**Finding the Uncommon Deal Glossary:**

## #

**5/25 Loan**: A 5/25 loan is a 30-year loan which has a fixed interest rate during the first five years. At the end of this period, the loan becomes a 25-year adjustable rate mortgage.

**7/23 Loan:** A 7/23 loan is a 30-year loan which has a fixed interest rate during the first seven years. At the end of this period, the loan converts to a 23-year fixed rate mortgage at the then current rate. Borrowers who expect interest rates to decrease after this 7-year term often choose this type of loan.

## A

**Abstract (Title Abstract):** This document provides a history of the chain of title of the property with copies of all relevant documents and is prepared by an abstracter, who researches the history of the property for at least 30 years. He or she checks public records to uncover ownership information and any liens or encumbrances. The abstracter's report will then state the condition of title. A buyer's attorney typically orders an abstract instead of title insurance when a purchase does not involve a bank loan. Abstracts fail to address other important issues that title insurance covers, such as boundary disputes, adverse possession, identity theft, forgeries, and other forms of fraud.

**Accelerated Depreciation:** Accelerated Depreciation allows an owner to deduct for income tax purposes larger amounts as depreciation of certain real and personal property, essentially depreciating the property sooner than the traditional straight line method. In subsequent years, the amount available for the depreciation deduction will be less.

**Acceleration Clause:** An acceleration clause allows a lender to demand payment in full of the outstanding balance of a loan otherwise payable in installments in case of default, at lender's discretion.

**Accessible Income:** Monies immediately, including cash, checking and savings account balances, stocks, bonds, and retirement accounts (IRA and 401(k) accounts). Add to this any gift from a relative or monies from a trust or bequest. These are the funds that you will use to provide the down payment.

**Acquisition:** The act or process by which a person procures property.

**Actual Cash Value Policy (ACV):** An ACV policy is the norm in homeowner's insurance policies. According to the Allen Financial Insurance Group, the actual cash value of an item is determined by taking the replacement cost of the property and subtracting an assumed depreciation (which may or may not be the same as depreciation for income tax purposes).It is the figure which you would get if you were to sell the property in the marketplace in its condition immediately before the loss.

**Add-On Interest:** Add-on interest is a charge that is computed by adding the amount of interest payable but deferred to the principal loan amount, and becomes part of the principal, upon which further interest is charged. Sometimes referred to as "negative amortization" because the loan balance increases, rather than decreases, with time.

**Addendum:** A written addition or change to a contract or other document.

**Additional Principal Payment:** Additional principal payment is a payment a borrower makes which is more than the scheduled amount in order to reduce the principal. This payment allows the borrower to amortize the loan more quickly or possibly to reduce interest payments in the future

**Adjustable Rate Mortgage (ARM):** An ARM allows a borrower's interest rate to fluctuate according to a certain identified interest rate index. These loans are ideal for borrowers looking for a short-term loan or when interest rates are expected to decrease as the borrower will maintain a lower interest rate for the pre-adjustment period of the loan and may be able to refinance prior to the interest rate adjustment to obtain a lower fixed interest rate. For those persons who intend to own a home for a very short time, an ARM may be a highly beneficial way to keep payments affordable.

**Adjusted Cost Basis:** The adjusted cost basis is the initial cost of property, to which is added the cost of any depreciable improvements, less any depreciation allowed or allowable. To determine gain or loss on sale or disposition, the Adjusted Cost Basis must be deducted from the sales price.

**Adjustment Period:** The adjustment period is the time between interest rate recalculation.

**Adjustments (or apportionments):** An adjustment occurs at the closing when either the buyer or the seller has made payments in advance of the closing for a period after the closing when the property will be owned and occupied by the buyer. For example, a buyer will often reimburse the seller per diem for real estate taxes paid in advance to cover the entire quarter because the buyer will own the unit for a percentage of that quarter. Such expenses include common charges, or maintenance, oil, fuel (gas or propane, water) and real estate taxes. If these expenses are not paid in advance of the closing, the seller and purchaser will divide these charges according to the amount of time each had ownership of the property.

**Adverse Possession:** Adverse Possession occurs when one landowner claims title to another's property without their consent because of having occupied it for ten years or more under certain conditions.

**Ad Valorem:** A Latin phrase meaning "according to value," often used in relation to real estate taxation.

**Advance Fees:** A fee paid in advance of any services rendered. Sometimes it is unlawfully charged in connection with that illegal practice of obtaining a fee in advance for the advertising of property or businesses for sale, with no intent to obtain a buyer, by persons representing themselves as real estate licensees, or representatives of licensed real estate firms.

**Adverse Use:** The use of a property without the owner's consent.

**Advertisement:** Placing an advertisement is especially important for those buying many properties and interested in creating wealth in real estate: an advertisement, Web site, or television commercial may help you to secure a property even before it officially hits the market. This works especially well in down markets with frequent foreclosures; the person advertising may get a call from someone who does not have the time or resources to list the property on the market.

**Alienation Clause:** An alienation clause, sometimes called a "due on sale" clause, allows the lender to require immediate payment in full of a mortgage if the property is sold, or ownership is otherwise changed. Almost all mortgages have an alienation clause.

**All-Inclusive Rate:** In title insurance, an all-inclusive rate is the rate at that includes the cost of researching the title or the cost of conducting the closing.

**Allowances:** Allowances are budgets proposed by builders when building a new home allotted for carpeting and other fixtures.

**Alternative Mortgage:** An alternative mortgage is any mortgage that does not follow the standard fixed-rate mortgage plan (www.investordictionary.com).

**Amenity:** An amenity is a feature of real property that increases its attractiveness and the occupant's/resident's satisfaction even though the feature is not necessary to the function of the property. Amenities include swimming pools, gyms, parks, scenic views, tennis courts, etc (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**American Land Title Association (ALTA):** The ALTA is a national trade association of the abstract and title insurance companies. ALTA members review and insure land titles. ALTA has established forms of insurance policies and underwriting standards.

**Americans with Disabilities Act:** The Americans with Disabilities Act (1990) prohibits discrimination towards persons with disabilities in housing, employment, government services, and many other areas.

**Amortization:** Amortization is the act of paying off a mortgage by paying periodic payments of interest and principal.

**Annual Percentage Rate (APR):** APR refers to the annual percentage rate, which describes the total price of the loan over its term. If you are getting a fixed-rate loan over a set number of years for which the interest rate cannot fluctuate, comparing one loan's APR to another's should help you determine which is cheapest. If all else is equal, the loan with the lowest APR will be the cheapest loan.

**Anticipatory Breach:** An anticipatory breach is when there is communication that in the foreseeable future certain obligations required in a contract will not be met.

**Appliances:** Machines that are used for domestic purposes (usually include items such as refrigerator, oven, microwave, dishwasher, etc). Any contract of sale should specify which fixtures and appliances are to be installed in the property if newly constructed, or which are included in the sale, if existing. Since it is important that these amenities are well made and durable, ensure that the contract includes the brand names and model numbers of the appliances and fixtures to be installed. If existing, specify must be in working order at closing.

**Applications:** An application is generally a formal written request requiring information from the applicant. When purchasing a cooperative apartment, you are usually required to submit an application to the building's board, requesting acceptance into the building. These applications require that you share personal financial information, including copies of financial statements and tax returns as well as personal and financial references. In addition, when applying for a loan, a loan officer requests information and uses it to create your loan application, which consists of your appraisal as well as both your credit and title report.

**Apportionments:** (See *Adjustments).*

**APR:** (See *Annual Percentage Rate).*

**Appraisal:** An appraisal is when an inspection is done in order to determine its fair market value. You often get your home appraised during the loan application process. An appraisal ensures that if you default on your payments, the bank can take back the property and resell it for an amount at least equal to the balance due on the loan.

**Appreciation:** Appreciation is the increase in value or price over a certain period of time.

**As Is Condition:** When buying a home in *as is* condition, any problems with the structure of a home you are purchasing are built into the price; the buyer cannot expect to obtain a further discount in the purchase price from the seller at closing.

**Asking Price:** The asking price is the price which a seller is asking a potential buyer to pay for a certain property.

**Assessment:** An assessment is an evaluation of a home which determines its value and is then usually used for tax purposes.

**Assets:** Stocks, bonds, retirement accounts, or other means of wealth. An asset is anything that has commercial or exchange value that is owned by a business, institution, or individual (www.allbusiness.com/glossaries/asset 4943045-1.html).

