One who borrows money for the purpose of purchasing real property, usually a homebuyer or business owner.

**Multiple Listing Service (MLS):** A service that accumulates property listing data for all its members and makes it available for their use.

**Multiple Offers:** When there is more than one interested buyer negotiating deals simultaneously for one property.



## N

**National Association of REALTORS® (NAR):** A professional organization for real estate agents.

**Negative Amortization:** An occurrence when payments do not cover the interest and the remaining interest is then added to the principal balance, essentially increasing the amount you owe instead of decreasing your debt over time.

**Net Sales Price:** The gross sales price after concessions have been made to the buyers.

**Notice of Default (NOD):** A warning notice declaring that a mortgage is not being paid and is recorded as proof there is certain amount of time to make payments current or the property can be foreclosed.

**Notice of Trustee Sale (NOT):** A document that is recorded to inform the defaulting homeowner of the specific date the property will be sold if the mortgage is not made current before then.



## O

**Origination Fee:** A one-time cost for the service of processing a loan.

**Off-Market:** A temporary or permanent removal of a home from the market.

**Offer to Purchase:** The potential buyer's terms proposed to a seller.

**Office Tour/Caravan:** A tour taken by agents of the listing properties their office represents.

**Open House (public):** The time in which a listing is open for the public to view.

**Opinion:** Meaning title opinion, it is the conclusive result attained by a title expert in examining a title.

**Owner's Title Insurance:** The title policy issued to a homeowner to protect against title defects.



## P

**Parcel Identification Number (PIN):** A tracking number used for a property by the taxing authority.

**Parcel Map:** The County Assessor's Office's maps of the county whereby properties obtain APN numbers.

**Payoff Letter:** A written document stating the remaining balance on the seller's mortgage.

**Pending:** The stage of a real estate transaction where a contract has been accepted but not yet closed.

**Personal Property:** All moveable property not fixed to the real estate property.

**PITI:** Acronym for Principal, Interest, Tax and Insurance.



**Planned Unit Development (PUD):** A development that sets aside areas for various uses such as public, residential and commercial.

**Point:** 1% of the amount of the principal.

**Power of Attorney:** A legal authorization for one person to act as an agent on another's behalf.

**Premium:** The amount paid for insurance.

**Pre-Approval:** A high standard of loan prequalification by mortgage lenders.

**Prepaid Interest:** Interest amount paid at closing for the remaining days in the closing month.

**Pre-Payment Penalty:** A fine for paying off a loan before it is due.

**Pre-Qualification:** The amount a mortgage company informs a borrower he/she can borrow, determined prior to the formal application process.

**Preview Appointment:** An appointment made by the buyer's agent to view a property and see if it meets the buyer's needs.

**Pricing:** A visit by the seller's potential agent to a property to formulate pricing and marketing estimates.

**Principal:** The actual amount borrowed by a buyer of real property.

**Private Mortgage Insurance (PMI):** Insurance issued by a private company to protect a lender from a defaulting borrower.

**Probate:** A legal process that proves the validity of a will. The legal process wherein the estate of a decedent is administered.

**Professional Designation:** Additional education from unlicensed sources for a real estate professional.

**Professional Regulation:** Handled by the state authority that oversees licenses.

**Promissory Note:** A document provided along with a contract as a promise to pay.

**Public Records:** The records transcribed and stored in a recorder's office.

**Purchase Agreement:** Governed by state law, this written document states the agreement conditions between the buyer to buy and the seller to sell real property.



## Q

**Quiet Title Suit:** A suit to establish an individual's right to ownership of real property against one or more claimants.

**Quitclaim Deed:** A deed transfer whereby the grantor relinquishes all claims on the property without making any promises as to their claim in the title. Usually transferred between people who have an existing relationship, as in a divorcing husband and wife, or a government auctioning property. It is a fast way to transfer property.

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## R

**R & I:** Acronym for repairs and improvements, which stands for the actual cost of repairs and improvements

**Real Estate Agent:** A state-licensed individual who acts on a buyer's or seller's behalf.

**Real Estate Contract:** A legally binding agreement that is made between a buyer and seller of property, which consists of an offer, acceptance and any necessary considerations.

