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# REAL ESTATE TERMINOLOGY

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## Common Terms

**ADJUSTABLE RATE MORTGAGE (ARM)** The interest rate is tied to a financial index making the monthly mortgage payment go up or down over time.

**ANNUAL PERCENTAGE RATE (APR)** The percent of interest that will be charged on a home loan.

**APPRAISAL** A report highlighting the estimated value of the property completed by a qualified 3rd party. This is typically done for the benefit of the buyer or the buyer's lender to ensure the property is worth the purchase price.

**ASSOCIATION FEE/HOA FEE** In addition to a mortgage, certain housing communities such as townhomes have a monthly fee associated with maintaining the common areas and amenities.

**BALLOON MORTGAGE** A long-term mortgage loan that starts small but has a large payment due at maturity.

**CLOSING** When the new title to the property is officially recorded by the County Recorder's Office and ownership of the property transfers to the new buyer.

**CLOSING COSTS** The buyer and seller have expenses associated with the transaction other than that of the actual cost of the home. For example, the buyer has a variety of fees due for obtaining a new loan and the seller must pay commission to both agents.

**CLOSING DISCLOSURE** A form that provides the final details about the mortgage loan. It includes loan terms, projected monthly payments, and how much the extra fees will be.

**COLLATERAL** Something of value (in this case your home) that is held to ensure repayment of a mortgage or loan.

**COMPARABLES** Homes in the area of interest that have recently sold that have similar features.

**CONTINGENCIES** Conditions which must be met in order to close. Contingencies are typically tied to a date, referred to as a deadline. If the contingency is not satisfied the contract may be canceled.

COUNTEROFFER	The response from the seller in regard to an offer.
DEBT TO INCOME RATIO	A lender will evaluate whether a borrower's income is large enough to handle their payments on existing debts plus their new mortgage payments.
DOWN PAYMENT	A percent of the cost of the property that is paid up front as a part of the mortgage
EARNEST MONEY	The deposit made from the buyer to the seller when submitting an offer. This deposit is typically held in trust by a third party. Upon closing, the money will generally be applied to the down payment or closing costs.
ESCROW	This term has multiple meanings; earnest money is typically held by a third party until closing in "escrow." It can also be referred to as the time period from when the contract is written and accepted by the seller to when the home sale actually closes.
EQUITY	The difference in the market value of a home versus what is owed on the home.
FHA	A mortgage that is financed through a private lender and insured by the Federal Housing Administration, often requiring a lower down payment and income to qualify.
FIXED RATE	The interest rate will remain the same for the entire life of the mortgage.
HOME EQUITY LINE OF CREDIT	A loan or line of credit that your lender may offer using the equity in your home as collateral.
HOME INSPECTION	The process in which a professional inspects the seller's home for issues that may not be readily apparent, and then creates a report for the buyer to review.
HOME PROTECTION PLAN	A one-year service that covers the cost of repairs or replacements to items covered in the plan (such as stoves, dishwashers, A/C, heaters, etc.).
HYBRID	A loan that starts with a fixed rate period, then converts to an adjustable rate.
MORTGAGE INSURANCE	Insurance written in connection with a mortgage loan that protects the lender in the event the borrower cannot repay their loan. This is usually not required if the borrower has 20% or more for the down payment.
MORTGAGE NOTE	A promise to pay a sum of money at a standard interest rate during a specific term that is secured by a mortgage.
MULTIPLE LISTING SERVICE (MLS)	The national list of real estate properties that are available for sale. These are the most reliable sources to receive up-to-date listing information.
PRE-APPROVAL	The process in which a lender makes an initial evaluation of how much money a buyer might be qualified to borrow based on the preliminary financial information provided. This gives the seller more confidence in the buyer's ability to close escrow, but is not a guarantee that the loan will be approved.

PRINCIPAL

The underlying amount of the loan which is actually borrowed.

PROPERTY TAXES

These are the taxes that are enforced by the city, town, county, and state government entities. Sometimes they are included in the total monthly mortgage payment paid to the lender and sometimes they are paid directly by the home owner.

REO

Real estate owned properties or foreclosed properties currently owned by a financial institution such as the bank that made the loan to the previous owner.

REVERSE MORTGAGE

This is specifically for seniors and it allows them to convert the equity in their home to cash.

SHORT SALE

A situation when the seller's lender is willing to accept an offer and allows the sale to be completed for an amount less than the mortgage amount owed by the seller.

TITLE

A legal document proving current and proper ownership of the property. Also referred to as a Title Deed, this document highlights the history of property ownership and transfers.

UNDERWRITING

The process in which the potential home buyer is evaluated for their financial ability to obtain and repay a loan. This normally includes a credit check and an appraisal of the property.

VA LOAN

Special no down payment loans that are available to Americans who have served in the Armed Forces. These loans are issued by private lenders and are guaranteed by the Department of Veterans Affairs.



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