**Assignment:** An assignment is the transfer of a contract or a right to buy property at given rates and terms to another from a mortgage (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

**Assignment and Assumption Agreement:** An assignment and assumption agreement is the transfer by mutual agreement of rights, interests, and obligations between sponsoring or ownership entities (http://www.iqrealestate.com/RealEstateGlossary.cfm/term/52/Assignment-and-Assumption-Agreement.html).

**Attorney-In-Fact:** One who holds power of attorney from another to execute documents on behalf of the grantor of power (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Auction:** (See *Foreclosure Auction*).

**Aztech Form (or Recognition Agreements):** A contract between a cooperative corporation, the borrower, and the lender, outlining what is expected of each party if the owner defaults on the cooperative loan.

## B

**Back to Back Escrow:** Back to back escrow is an arrangement an owner makes when he or she is planning on selling one property and buying another at the same time (www.dictionary.findlaw.com).

**Backup Offer:** A backup offer is a secondary offer the seller will accept in case the primary offer falls through.

**Balloon Mortgage:** A balloon mortgage is usually a loan that involves fixed rate monthly payments for a short amount of time and one large payment at the end of the loan's term that pays off a large percentage of the loan or even the entire balance of the loan at that time. It can be for any length of time – generally for 5, 7, or 10 years. In some instances, these loans are set up as interest-only payments (www.lendingtree.com).

**Bank Loan:** A bank loan entails the bank lending you money in order to purchase a home with the expectation that the loan will be paid back within a stipulated amount of time. There are several different types of bank loans, so you must be knowledgeable about which one would work best for you.

**Bank Loan Requirements:** The bank will first explore how steady your employment is and how much you earn annually. It will also examine any other sources of income, such as your savings and the value of any investments you may have. Next, the bank will appraise the home you are trying to purchase to determine its market value. The bank then compares your assets with the amount of money you owe creditors pursuant to loans, credit card balances, car leases, or any other outstanding debts. Finally, the bank obtains a credit report to determine your credit score and history of paying bills on time.

**Bank Loan Interest:** (See *Interest*).

**Bank Owned Properties (Real Estate Owned/REOs):** These properties are usually homes under foreclosure that the bank either retains ownership over, often because the homes failed to receive an adequate outside bid at a foreclosure auction or because the bank received the property when the owner, feeling a foreclosure was imminent, offered to deed the property over to the bank instead and the bank saw its best interest in accepting that offer.

**Bankruptcy:** Bankruptcy is a proceeding where a debtor who is unable to pay off their debt can obtain relief from payment of certain obligations. Bankruptcies can remain on your credit report for many years and can affect your chances of obtaining another loan (www.remax.com/learningcenter).

**Bargain and Sale Deed (B&S Deed):** A bargain and sale deed is a deed which describes the land therein, without any warranties (http://history.utah.gov/historic_buildings/information_and_research/real_estate_terms.html).

**Basic Rate:** The basic rate, when referring to title insurance, is the normal rate charged to every customer that does not qualify for a reduced rate (http://www.homeclosing101.org/glossary.cfm#O).

**Beneficiary:** A beneficiary is the lender who loans the money in a mortgage.

**Bequest:** A bequest is the property or goods that are left to an individual in a will.

**Bilateral Contract:** A bilateral contract is a contract where one party makes a promise which is used as consideration for another party's promise. In other words, they make mutual promises (www.legal-dictionary.thefreedictionary.com).

**Binder:** An agreement to consider a down payment for the purchase of real estate as evidence of good faith on the parts of the purchaser. Also, a notation of coverage on an insurance policy, issued by an agent, and given to the insured prior to issuing of the policy (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Blanket Insurance Policy:** A blanket insurance policy is a policy which covers two or more properties or several perils for the same property (www.businessdictionary.com).

**Bona Fide:** In good faith, without fraud (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Bond:** A bond is a debt investment given by an investor to a company or governmental institution for a certain period of time with a fixed interest rate. These companies or institutions go on and use these funds to finance some sort of project or plan (www.investopedia.com).

**Breach of Contract:** A breach of contract is any type of violation of the agreements set forth in a binding contract.

**Bridge Loan:** A bridge loan is a short term loan that is used until permanent financing is found. This is used especially when financing the purchase of a new home when the owners have yet to sell their old home (*Encarta World English Dictionary*).

**Broker (Real Estate):** A broker is a licensed professional who represents the buyer or the seller in a real estate transaction and gets a percentage of the selling price of the house as commission. A buyer's broker's commission is usually paid by the buyer, and the seller's broker's commission is paid by the seller.

**Budget:** A detailed plan of income and expenditures expected over a certain amount of time. It includes a plan of how much money one can spend for managing certain investments (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Building Code:** Local regulations that set forth the standards and requirements for the construction, maintenance and occupancy of buildings. The codes are designed to provide for the safety, health and welfare of the public (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

**Buy Down:** The seller pays an amount to the lender so the lender provides a lower rate and lowers payments significantly for an ARM. The seller may also increase the sales price to cover the cost of the buy down (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Buyer's Market:** A buyer's market is a market which favors a buyer because of low prices, high supply, and low demand (*Encarta World English Dictionary*).

**Buyer's Remorse:** Buyer's remorse is a feeling many first-time buyers have after they sign the contract or close on a home in which they have second thoughts about the purchase.

**Bylaws:** Bylaws are the rules and regulations that a homeowner's association adopts to govern activities (www.remax.com/learningcenter).

## C

**Call Option:** A call option gives an investor the right to buy any stock, bond, or commodity at a specific price within a specified time period (www.investopedia.com).

**Cap:** A cap is a limit on how much an interest rate or an ARM's monthly payment can increase (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

**Capital Gains Tax:** The capital gains tax is a tax placed upon the profit made from the sale of an asset (*Encarta World English Dictionary*).

**Capital Expenditure:** The cost of an improvement made to extend the useful life of a property or to add to its value (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Capital Improvement:** A capital improvement is any change to a home that increases its value (www.remax.com/learningcenter).

**Carport:** A carport is a covered area of a driveway.

**Cash-out Refinance:** Cash out refinancing is used to take advantage of the cash value a homeowner has built up in their homes as a way to pay off a more expensive debt (www.ehow.com).

***Caveat Emptor:*** "Let the buyer beware." This doctrine holds that purchasers buy at their own risk such that the seller has no duty to disclose defects in a property unless by act or by implication he represents that the defect does not exist.

**Certificate of Deposit:** The certificate of deposit is a certificate issued as a guarantee for funds. It notifies a person as to the presence of funds in a bank for a specified amount of time (*Encarta World English Dictionary*).

**Certificate of Reasonable Value:** The certificate of reasonable value sets the maximum loan amount on a specific property for a VA loan and set by the Veterans Association's appraisal of such property (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

**Chain of Title:** A chain of title refers to the history of the title holders that extends from the original owner to the present owner (www.definitions.uslegal.com).

**Chattel Mortgage:** A chattel mortgage is a mortgage on personal possessions (*Encarta World English Dictionary*).

**Claim:** A claim is the right to demand payment in money, delivery of property, or something as one's rightful due (http://www.homeclosing101.org/glossary.cfm#O).

**Classified Property Tax:** Classified Property Tax is a tax that varies in rate depending on the use of the property (www.real-estate-glossary.net).

**Clear Title:** Clear Title is title or ownership to real property that is free from unacceptable liens and encumbrances (www.investorwords.com).

**Closed End Mortgage:** A closed end mortgage is a mortgage where the principal amount cannot be increased during the life of the loan (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

**Closing Costs:** Closing Costs are the fees and expenses that a purchaser or seller incurs in the purchase or sale of real estate, whether it's a private residence, a condominium, or a cooperative apartment. These typically include but are not limited to financing fees, title insurance, taxes, and attorney fees. Your attorney should provide you with an estimate at the outset, so that you are properly prepared for the bottom line figures and can avoid unpleasant surprises at closing.

**Closing Date:** The closing date is the estimated date when you believe you will be ready to pay the purchase price and closing costs for the home and is customarily listed in the contract of sale. The closing date in the contract is usually an *on or about* closing date. It is also the date on which a buyer obtains the keys to the new home and officially gains ownership. It is the final step of the transaction between the buyer and seller.

