

Glossary of Common Real Estate Terms:

Adjustable Rate Mortgage (ARM)

A mortgage in which the interest rate may change, up or down, according to a predetermined index.

Amortized Loan

A loan which is paid off in equal installments during its term.

Appraisal

A statement of property value.

Assessed Valuation

An evaluation of property by an agency of government for taxation purposes.

Assumability

This permits you to transfer your mortgage to anyone who wants to buy your house, as long as that person meets the credit standards of the lender.

Balloon Payment

The final payment of a mortgage loan when it is larger than the regular payment; it usually extinguishes the debt.

Buy Down

Cash payments made at closing that allow the borrower to take advantage of lower interest rates for a specific period.

Closing Costs

The expenses over and above the price of the house that must be paid before title is transferred. May include cost of title examination, premiums for title policies, attorney fee, lenders service fee and recording charges.

Conventional Mortgage

A loan neither insured by the FHA nor guaranteed by the VA.

Deed

A written instrument that conveys title to real property.

Equity

The difference between the market value of property and the homeowner's indebtedness (mortgage).

Escrow Payment

That portion of a mortgagor's monthly payment held in trust by the lender to pay for taxes, hazard insurance, mortgage insurance, lease payments and other items as they become due, known as impounds in some states.

Exchange

The trading of an equity in a piece of property.

Firm Commitment

A lender's agreement to make a loan to a specific borrower on a specific property. An FHA or PMI agreement to insure a loan on specific property, with a designated purchaser.

Graduated Equity or Rapid Amortization

Fixed rate, long term mortgage (25-40 years). The payments, however, are increased annually in negotiated amounts. The additional dollars are allocated to the outstanding principal, thereby paying the mortgage off earlier than planned (12-15 years).

Investor

The holder of a mortgage or the permanent lender for whom the mortgage banker services the loan. Any person or institution that invest in mortgages.

Loan Commitment

A written promise by a lender to make a loan under certain terms and conditions. These include interest rate, length of the loan, lender fees, annual percentage rate, mortgage and hazard insurance and other special requirements.

Loan to Value Ratio

The ratio for the mortgage loan principal (amount borrowed) to the property's appraised value (selling price). On a \$100,000 home, with a mortgage loan principal of \$80,000, the loan-to-value ratio is 80 percent.

Market Value

Generally accepted as the best price that a ready, willing and able buyer will pay, and the lowest price a ready, willing and able seller will accept. In other words, the dollar figure at which there is a meeting of the minds.

Mortgage/Deed of Trust

Pledge of real property to secure a debt by a written instrument given by the mortgagor. Should be recorded in the County Recorder's Office.

Mortgagee

The lender of money or the receiver of the mortgage document.

Multiple Listing

An arrangement among real estate brokers to make their listings available to each other. If a sale results, the agreed upon commission is divided between the listing broker and the selling broker.

Note

A written promise to pay a certain amount of money.

Origination Fee

A fee or charge for work involved in the evaluation, preparation, and submission of a proposed mortgage loan.

P.I.T.I.

Principal, Interest, Taxes, Insurance, Formula used in calculations of amount the purchaser is qualified to borrow.

Point

One percent of loan amount. This is a fee that buys down the interest rate.

Prepayment Penalty

A fee paid to the mortgage for paying the mortgage before it becomes due. Also known as prepayment fee or reinvestment fee.

Prepayment Privilege

The right given a purchaser to pay all or part of a debt prior to its maturity. The mortgagee cannot be compelled to accept a payment other than those originally agreed to.

Privately Insured Mortgage

A conventional mortgage loan on which a private mortgage insurance company protects the lender against loss due to payment default by the homeowner.

Realtor

The term Realtor is a registered collective membership mark which identifies a real estate professional who is a member of the National Association of Realtors and subscribes to its strict Code of Ethics. The Code of Ethics is a three part document addressing the members' responsibilities to the public, the client, and fellow realtors and is enforced through professional standards committees at the local board and state level.

Rent with Option

A contract which gives one the right to lease property at a certain sum with the option to purchase at a future date.

Second Mortgage/Second Trust

Junior Mortgage or Junior Lien: an additional loan imposed on property with a first mortgage. Generally at a higher interest rate and shorter terms than a "first" mortgage.

Straight Loan

A loan with periodic payments of interest only; the principal sum due in one lump sum upon maturity.

Title

Often used interchangeably with the word ownership. It indicates the accumulation of all rights in property, the owners and others.

Title Insurance

An insurance policy which protects the insured (purchaser or lender) against loss arising from defects in a title. A title search is always required before the title insurance is granted.