

ABSOLUTE TITLE A title that is clear, without any liens or judgments.

ACT OF GOD An unpreventable destructive occurrence of the natural world.

AFFORDABILITY ANALYSIS An analysis of a buyer's ability to afford the purchase of a home. Reviews income, liabilities, and available funds, and considers the type of mortgage you plan to use, the area where you want to purchase a home, and the closing costs that are likely.

ANNUAL PERCENTAGE RATE (APR) The measurement of the full cost of a loan including interest and loan fees expressed as a yearly percentage rate. Because all lenders apply the same rules in calculating the annual percentage rate, it provides consumers with a good basis for comparing the cost of different loans.

APPRAISAL An estimate of the value of property made by a qualified professional called an "appraiser."

APPRAISED VALUE An opinion of a property's fair market value, based on an appraiser's knowledge, experience, and analysis of the property.

APPRAISER One qualified to estimate the value of real property. (Usually a certified, general, residential, or licensed appraiser)

ARM'S LENGTH TRANSACTION A transaction among parties, each of whom acts in his or her best interest.

ASSIGNMENT The transfer of a mortgage from one person to another.

ASSUMABILITY An assumable mortgage can be transferred from the seller to the new buyer. Generally requires a credit review of the new borrower and lenders may charge a fee for the assumption. If a mortgage contains a due on sale clause, it may not be assumed by a new buyer.

ASSUMPTION The agreement between buyer and seller where the buyer takes over the payments on an existing mortgage from the seller. Assuming a loan can usually save the buyer money since this is an existing mortgage debt, unlike a new mortgage where closing cost and new, probably higher, market rate interest charges will apply.

ASSUMPTION FEE The fee paid to a lender (usually by the purchaser of real property) when an assumption takes place.

ATTEST To witness by observation and signature.

ATTORNEY'S OPINION OF TITLE A written statement by an attorney after examination of public records and or abstracts of title that in his or her judgment that the title to a particular property is good.

BAD TITLE A condition where complete real estate ownership is impaired by unsettled claims and liens. Also called Cloud on Title.

BILL OF SALE A written instrument given to pass Title of personal property from the seller to the buyer.

BONA FIDE In good faith, without fraud.

CHATTEL Personal property. Anything owned other than real estate.

CLEAR TITLE A Marketable Title or one free of clouds.

CLOSING The meeting between the buyer, seller and lender or their agents where the property and funds legally change hands, also called settlement. Closing costs usually include an origination fee, discount points, appraisal fee, title search and insurance, survey, taxes, deed recording fee, credit report charge and other costs assessed at settlement. The cost of closing usually are about 3 percent to 6 percent of the mortgage amount.

CLOSING AGENT A third party who prepares the paperwork and conducts the closing or settlement.

CLOSING COSTS Expenses over and above the price of the property that are incurred by buyers and sellers when transferring ownership of a property. Closing costs normally include an origination fee, property taxes, charges for title insurance and escrow costs, appraisal fees, etc. Closing costs will vary according to the area country and the lenders used.

CLOUD ON TITLE An outstanding claim or encumbrance on the title.

CMA Comparable/comparative market analysis. A written analysis of comparable homes being sold or sold within the past 6 months. Comparable homes are within the vicinity of your home and similar in terms of size, age, and condition.

COMP Homes comparable to yours in proximity, age, condition, and year built.

CONTRACT SALE OR DEED A contract between purchaser and a seller of real estate to convey title after certain conditions have been met. It is a form of installment sale.

CONCESSION These are discounts given to help sell a home. They can be made by both buyers and sellers and are usually detailed during negotiation. Examples are repairs to the home or moving expenses, and these would be included in the purchase contract.

CONTINGENCY A feature of a buyer's real estate contract that allows the buyer to retract the offer if a specified future event does not occur. Typically contingencies relate to appraisal, home inspection, and mortgage approval.

CONVEYANCE The transfer of the Title of real estate from one to another.

DEED A written instrument properly signed and delivered that conveys Title to real property.

DEED OF TRUST In many states, this document is used in place of a mortgage to secure the payment of a note.

DISCLAIMER A statement whereby responsibility is rejected. A renunciation of ownership of a property.

DOM Days on Market

DOWN PAYMENT Money paid to make up the difference between the purchase price and the mortgage amount.

ENCUMBRANCE A claim against a property by another party which usually affects the ability to transfer ownership of the property.

EQUITY The difference between the fair market value and current indebtedness also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

EARNEST MONEY Money given by a buyer to a seller as part of the purchase price to bind a transaction or assure payment.

EQUITY The difference between the fair market value and current indebtedness also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

ESCROW An account held by the lender into which the home buyer pays money for tax or insurance payments. Also earnest deposits held pending loan closing.

FAIR MARKET VALUE The price an educated buyer who is familiar with the market would pay for, and a seller would accept, for the property given the buyer isn't under duress for any circumstance.

FLOOD INSURANCE Insurance that compensates for physical property damage resulting from flooding. It is required for properties located in federally designated flood zones.

FUNDING Providing cash for the loan. Funds provided by the lender at settlement.

GIFT OF EQUITY When a home is sold to a family member or friend at price below market value, the difference between the actual sales price and the market value is called the gift of equity.

GROSS INCOME For qualifying purposes, the income of the borrower before taxes and expenses are deducted.

LIEN A claim upon a piece of property for the payment or satisfaction of a debt or obligation.

MORTGAGEE The lender.

MORTGAGOR The borrower or homeowner.

OWNER FINANCING A property purchase transaction in which the party selling the property provides all or part of the financing.

PITI Principal, interest, taxes and insurance. Also called monthly housing expense.

PREAPPROVAL The process of determining how much money you will be eligible to borrow before you apply for a loan.

PRINCIPAL The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

PRINCIPAL BALANCE The outstanding balance of principal on a mortgage not including interest or any other charges.

TITLE A document that gives evidence of an individual's ownership of property.

TITLE SEARCH An examination of municipal records to determine the legal ownership of property. Usually is performed by a title company.

UNDERWRITING The decision whether to make a loan to a potential home buyer based on credit, employment, assets, and other factors and the matching of this risk to an appropriate rate and term or loan amount.

ZONING A legal mechanism for local governments to regulate the use of privately owned real property by specific application of police power to prevent conflicting land use and promote orderly development.

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