**Closing Statement:** A closing statement is a document that details the final financial settlement between the buyer and the seller and the dues paid by each (www.remax.com/learningcenter).

**Cloud On The Title:** Any condition which affects the clear title to real property (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Co-Borrower:** An additional person that is responsible for loan repayment and is listed on the title (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Collateral:** Security in the form of money or property pledged for the payment of a loan. For example, on a home loan, the home is the collateral and can be taken away from the borrower if mortgage payments are not made (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Commercial Property:** Real property that is used for commercial business rather than residential purposes.

**Commingling:** Commingling is the mixing of money held in trust with other funds (www.remax.com/learningcenter).

**Commission:** Commission is the percentage of the sales price a real estate broker receives as a means of getting paid for their work on the sale of the home. Commission is usually 6% and split between the buyer's broker and the seller's broker when applicable and typically paid by the seller unless otherwise agreed to. If there is a buyer's agent then that agent's commission is usually paid for by the buyer.

**Commitment Letter:** (See *Loan Commitment Letter)*

**Common Charges:** Common charges are a monthly maintenance fee based on the percentage of ownership interest paid by a condominium owner. Part of this payment goes toward the building's shared expenses, and the remainder is used to establish a reserve account.

**Community Property:** Community property is a method of taking ownership designated for married couples only. Each party has an equal share of ownership in the property, and unless any provision in a will indicates otherwise, one party's death leads to the other party inheriting the entire property. However, most states do not recognize Community Property at all.

**Comparables:** An abbreviation for "comparable properties," which are used as a comparison in determining the current value of a property that is being appraised (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

**Compensating Factors:** Factors that show the ability to repay a loan based on less traditional criteria, such as employment, rent, and utility payment history (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Compound Interest:** Compound interest is calculated on the combined interest of the original sum borrowed principal and the interest it has already accrued (*Encarta World English Dictionary*).

**Condemnation:** The determination that a building is unfit for use or is dangerous and must be destroyed; or the taking of private property for public use through the right of eminent domain (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Condominium (Condo):** A condominium is a multi-unit building where each unit has an owner. Unit owners have exclusive ownership and are entitled to possession of their respective units, but share ownership and use of common elements such as the lobby, elevators, rooftop, driveways, hallways, and landscaped areas. Condominiums are governed by a board of managers—a small group of owners responsible for overseeing the management of the building's daily operations. Based on the percentage of ownership interest, a condominium owner must pay a monthly maintenance fee, often called common charges. Part of this payment goes toward the building's shared expenses, and the remainder is used to establish a reserve account.

**Condop:** In the most common understanding of the term, it is defined as a cooperative building that follows the rules of a condominium. For example, such a building has a cooperative structure and ownership, but very limited regulation and restrictions on rentals and pets, and board approval would be nonexistent. The legal definition of a condop is a building that is structured as a condominium with two units. The first unit consists of all of the commercial space, which is treated as a single legal chunk of space. That chunk may be divided into several stores, a laundry room, storage space, restaurants, or other commercial enterprises. The other unit consists of the entire block of apartments in the building treated as a single condominium unit, no matter how many apartments there are. However, this residential condominium unit is owned by a cooperative, which sells shares and gives out proprietary leases to each of the apartments in the residential block, thus running the residential side as a co-op within a condominium.

**Construction Loans:** A short-term interim loan used to finance the cost of construction. The lender makes payment to the contractor at intervals as the construction progresses (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Contiguous Lots:** Contiguous lots are pieces of property that are joined (www.remax.com/learningcenter).

**Contract to Purchase:** In this contract, the offer to purchase becomes immortalized in writing and signed by the buyer and seller. Until this is done, both parties may withdraw their offer and acceptance and there is no enforceable agreement.

**Contingency:** A contingency is a condition specified in a contract (www.remax.com/learningcenter).

**Conventional Loan:** A conventional loan is a loan that is not insured, guaranteed, or funded by the VA, FHA, or Rural Economic Community Development (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

**Conversion Clause:** A provision in some ARMs allowing it to change to a fixed-rate loan at some point during the term. Usually conversions are allowed at the end of the first adjustment period. At the time of the conversion, the new fixed rate is generally set at one of the rates then prevailing for fixed rate mortgages. There may be additional cost for this clause (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Convertible Mortgage:** A convertible mortgage is an adjustable rate mortgage that allows the buyer to switch to a fixed-rate mortgage at a specified point in time (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

**Conveyance:** A conveyance is the transfer of title or property (www.merriam-webster.com).

**Conveyance Tax:** Conveyance tax is a tax on the transfer of property.

**Cooperative Unit (Co-op):** The cooperative apartment is a multi-unit building or building complex owned by a corporation that sells its shares to purchasers for an ownership interest in the whole arrangement as well as the exclusive right to lease an apartment in the building's premises.

**Co-Signed Account:** An account signed by someone in addition to the primary borrower, making both people responsible for the amount borrowed (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Co-Signer:** A person that signs a credit application with another person, agreeing to be equally responsible for the repayment of the loan (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Cost-Plus Contract:** A cost plus contract is a contract in which it is agreed upon that the contractor will get reimbursed for the costs incurred and will be paid an agreed upon percentage of that cost as a contractor's profit (www.businessdictionary.com).

**Counter Offer:** A counter offer is an offer given in response to an opposite party's offer during the negotiation of a contract. In real estate, you have to counter the sales price that the seller has listed.

**Covenants:** Legally enforceable terms that govern the use of property. These terms are transferred with the property deed. Discriminatory covenants are illegal and unenforceable. Also known as a condition, restriction, deed restriction or restrictive covenant (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Credit:** Credit is the money a lender loans to a buyer in return for a promise to repay the loan within a certain period of time (www.remax.com/learningcenter).

**Credit History:** Credit History is a record of a person's history of repaying loans, credit card debts, and other debts in the past as a guide on lending to them in the future (*Encarta World English Dictionary*).

**Credit Report:** A credit report is a detailed record of your credit history and your history of paying bills on time, which determines your credit score.

**Creditor:** The lending institution providing a loan or credit (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Curtailments:** A curtailment is a privilege of a borrower to pay off a loan's principal before it is due. However, sometimes this results in prepayment penalties (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

## D

**Deal Sheet:** Much of the information included in the contract of sale may come from a document the broker has prepared, called a *deal sheet.* It includes the seller and purchaser's names, respective attorneys, the brokers, the purchase price, and the amount of the down payment. It should also include specific information about the particulars of the transaction, some of which include: the closing date, whether the transaction is contingent upon the purchaser obtaining financing, and any fixtures or seller's personal property included in the transaction.

**Debt:** Debt is an amount of money, a service or an item that is owed to somebody (*Encarta World English Dictionary*).

**Debt Security:** A security that represents a loan from an investor to an issuer. The issuer in turn agrees to pay interest in addition to the principal amount borrowed (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Deductible:** The amount of cash payment that is made by the insured (the homeowner) to cover a portion of a damage or loss., sometimes also called "out-of-pocket expenses." For example, out of a total damage claim of $1,000, the homeowner might pay a $250 deductible toward the loss, while the insurance company pays $750 toward the loss. Typically, a higher deductible means a lower cost for the policy (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Deed:** A deed is a legal document which records the transfer of ownership (or title) of a property from the previous owner to the buyer.

**Deed of Trust or Trust Deed:** In certain states, the mortgage is called a deed of trust. The difference between a mortgage and a deed of trust stems from the addition of a trustee. With a deed of trust, the lender still loans the money, and the borrower still promises to pay the loan back; however, a third party—the trustee—holds title to the property until the loan is paid off. Like a mortgage, if the borrower defaults, the lender can repossess the home in question.

**Default:** A default is a failure in an obligation to fulfill something, usually some type of financial payment (*Encarta World English Dictionary*). If a homeowner continuously defaults in payment of their mortgage and does not get the payment up to date within a certain period of time, the lender begins the foreclosure process.

**Delinquent Account:** A delinquent account is an account that is overdue in payment.

**Deposit:** A deposit is when you put money into a bank account for safe keeping. During the sale of a home, a contract deposit will be made by the buyer, which is customarily ten percent of the purchase price. The deposit protects the seller in the event that the buyer walks away from or is unable to complete the transaction. At the closing, the contract deposit will be credited against the purchase price.

**Depreciation:** Depreciation is when an item decreases in value over time (*Encarta World English Dictionary*).

**Disability Insurance:** Disability insurance is a form of monetary compensation given by the government for those who cannot work due to some sort of illness, injury, or disability (www.definitions.uslegal.com).