**Real Property:** Fixed permanent structures such as land and buildings, as opposed to belongings that can be moved.

**REALTOR®:** A trademark of the National Association of REALTORS® that can only be used by its members.

**Record Title:** Refers to a title as it appears in the public record after a deed is properly recorded.

**Recordation:** The act of filing a record in the county recorder's office.

**Regulation Z:** Based on the Truth in Lending Act, Regulation Z is a set of rules issued by the Federal Reserve that requires lenders to disclose all the specifics of a given loan.

**Release Deed:** A legal document by the mortgagee reconveying or returning the title to the real estate to the mortgagor. Also known as a Reconveyance Deed.

**Relist:** Listing a property with a Broker after previously having had it listed with another Broker.

**Refinance:** A replacement loan to an existing loan.

**Refinance Rate:** The new finance rate attained by refinancing an existing loan.

**Reissue Rate:** A reduced rate for title insurance that is attainable if the title had been previously insured in a short period of years. Each state has specific rules governing the reissue rate.

**Rider:** A schedule or writing that is added to an existing document in order to modify it.

**Right of Way:** 1) the right to pass over another's property, as in an easement; 2) the strip of land on which highways, power lines and railroads are built; or 3) the land on which a passage is made.

**Riparian Rights:** Refers to the rights a landowner whose land borders a body of water has in reference to the shore, bed, banks, shallows, and shore, water and stream borders.

**Risk Rate:** A quantifiable rate used by a lender for the purpose of determining the overall soundness of a loan.



## S

**Salaried Agent:** A real estate agent who is compensated with a salary.

**Sale Price:** The listing or price paid for a property.

**Sales Comparable:** Properties that have recently sold in a predetermined area and are used to gauge the current market value of a property due to their similarities.

**Sales Volumes:** The total sum of sales transaction completed by either a real estate agent, broker or real estate office.

**Search:** In-depth research through a property's title records.

**Second Mortgage:** A mortgage taken out on a property in addition to the initial mortgage, and ranking below the first mortgage in lien priority.

**Secondary Market:** The institutional investment market that buys mortgages from mortgage lenders.

**Seller:** A property owner who signs a listing agreement.

**Settlement:** See Closing.

**Settlement Statement:** A breakdown of costs involved in a real estate sale.

**Showing:** A property viewing by potential buyers.

**Simultaneous Issue Rate:** A reduced rate for obtaining two forms of title insurance on the same property at the same time, such as purchasing a Loan Policy and an Owner's Policy together.

**Special Assessment:** 1) An added charge to a cooperative or condominium unit; 2) A real estate tax for improvement to a property.

**Special Warranty Deed:** Where the grantor warrants that neither he/she nor anyone claiming under him/her has encumbered the property, and that he/she will defend the title against defects arising under and through him/her, but not others.

**Starker Exchange:** See 1031 exchange.

**State Association of REALTORS:** The association of REALTORS in a specific state.

**Supra®:** A specific vendor for electronic lockbox (ELB) that holds property keys.

**Subdivision:** Property divided into blocks, building sites, parks, public facilities and including easements, streets and alleys.

**Survey:** 1) The method by which a surveyor of real property identifies the boundaries of a parcel of land;  
2) The map prepared by an engineer or surveyor charting a particular piece of real estate.



## T

**Tax Certificate:** A certificate usually purchased by the seller from a tax service company. It provides the title company with the certified authority that the taxes on the title are current. It also includes the information necessary to prorate the taxes for purposes of transacting the final conveyance of the property to the buyer.

**Tax Lien:** A legally imposed lien on property as a claim for a payment of a tax liability.

**Temporarily Off Market (TOM):** A listed property that has been taken off the market temporarily for any of various reasons such as travel, illness, repairs, etc.

**Temporary Housing:** Housing that a corporate transferee lives in for a short period of time until permanent housing is found or becomes available.

**Tenancy by Entireties:** The legal presumption that husband and wife are one person entitling both the title to a property as one person, whereupon by death of one, the other assumes full title.

**Tenant:** 1) One who possesses real estate through lease; 2) One that holds land by any kind of title.

**Tenancy in Common:** Shared title by two or more persons who hold individual divisions of the title. Upon death or choosing, they can pass the property to whomever they will it to, without being tied to the other person who holds title.