**Disclosure:** Disclosure is the act of making public all information known by both sides of the deal. Neither side can keep something secret from the other (*Encarta World English Dictionary*).

**Distressed Properties:** Distressed properties are properties that are in poor condition, either physically or financially. Owners of distressed properties need to sell as fast as possible in order to avoid other unaffordable costs, therefore selling for a price that is well below market value.

**Dower:** The right of a widow in the property of her husband in his death (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Down Market:** A down market is a market that is falling or at its lowest point (www.commercedictionary.com)

**Down Payment:** The down payment is due at the time the contract is signed in order to ensure that a buyer is not emboldened by other attractive homes on the market and walks away from the deal despite a signed contract. It usually equals between five and ten percent of the purchase price, depending on the property's location. Newly constructed luxury homes and apartments may require a higher down payment. The down payment is, however, a negotiated number and the state of the market usually dictates the number.

**Draw:** A draw is a payment made to subcontractors or suppliers from a construction loan (www.remax.com/learningcenter).

**Dual Agency:** Dual agency is when a real estate broker is representing both the buyer and the seller in a real estate transaction. In this instance, the broker has promised confidentiality to both parties and therefore it is necessary to limit these duties (www.realestatelawyers.com).

**Due Diligence:** Due diligence is a process conducted by your attorney that begins once your verbal offer of a condominium or cooperative apartment has been accepted. It includes a review of the cooperative or condominium's organizational documents, the offering plan and amendments, and the minutes of the annual shareholder's or unit owner's board meetings. It can also include an inspection of the actual apartment and the common elements, along with a review of the building's financials. Due diligence is also done when you are buying a multi-family dwelling like a two-, three-, or four-family house. Depending on the property's location, this process might entail an investigation into whether rent regulation affects the building's purchase; whether there are legal limits and procedures regarding rent, utilities, water charges, security deposits, zoning; and other regulatory issues.

**Due-On-Sale Clause:** The due-on-sale clause is a provision in most conventional mortgage agreements that prevents a subsequent buyer of a property from assuming the mortgage at the original interest rate. Under this clause, the full balance on mortgage must be paid when the property is sold and the new owner must negotiate a new loan at new (usually higher) interest rates (www.businessdictionary.com).

**Duplex:** A duplex is a dwelling that is divided into two units (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

## E

**Eagle 9 UCC Insurance Policy:** This insurance policy insures that acquired assets are free of lien, including not only the seller's liens, but also those of any intermediate seller. The buyer's policy can be used in a sale of assets, a merger or similar transaction. It provides ownership coverage (after certain requirements are met) in transactions where membership or other interests are being acquired (www.firstam.com).

**Early Occupancy:** Early occupancy is the condition which allows the buyers to occupy the property before the closing of the sale (www.remax.com/learningcenter).

**Earnest Money:** Earnest money is money a person uses as a down payment in order to show their seriousness about purchasing a property (*Encarta World English Dictionary*).

**Easement:** Easement is access given to a third party by an owner to certain parts of their property for use, such as power lines, sewer lines, etc (www.legal-explanations.com).

**Effective Age:** The age of a home based on the physical condition of the home. The actual age of the home could be older or younger than the effective age (www.propertywords.com).

**Egress:** An egress is the right to a path or right of way on which a person may use to enter and leave his or her property (http://findingtheuncommondeal.com/?p=4972).

**Ejectment:** An ejectment is an eviction. Sometimes it refers to a legal proceeding brought about to regain possession of real estate held by another (http://findingtheuncommondeal.com/?p=4972).

**Eminent Domain:** Eminent Domain is the right of a governmental power to take private property and convert it for public use with some sort of compensation for the owner (*Encarta World English Dictionary*).

**Employer-Assisted Housing:** Employer-assisted housing is a housing initiative employers can join that helps employees buy a home under special agreements with lenders (www.remax.com/learningcenter).

**Encroachments:** A structure that extends over the legal property line on to another individual's property. The property surveyor will note any encroachment on the lot survey done before property transfer. The person who owns the structure will be asked to remove it to prevent future problems (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Encumbrance:** An encumbrance is a burden or a claim on a piece of property, sometimes in the form of a mortgage (*Encarta World English Dictionary*).

**Endorser:** An endorser is a person who signs over ownership of title from one person to another (www.remax.com/learningcenter).

**Enduring Income:** The steady income you receive monthly, yearly, or regularly that can be predictably counted. Examples include your yearly salary, profits, and the value of any property owned, including the fair market value or listed price of a home to be sold, if any, or the property's rental income if it is an investment property.

**"Endear the Seller":** The smallest gestures—like bringing a mentioned favorite cake or a certain kind of coffee, flowers, or wine on the second visit—could make the seller consciously or subconsciously root for you to capture the home. Some thoughtful deeds may prompt the seller to call you first if a deal falls through and the price drops significantly at a later date. In addition, fewer disputes usually arise over details of the sale—such as which items are being included—when the seller and buyer get along well.

**Engineer:** An engineer is an expert who is qualified to inspect the construction and structural integrity of a home. An engineer should be hired to determine the physical condition of a home once an offer or executed contract of sale is received. In the construction of a new home, many new home nightmares can be prevented by using the services of a reputable and qualified engineer prior to closing. These professionals draft reports that may cover many common home problems, such as the potential for repetitive flooding, buckling wood floors, inoperable windows, non-functional heating, damaged fixtures, leaky roofs, fire code violations, inadequate air conditioning, and a host of other issues.

**Equal Credit Opportunity Act (ECOA):** A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, age, sex, marital status, etc (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Equity:** Equity is the difference between the value of the home and the amount of money owed on the loan (the amount of ownership a person has on a house). When a buyer borrows eighty percent of the purchase price, the borrower only has a twenty percent ownership interest in the property. As more mortgage payments are made to pay off the loan, the owner acquires a larger ownership interest. Every mortgage payment increases the owner's monetary interest in the home, therefore building equity in the home.

**Errors and Omissions Insurance:** Errors and Omissions insurance is a business liability policy which protects against claims brought on by clients for any errors, inadequate work, or negligent actions (www.investopedia.com).

**Escape Clause:** A provision in a purchase contract that allows either party to cancel part or the entire contract if the other does not respond to changes to the sale within a set period. The most common use of the escape clause is if the buyer makes the purchase offer contingent on the sale of another house (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Escrow (Impound):** An escrow account is a special bank account for holding money belonging to someone other than the attorney. At closing, the lender will take a cushion of a few months of taxes and insurance payments from you to be held "in escrow" as an excess amount in your lender's account under your name.

**Escrow Agreement:** An escrow agreement is an agreement between either the buyer or the seller and the escrow agent (sometimes both the buyer and the seller).This agreement sets forth the conditions for what is to be done with the objects put into escrow. It gives the escrow agent instructions for the deposited objects (http://www.homeclosing101.org/glossary.cfm#O).

**Escrow Company:** An escrow company is a company used in a real estate transaction which holds the buyer's or seller's money as a separate third party in an escrow account.

**Estate:** An estate is all of somebody's property, including possessions and capital (*Encarta World English Dictionary*).

**Eviction:** When a landlord forces a tenant out of a rental property through legal means because of a failure to uphold the agreements set forth in the lease agreement, usually for failure to pay rent.

**Exclusive Listing:** An exclusive listing is a contract that gives a real estate broker the rights to list a property exclusively for a specific amount of time (www.remax.com/learningcenter).

**Executor:** An executor is somebody named in a will or appointed by a court to read a will and carry out its instructions (*Encarta World English Dictionary*).

**Extensions and Alterations:** Any change or addition made to a property. When a home is purchased in "as is" condition, the seller is not usually liable for the seller's own failure to obtain approval for an alteration.

## F

**Fair and Accurate Transactions Act (FACTA):** FACTA was passed in 2003 as a way to improve protections against identity theft. Because of this resolution, you can gain access to your own credit report. A free credit report can be ordered from each reporting agency once a year, online or by phone (www.investopedia.com).

**Fair Housing Act:** The Fair Housing Act was established in 1968 and prohibits discrimination in housing based on race, color, sex, national origin, and religion (www.legal-dictionary.thefreedictionary.com).

**Fair Market Value (FMV):** The fair market value is the amount a typical willing purchaser would be ready to pay in a free market (the amount it would sell for).

**Fannie Mae:** Fannie Mae, also called the Federal National Mortgage Association, is a governmentally sponsored private corporation that gives funds for mortgages, or a publicly traded security backed by it (*Encarta World English Dictionary*).

**Federal Government National Flood Insurance Program:** This program provides flood insurance to homeowners through the federal government, which (along with other federal government insurance programs) can still be purchased through an insurance agent.

**Federal Home Loan Mortgage:** (See *Freddie Mac*)

**Federal Reserve Board:** The Federal Reserve Board is the body that oversees the Federal Reserve System (*Encarta World English Dictionary*).

**Federally Related Loan:** A federally related loan is any loan that is given by, insured by, or in any way related to the federal government. Most loans are federally related loans.

**Federal Trade Commission:** The Federal Trade Commission is a federal enforcement agency that oversees and enforces several federal antitrust and consumer-protection laws (*Encarta World English Dictionary*).

**Fee Simple:** A fee simple is a type of ownership which is the maximum interest a person can have in a piece of real estate. It entitles the owner to use the land in any way they would like as long as it complies with federal and local laws (www.remax.com/learningcenter).

**Fee Simple Defeasible:** A fee simple defeasible is a situation when a homeowner has a fee simple ownership, but it is contingent on certain conditions (www.remax.com/learningcenter).

**FHA (Federal Housing Administration) Insured Loan:** An FHA insured loan is a mortgage loan insured by the Federal Housing Administration. This means that since the FHA has agreed to insure the loan against the borrower's default, lenders will be more likely to approve prospective borrowers in these cases. An FHA insured loan requires a down payment of around only 3.5 percent. However, borrowers are required at closing to pay an up-front insurance premium typically equaling 1.75 percent of the loan amount, and must pay for Mutual Mortgage Insurance (MMI) for the life of the loan.

**FICO Score (Fair Isaacs Corporation):** Almost all major lenders determine your ability to obtain a loan based on your FICO score. A FICO score applies statistical methods to information in a credit report to determine lending decisions, including the interest rate to be charged and the amount of the loan to be offered to a borrower. The highest FICO score is 850 and most people strive to get a score of 720 or above in order to obtain the best interest rate, as any lower score would result in negative rate adjustments, meaning higher interest rates. It is necessary to have a minimum FICO score of around 620 to obtain a loan. A FICO score can only be raised by improving your credit report, hence the importance of obtaining a credit report early in the purchasing process.

**Fiduciary Duty:** A fiduciary duty is the duty of a certain party to act in the best interest of another party (www.definitions.uslegal.com).

**Final Inspection (Walk Through):** The final inspection occurs 24 hours before the closing date. A buyer should bring along persons handy with repairs when they do a walk through. These competent persons should test everything that can possibly be tested. All appliances and systems should be inspected and turned on. All doors and cabinets should be opened, rugs and furniture moved, and all hidden spots scrutinized. For newly constructed properties, consider hiring an engineer to do a final complete inspection of the home and all its major components.

**Financial Resume:** A financial resume should consist of any related financial material, usually the same documents your bank requests during the application process and at least one pre-approval letter. These documents should be handy when negotiating a purchase in person in order to demonstrate your economic ability to buy a home.

**Finder's Fee:** A fee or commission paid to a mortgage broker for finding a mortgage loan for a prospective borrower (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**First Mortgage:** A first mortgage is the primary mortgage on a home. It supersedes all other liens and encumbrances (www.investopedia.com).

**First Time Homebuyer:** A buyer who has not owned a property within the last three years.

**Fixed Installment:** A fixed installment is a set payment that occurs annually; it usually occurs as a monthly mortgage payment.

**Fixed Rate Mortgage:** The fixed rate mortgage is the most popular and predictable type of loan. In this scenario, the borrower pays the same interest rate for the loan's entire lifespan. A fixed monthly payment will be applied every month to the principal and interest of your loan. The fixed rate loan options usually provide for a 10, 15, 20, or 30-year fixed rate mortgage. However, a fixed rate mortgage does not mean a fixed monthly payment. If the lender is making payments on your behalf to others such as your insurance and your real estate taxes, the amount of monthly payment will vary as these charges go up and down.

**Fixer-Upper:** A fixer-upper is a home that needs improvements and usually remodeling. It usually sells for below market price (www.remax.com/learningcenter).

**Flip Tax:** Many cooperatives and some condominiums impose this charge upon a unit's sale as an additional means of building revenue. This was initiated during the early 1980s conversion boom when tenants purchased cooperative apartments at a deep discount and then immediately re-sold them at market prices—or *flipped* them. This is a fee and not a tax; it is collected by the cooperative corporation, which is a private entity, and not the government. If you see it on a bill, it is probably identified as a *transfer fee.* Some cooperatives have imposed a flip tax based upon a percentage of the seller's profit.

The seller typically pays the flip tax—which tends to be based on a percentage of the unit's sale price—at closing.

**Flipping:** Flipping is when a tenant purchases a cooperative apartment, condominium, or home at a deep discount and then immediately re-sells it at market price.

**Floating the Rate:** Floating the rate is when you (as a buyer) believe the interest rates may drop between the time you apply for a loan and the time you close and therefore may wait to lock in the rate until they drop instead of locking them in immediately. Once the rates have gone down, you may then telephone your loan officer to lock in the rate. If they do not go down, you may be stuck with a higher rate.

**For Sale by Owner (FSBO):** Homes for sale by owner are homes which are not being sold through a broker, but simply through the owners. FSBO sellers may refuse to work with brokers to avoid having to pay their commission. Your broker certainly is not going to show you listings without being paid. So if you want to be extra diligent in your search, keep tabs of FSBO FOR SALE signs and check out these listings on your own.

**Foreclosure:** A foreclosure is when a homeowner defaults in payment of a mortgage and the lender reclaims ownership of the property.

**Foreclosure Auction:** The means through which a house is sold once it has gone through foreclosure in order for the lender to make up for the loss on the default in the mortgage. These houses sell for much less than fair market value since the lender is simply trying to make up for the loss incurred through the default.

**Foreclosure Filing:** The lender's submission to the court of certain documents which begins the foreclosure process. When a foreclosure is filed, a notice of pendency must be submitted to the county clerk's office.

**Forfeiture:** Forfeiture is when property is given up because of a default in payment or breach of a contract (www.merriam-webster.com).

**Freddie Mac:** Freddie Mac, legally named the Federal Home Loan Mortgage Corporation, is a private corporation created by Congress to buy mortgages from lenders and resell them as securities (*Encarta World English Dictionary*).

## G

**Gift Letter:** A gift letter is the letter written by someone who is giving you money to help purchase a home, which is required by the bank (when applicable) if you are trying to obtain a loan.

**Ginnie Mae:** Another term for the Government National Mortgage Association (see *Government National Mortgage Association*).

**Good Faith Estimate (GFE):** The GFE document will individually list all of the fees you are likely to pay, and it will include an estimated final total figure. The lender is legally required to give you a GFE of your closing costs in writing. As of January 1, 2010, the federal government implemented new rules to help borrowers better understand a loan's total costs and to ensure that the fees promised at the start of the application process are equal to those charged upon funding the loan.

**Government National Mortgage Association:** The Government National Mortgage Association is a governmental group which finances government-guaranteed mortgages through the sale of bonds (www.dictionary.reference.com).

**Graduated Payment Mortgage (GPM):** A graduated payment mortgage is a type of mortgage payment that begins as a lower than normal payment and gradually increases over a set period of time and becomes a fixed, higher than normal payment for the remainder of the mortgage (www.financial-dictionary.thefreedictionary.com).

**Grantee:** An individual to whom an interest in real property is conveyed (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Grantor:** An individual conveying an interest in real property (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Gross Income:** Gross income is an individual's income before taxes have deducted.

**Ground Rent:** Ground rent is the rent paid for the land upon which a building is built. It is not the rent for the building but solely the land (www.dictionary.reference.com).

**Growing Equity Mortgage:** A growing equity mortgage is mortgage in which the interest rate is fixed but the monthly payments get increasingly larger over time (www.financial-dictionary.dictionary.com).