**Termite Inspections:** Lenders usually require termite inspections by licensed inspectors prior to lending on a property. The cost of the inspection is usually charged to the buyer unless otherwise stipulated.

**Third Party:** A term that does not apply to the principal parties involved in a contract, but instead to the party instrumental to the execution of the contract in a property sale, such as the title company.

**Third-Party Company:** A term used in reference to a relocation company that an employer hires to aid an employee makes a work-related move.

**Title:** 1) A document that provides evidence to property ownership; 2) all the various rights of property ownership that are recognized and protected by law; or 3) legal evidence of a person's rights to a property.

**Title Covenants:** An agreement placed in the title upon its conveyance that places legally enforceable restrictions or promises.

**Title Defects:** Any break in the chain of ownership that impedes upon the right to ownership of a clean title.

**Title Examination:** See Examination

**Title Insurance:** Indemnity from any claims or defects of a title granted upon its conveyance.

**Title Insurance Company:** A company that issues title Insurance.

**Title Insurance Policy:** An insurance policy that grants indemnity from any claims or defects of a title, which is granted upon its conveyance and subject to the terms of the policy.

**Title Plant:** A library that houses and stores certified title documents, public records, attorney's opinions, tax searches, copies and title information that is used by title companies during title searches to verify the authenticity to title. Also known as Abstract Plant.

**Title Search:** A search through a title's recorded history for any recorded instruments that affect the authenticity of the title.

**Title Searcher:** The person conducting a title search.

**Trailing Spouse:** The spouse of an employee that is being transferred.

**Transaction:** The entire real estate process, from offer to closing.

**Transaction Fee:** The fixed cost to carry out a transaction, excluding commission.

**Transaction Management Fee (TMF):** The cost of managing a transaction, charged by listing brokers to sellers.

**Transaction Sides:** Refers to the parties on either side of a transaction, i.e., buyers or sellers.

**TRID:** TRID, or the TILA/RESPA Integrated Disclosure Rule, was mandated by the 2010 Dodd Frank Act. The Consumer Financial Protection Bureau (CFPB) finalized the rule in 2013, with a final implementation date of Oct. 3, 2015. As part of the rule, the CFPB integrated the TILA and RESPA disclosures for most residential real estate transactions, creating the new Loan Estimate and Closing Disclosure to replace the traditional Good Faith Estimate, Truth in Lending disclosure and HUD-1 settlement statement.

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## U

**Under Contract:** Refers to a property when a contract has been accepted between a buyer and a seller.

**Underwriter:** A company that issues insurance either directly to the public or to other insurance companies.

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## V

**VA:** An acronym for the U.S. Department of Veterans Affairs, an agency of the federal government that administers a variety of benefits and services providing financial and other forms of assistance to members of the military, veterans, their dependents and survivors.

**VA Loan:** A loan partially insured by the VA and provided by a private lender.

**VA Loan Guarantee:** A guarantee for a loan made by the VA.

**VA Funding Fee:** A fee to the VA charged upon closing to the buyer, customarily 1% of the loan amount, unless otherwise financed.

**VRM:** See ARM

**Vacate Date:** The date by which the selling party finally relinquishes responsibility of a property and ultimately leaves the property, turning it over to the third-party company through a buyout.

**Virtual Tour:** An electronic viewing of the property through videos, pictures or interactive digital representation.

**VOWs:** an acronym for Virtual Office Websites, which are online real-estate brokerage businesses that serve the same function as traditional brick-and-mortar firms.

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## W

**W-2:** An IRS form that an employer issues its employee stating compensation and deductions thereof.

**W-9:** An IRS form stating taxpayer identification numbers and verification thereof.

**Waiver:** When a known right, privilege or claim is intentionally relinquished.

**Walk-Through:** A final walking tour of the property by the purchasing party before the closing.

**Warehouse Fee:** A fee paid by the seller, based on each lender's particular practices, which the lender charges for depositing a note within the bank for future sale to an investor.

**Warranty Deed:** A deed that transfers real property from one person to another and in which the grantor promises that title is good and clear of any claims.

**Will:** A document made by the person during their lifetime that delineates how to administer a person's personal property after a person's death.

**Work Sheet:** A form that contains all pertinent information to a transaction recorded by a real estate company.