**Guarantee Mortgage:** A guarantee mortgage is a mortgage that is guaranteed by a third party (www.propertywords.com).

**Guaranteed Replacement Cost Policy:** A Guaranteed Replacement Cost policy in homeowner's insurance will replace the property regardless of the policy limits. Although you will receive the option to only insure the value of the structures and possessions you lose, it is far wiser to pay the higher premium, which enables you to replace them with new, comparable items. Homeowner's insurance policies do not cover general maintenance-related issues, and you should not assume that your policy takes care of every possible type of disaster or damage.

## H

**Hazard Insurance:** Hazard insurance is insurance that covers property damage caused by fire, wind, storms, and other similar risks. Sometimes earthquakes and floods are also covered, but other times they are not (www.investorwords.com).

**Heirs:** Heirs are persons who are eligible to inherit property or other objects of value from another upon that person's death.

**High Risk Borrower:** A high risk borrower is a borrower who is much more likely to miss mortgage payments, pay monthly dues late, and default on their mortgage. They usually have one or more of the following characteristics: they have a low FICO score, they have a history of payment delinquencies, they have a heavy debt burden, and they have a record of bankruptcy or foreclosure (www.mortgageqna.com).

**Home Equity Conversion Mortgage:** A home equity conversion mortgage is an FHA insured reverse mortgage that allows seniors to convert equity they have in their home to cash (www.investopedia.com).

**Home Equity Loan:** A home equity loan is a loan where the collateral for that loan is the borrower's house (*Encarta World English Dictionary*).

**Home Inspection Fee:** A home inspection fee is a fee that is charged to the buyer of a home for a thorough inspection of the home (See *Inspection*).

**Homeowner's Insurance:** A homeowner's policy includes two types of insurance: property insurance, which insures the house itself against perils such as fire, and liability insurance, which insures the homeowner against liability to other persons, such as guests who are injured on the property. Although both of these types of insurance are contained in a homeowner's policy, there are various versions of such a policy. The standard policy should provide coverage for your home's structure and contents in the event of a disaster or theft, and also allow an ample amount to pay the legal claims of anyone hurt in your home. The standard policy should also provide coverage for your living costs should you be required to vacate your home due to a disaster that the policy covers.

**Homeowner's/Property Owner's Association:** A homeowner's association is an organization made up of a group of homeowners in a certain condominium or subdivision who manage the common areas of the complex. This organization is in charge of collecting certain fees from all of the homeowners for upkeep of certain common areas (www.legaldefinition.us).

**Homeowner's Protection Act (2008):** Requires lenders to automatically cancel PMI when the loan-to-value ratio equals eighty percent or the borrower has paid twenty percent of the value of the loan. However, this does not always happen so the borrower should be sure to remind the lender to eliminate this fee at the proper time.

**Home Rule:** Home rule is the power of a local government to enforce their own land-use rules (www.remax.com/learningcenter).

**Home Warranty:** Offers protection for mechanical systems and attached appliances against unexpected repairs not covered by homeowner's insurance; coverage extends over a specific time period and does not cover the home's structure (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Homesteading:** Homesteading is a protection for homeowners from the creditors banning the sale of a home in order to reimburse said creditor (www.legal-dictionary.thefreedictionary.com).

**Housing and Urban Development (HUD):** The United States government agency that administers FHA, GNMA and other housing programs.

**Housing Discrimination:** Housing discrimination is when rental or purchase of a home is denied on the basis of race, gender, religion, marital status, or disability. Housing discrimination is illegal in the United States.

**Housing Expense Ratio:** The housing expense ratio is the percentage of income that goes towards paying housing expenses (www.propertywords.com).

**HO1, HO2, HO3, HO5:** Homeowner's policies follow what are called the ISO (Insurance Services Office) forms. The HO1 is the basic, plain vanilla policy. Eleven different perils are listed in the coverage (www.ehow.com). The HO2 covers more perils (events that may cause a loss—this has seventeen perils listed). The HO3 is the typical single family home policy—an *all risk* policy with just a few perils excluded. The HO5 is *Cadillac coverage*—it covers even more than the HO3. Homeowner's insurance is paid annually, with an average cost of about $765 per year nationwide (according to the Regulatory Research Corporation).

**Housing Regulations:** The rules and regulations with which a house must comply, dictating a home's size, number of bedrooms and occupants, purpose of use, and ensuring compliance with other building and safety standards.

**HUD:** (See *Housing and Urban Development*).

**HUD-1:** A HUD-1 compares the GFE (Good Faith Estimate) to the final charges at closing in order to ensure the lenders' accountability at closing. When these charges go beyond permissible limits, the lender must reimburse the borrower for these amounts, or otherwise pay penalties.

## I

**Impact Fees:** An impact fee is a monetary charge developers must pay when building a new infrastructure or when increasing the size of an existing infrastructure. This charge is imposed in order to offset the impact of additional residents on the infrastructure and service of the community, i.e. city water, etc.

**Implied Warranty of Habitability:** An implied warranty of habitability is a legal doctrine that requires landlords to provide a habitable dwelling for their tenants at all times. If a landlord does not uphold this duty, the tenant has the right to withhold rent or take other measures (www.legaldefinition.us).

**Impounds:** (See *Escrow)*

**Improvements:** Any change to a property that makes it better than it was previously, therefore raising its value; this includes replacing old or worn-out appliances, etc.

**Income Property:** An income property is a property that is used as a means of providing income from the rent paid by the tenant, rather than using it as a home or business (*Encarta World English Dictionary*).

**Indemnification**: To secure against any loss or damage, compensate or give security for reimbursement for loss or damage incurred. A homeowner should negotiate for inclusion of an indemnification provision in a contract with a general contractor or for a separate indemnity agreement protecting the homeowner from harm, loss or damage caused by actions or omissions of the general (and all sub) contractor (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Infill Development:** An infill development is the development of vacant pieces of land within an already existing development (www.dictionaryofrealestate.com).

**Inflation:** An increase in the supply of currency, therefore raising prices and lowering the purchase power of such currency (*Encarta World English Dictionary*).

**Ingress:** Ingress is the permission for someone to enter a property or dwelling. It also refers to a place of entry such as a right of way across adjoining land (http://www.homeclosing101.org/glossary.cfm#O).

**Initial interest Rate:** The initial interest rate is an interest rate that is set upon an adjustable rate mortgage (ARM) for usually the first year of the mortgage (www.investopedia.com).

**Inspection:** An inspection is when a qualified inspector evaluates the condition and level of functionality of all parts of the home. Among the systems that the inspector must examine, at a minimum, are the basic support structures, the plumbing, heating, air conditioning and electrical systems. A more thorough inspection checks for faulty electrical wiring, electrical systems' effectiveness, and whether galvanized steel exists and its efficacy. It also includes checking water supply pipes, looking for underground oil tanks, wells, and/or septic systems, and detecting any mold and/or leaks. The water pressure should also be measured and the water tested for bacteria.

**Inspector:** A qualified person who can test the different structures and systems of a home in order to assure their functionality. An inspector will examine the premises equipped with sophisticated engineering tools as well as common implements such as flashlights, electrical testers, carbon monoxide and fuel gas detectors, moisture meters, ladders, and inspection mirrors. The inspector must also assess whether alterations and additions have been completed properly, and alert the buyer to find out whether the proper permits and certificate of occupancy or certificate of completion have been obtained.

**Installment Contract:** An installment contract is an agreement where, whatever was agreed upon (payments, delivery of goods, performance of service, etc) be made periodically, or in installments, on previously agreed upon dates (www.legal-dictionary.thefreedictionary.com).

**Insurable Title:** A property title that a title insurance agency promises to insure against defects and disputes (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Insurance Riders:** Insurance riders are amendments made to the coverage of a specific insurance policy without having to redraft the entire policy. You may need to buy insurance riders to increase the amount of your insurance policy accordingly.

**Insurance Services Office (ISO):** According to the ISO website, the ISO is a company that advises many insurance companies and provides the language used in many of the policies that insurance companies use (www.iso.com). Homeowner's policies follow ISO forms.

**Interest:** Interest is an annual fee that a lender charges when he or she loans money. This fee usually comes in the form of a percentage of the total value of the loan.

**Interest-Only Adjustable Rate Mortgage (ARM):** Fluctuating mortgages are called *adjustable rate* mortgages (ARM). As many borrowers have found out in the past, monthly payments on such mortgages can rise dramatically to amounts the borrower may not be able to afford, depending on various economic conditions. For those persons who intend to own the home for a very short time, an adjustable rate mortgage—or ARM—may be a highly beneficial way to keep payments affordable. However, adjustable rate mortgages can be ticking time bombs in the case that interest rates greatly increase and the payments reach an amount beyond that which the borrower can afford.

**Interest-Only Loan:** An interest-only loan is a loan where, for a short term, the borrower pays only the interest of the loan, therefore not decreasing the balance of the loan with every payment (www.remax.com/learningcenter).

**Internal Revenue Code:** The Internal Revenue Code sets forth all laws regarding federal taxes (www.legal-dictionary.thefreedictionary.com).

**Intestate:** Intestate is when a person dies and does not leave a will (http://www.homeclosing101.org/glossary.cfm#O).

**Inventory:** A list of all the personal items in your home. This should be taken in case an incident or disaster occurs in order for a homeowner to prove to the insurer the totality of their destroyed personal property and belongings. You can supplement the inventory list with a video recording or pictures of the insured property.

**Investment Property:** An investment property is a property that is purchased for its future appreciation or income (www.businessdictionary.com).

**IRA (Individual Retirement Account):** A retirement account that allows individuals to make tax-deferred contributions to a personal retirement fund. IRA funds can be placed in bank accounts, stocks, bonds, or mutual funds (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**IT-2663:** As of September 2003, New York State requires non-resident individuals, estates, and trusts to pay an estimated personal income tax on any gain resulting from the sale or transfer of a property located within the state. When real property is sold, form IT-2663 is filed. If the property being sold or transferred is a private residence or a condominium, then the payment in addition to the form is submitted to the New York State Department of Taxation and Finance.

**IT-2664:** As of September 2003, New York State requires non-resident individuals, estates, and trusts to pay an estimated personal income tax on any gain resulting from the sale or transfer of a property located within the state. When a cooperative unit is sold, form IT-2664 is filed. If the property being sold or transferred is a cooperative apartment, the seller's attorney is responsible for submitting the completed form IT-2664 with the corresponding payment to the New York State Department of Taxation promptly following the closing.

## J

**Joint Liability:** Joint liability is when any action is taken against a partnership and any and all parties are held responsible, up to the full amount, for the issue raised (www.businessdictionary.com).

**Joint Tenancy:** Joint tenancy is when two people enter into a co-ownership. Upon the death of one joint tenant, the other obtains full ownership of the property—called right of survivorship (www.definitions.uslegal.com).

**Joint Tenants with Rights of Survivorship (JTWROS):** Although owning a property as Joint Tenants with Rights of Survivorship is popular among married couples and partners, it is not necessary to be a married couple or a domestic partner in order to take title in this form. Owning a property as JTWROS simply grants each party an equal ownership in the property. In the event of one owner's death, the other automatically obtains full ownership of the property. This method can also be used when more than two parties are taking ownership, for instance, three or more siblings. In the case of three joint tenants, each would own a one-third share. When the first dies, his or her share would be automatically split between the two survivors, leaving each survivor an equal fifty percent ownership.

**Judicial Foreclosure:** A judicial foreclosure is a foreclosure which happens through court order instead of through the direct action of the parties involved in the contract (*Encarta World English Dictionary*).

**Jumbo Mortgage:** A jumbo mortgage is a mortgage in which the loan amount is for more money than technically allowed by the Federal National Mortgage Association (*Encarta World English Dictionary*).

**Junior Mortgage:** A junior mortgage is a mortgage that is subordinate to another, larger mortgage, and in the case of a default, repayment is only issued once other lenders have been reimbursed (www.investopedia.com).

## K

**Key Lot:** A lot that is deemed highly valuable because of its location (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

## L

**Land Lease:** When a cooperative leases the land upon which the building sits (as opposed to the cooperative owning the land as well) the building is referred to as a "land lease" building. You should check whether your potential unit in a cooperative is affected by a land lease before you purchase. Beware—if a new lease for the land cannot be negotiated, the landowner can reclaim the land. This will cause the cooperative unit owners to lose their investments in the property and become ordinary rental tenants—or even lose the units altogether.

**Land Records Office:** The land records office is an office within the government that handles and keeps records of transactions regarding land.

**Late Payment Charges:** The penalty the homeowner must pay when a mortgage payment is made after the due date grace period (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Lease:** A written agreement between a property owner and a tenant (resident) that stipulates the payment and conditions under which the tenant may occupy a home or apartment and states a specified period of time (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Lease Purchase (Lease Option):** Assists low to moderate income homebuyers in purchasing a home by allowing them to lease a home with an option to buy; the rent payment is made up of the monthly rental payment plus an additional amount that is credited to an account for use as a down payment (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Late Fee:** A late fee is a charge imposed by a lender for a delinquent payment (www.investorwords.com).

**Late Payment:** A late payment is any payment that is turned in after the date on which it was due (www.financial-dictionary.thefreedictionary.com).

**Lease:** A lease is an agreement outlining the agreements in the terms and conditions of a renter's occupancy (www.remax.com/learningcenter).

**Leasehold Estate:** A way of holding title to a property wherein the mortgagor does not actually own the property, but rather has a recorded long-term lease on it (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Lease Option:** A lease option is short for the term lease with an option to purchase, meaning that the lease contains a clause giving the renter an option to purchase the property (www.lease2purchase.com).

**Legal Blemish:** A legal blemish is a negative point against a property such as a zoning violation or fraudulent title claim (www.investorwords.com).

**Legally Habitable:** A property is legally habitable if it complies with all housing regulations and a certificate of occupancy (allows individuals to live on the property) can therefore be issued.

**Lender:** A lender is a person, usually from a bank, who loans somebody money (www.financeglossary.net).

**Lender Option Commitments:** An agreement giving a lender the option to deliver loans or securities by a certain date at agreed upon terms (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Let the Buyer Beware:** (See *Caveat Emptor)*

**Letter of Intent:** A letter of intent is a signed document stating the drafter's intent to enter into an agreement (*Encarta World English Dictionary*).

**Liability:** A debt or financial obligation which you owe.

**Liability Insurance:** Insures the homeowner against liability to other persons, such as guests who are injured on the property.

**Lien:** A lien is a legal claim to property that is being used as a security for a debt.

**Lien Search:** A lien search determines whether there are any judgments or liens against the seller or the building. Any such judgments against the seller will have to be removed prior to or at the closing in order for you to receive clean title to the shares. It serves the same function as a title search.

**Line:** A line is a group of apartments in a building that are all the same. The line usually runs vertically through the building and has a letter assigned to it (i.e. Apartment D line).

**Liquidated Damages:** Liquidated damages are the amount of damages that must be paid when there is a breach of contract (*Encarta World English Dictionary*).

**Liquidity:** The ease with which an asset can be converted into cash (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

***Lis Pendens* (Notice of Pendency):** A notice of pendency (or *lis pendens*) is filed with the county clerk, court clerk, land records office, or registry. This document notifies all parties involved that a legal proceeding affecting a property's ownership interest has been initiated and announces that a homeowner has defaulted on a mortgage and the foreclosure process has begun.

**Listing Agreement:** A contract between a seller and a real estate professional to market and sell a home. A listing agreement obligates the real estate professional (or his or her agent) to seek qualified buyers, report all purchase offers and help negotiate the highest possible price and most favorable terms for the property seller (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Little or No Money Down Mortgage:** Another very popular loan (until 2008) was the no money down loan, which finances the full purchase price of the home, including the down payment. The housing crisis has virtually eliminated no money down mortgages as banks' favorite loan products.

**Live-in Partnership:** An agreement in which two people who are unrelated purchase a home together (www.remax.com/learningcenter).

**Loan:** A loan is when somebody allows you to borrow money. Obtaining loans are crucial when buying a home, but a borrower must have good credit and good financial standing in order for the lender to be confident that they will pay them back.

**Loan Commitment Letter:** The loan commitment letter is the letter which assures that the bank will fund the loan once you sign it and return it to the lender. The commitment letter may contain conditions that must be satisfied before the loan can close.

**Locking In:** A written agreement in which the lender guarantees a specified interest rate if a mortgage goes to closing within a set period of time. The lock-in also usually specifies the number of points to be paid at closing (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Loss Mitigation:** A process to avoid foreclosure; the lender tries to help a borrower who has been unable to make loan payments and is in danger of defaulting on his or her loan (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

## M

**Maintenance Charges:** Maintenance charges are monthly charges that a shareholder must pay which are calculated by the number of shares owned in a cooperative corporation. The board allocates these funds to hire employees, pay its mortgage and real estate taxes, and also to repair, clean, service, and manage the building.

**Managed Competition Lots:** A lot where buyers can choose between several builders (www.realestateglossary.com).

**Managing Agent:** A managing agent in a cooperative corporation oversees the building's day to day affairs. This individual collects the maintenance charges, which are used to pay all the expenses of the cooperative corporation including mortgage, fuel, payroll, insurance, and taxes.

**Mandatory Delivery Commitment:** An agreement that a lender will deliver loans or securities by a certain date at agreed-upon terms (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Mansion Tax:** For any home sold in New York State for $1 million or more, the purchaser—not the seller—must pay one percent of the purchase price to New York State. This is the reason you see many homes advertised for $999,000.

**Market Value:** The amount a willing buyer would pay a willing seller for a home. An appraised value is an estimate of the current fair market value (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Marketable Title:** A marketable title is a title which is considered to be free of liens and material defects by a court which allows it to be sold freely (http://www.homeclosing101.org/glossary.cfm#O).

**Maturity:** The date when the principal balance of a loan becomes due and payable.

**Manufactured House:** A manufactured house is a structure which has been assembled and transferrable in multiple sections, that will contain heating, plumbing, air conditioning, electrical structures and is used as a dwelling, either permanent or mobile (www.huduser.org).

**Margin:** The margin is the lender's 'retail markup' of a mortgage. For example, if the rate for an ARM is 5% but the lender has a 2.5% point margin, the borrower will then pay a 7.5% rate (www.remax.com/learningcenter).

**Maximum Financing:** Maximum financing is financing for a loan that is within 5% of the highest loan-to-value ratio allowed for a property (www.remax.com/learningcenter).

**Mayor's Deed:** A mayor's deed is a deed given under the original dispersal of the property at the discretion of the mayor (http://history.utah.gov/historic_buildings/information_and_research/real_estate_terms.html).

**Mechanic's Lien:** A mechanic's lien is when a person who has performed work or furnished materials which have improved the value of the real property takes a lien in order to get reimbursed for their services (www.dre.ca.gov).

**Merged Credit Report:** A merged credit report is a credit report that combines information from two or more credit bureaus (www.ftc.gov).

**Metes and Bounds:** Metes and bounds is a way of describing the boundaries of a piece of land, including their points and angles by using their compass positions (http://www.homeclosing101.org/glossary.cfm#O).

**Mineral Rights:** The mineral rights are the rights a homeowner has to the ground underneath the home and within the property limits.

**Mitigation:** This term is usually used to refer to various changes or improvements made in a home; for instance, to reduce the average level of radon (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Modification:** When a lender agrees to modify the terms of a mortgage without refinancing the loan.

**Mixed-Income Housing:** Mixed-income housing is a housing area that contains many homes of varying prices (www.remax.com/learningcenter).

**Mixed-Use Development:** A mixed-use development is a development that contains residential, commercial, and/or public accommodations (www.remax.com/learningcenter).

**Mortgage:** A mortgage is a loan where a borrower's home is collateral. It is also used to refer to the document signed which grants the lender a lien on the home. The mortgage is often the purchase price of your home minus the down payment (www.ftc.gov).

**Mortgage Broker:** A mortgage broker is a person who acts as an intermediary between the lender and the borrower and acts on behalf of the borrower. Instead of (or in addition to) going to a bank directly, purchasers may also seek a mortgage broker's advice. Many times, mortgage brokers have access to private money or the products of several banks. You may want to compare a mortgage broker's products to those of direct lenders to see who has the better interest rate or price on the life of a loan.

**Mortgage Contingency Clause:** Among the terms in the contract of sale, the mortgage contingency clause allows buyers to cancel the contract if they are unable to obtain a mortgage within a fixed period of time.

**Mortgage Fraud:** Mortgage fraud or a forgery is when an imposter, pretending to be the seller, collects loan proceeds.

**Mortgage Payments:** Mortgage payments are payments you make toward paying off your loan, subsequently building equity in your home.

**Mortgage Recording Tax:** For those purchasing one to three family homes and condominiums, a tax to New York State is owed by purchasers obtaining a mortgage for the recording of the mortgage. The tax rates vary depending on the amount of the mortgage, type, and location of the property.

**Mortgagee:** The lender of a mortgage (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

**Mortgagor:** A borrower of a mortgage (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

**Move-In Date:** The move-in date is the date on which you may physically move into your home. The chances of moving into your new home (for a new construction) on the date that the builder predicted are probably close to the odds of winning the lottery, so make sure that you add provisions to your contract to make your life easier if such a delay occurs.

**Move-Out Fee:** In many cooperative and condominium buildings, sellers have additional expenses such as a move-out fee of approximately $250 to $1000 (part or all of which may be refundable) to ensure compensation to the building in the event there is damage when moving out of the unit.

**Multi-Family Dwelling:** Some types of homes contain more than one dwelling unit; these are the traditional two-, three-, and four-family homes. Typically, in these types of houses, one person or couple owns the property, lives in one of the units, and leases the remaining units.

**Multi-Family Mortgage:** A mortgage on a building that contains five or more dwelling units (www.ftc.gov).

**Multiple Listing Service:** The multiple listing service is the real estate brokerage industry's own private databases of homes, which it tends to keep to itself. Therefore, a buyer's broker will usually have access to a listing before the public does.

**Mutual Funds:** Mutual funds are pools of money that are brought together by investors to buy securities (www.ftc.gov).

**Mutual Mortgage Insurance (MMI):** Mutual Mortgage Insurance is insurance that is given on FHA loans where borrowers are required at closing to pay an up-front insurance premium typically equaling 1.75 percent of the loan amount, and must pay for the MMI for the life of the loan. The MMI insurance is roughly equivalent to the PMI insurance that's charged when a buyer has paid less than twenty percent of the property's value—except the PMI charge disappears once the borrower obtains twenty percent equity in the home, whereas the MMI insurance does not expire until the loan is paid off.

## N

**Negative Amortization:** Negative amortization is when an unpaid balance on a payment is added to the principal amount of the loan, therefore increasing the balance of the loan. This occurs when the payment does not cover the interest due (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

**Net Worth:** The total value of a company or individual's total worth, including assets and cash, minus liabilities (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

**Newly Constructed Building:** Many newly constructed homes have not undergone a stormy winter or a hot summer to uncover potential leaks and reveal whether structural systems are working properly. To that end, purchasing newly constructed property requires special care to prevent problems upon moving into the new home. However, someone purchasing newly constructed property is frequently obtaining a home with the most technologically advanced electrical, ventilation, and air conditioning systems. New homes often include the latest appliances, fixtures, plumbing, and big ticket items such as a new boiler or roof.

**No Doc Loan:** This type of loan allows people to borrow without having to prove employment, income, or assets. No documentation loans normally involve a higher interest rate than traditional loans, and some statement of income and assets would still have to be verified by the bank.

**Non-Liquid Asset:** A non-liquid asset is any asset that is easily converted into cash (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

**Notary Public:** A notary public is an appointed officer who has the authority to acknowledge a document and officially seal it with their signature (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Note:** A note is a written acknowledgement of a debt which promises to pay it under the stipulated agreements (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Note Rate:** A note rate is the interest rate stated on a mortgage note (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

**Notice of Pendency:** (See *Lis Pendens)*

## O

**Obsolescence:** Obsolescence is when a property decreases in value because of outdated design and construction and neglected upkeep with modern needs (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Occupancy Rights:** Occupancy rights are the rights a buyer must acquire for a home by ensuring that the home complies with housing regulations that dictate a home's size, number of bedrooms and occupants, purpose of use, and compliance with other building and safety standards. Compliance with these regulations allows you to legally inhabit your home, therefore giving you the right to occupy it.

**Offer to Purchase:** The offer to purchase is the offer you put forth for the price you are willing to pay for the property. It typically includes the property's address, along with the buyer's current address and, in a number of states, the social security number. In addition, it will indicate the amount of both the offer and the down payment, and the estimated date when you believe you will be ready to pay the purchase price for the home, formally known as the closing date.

**Open-End Mortgage:** An open-end mortgage is a mortgage which includes a clause allowing the borrower to take out additional money after the mortgage has been reduced without having to rewrite the entire mortgage (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Open Listing:** An open listing is when the seller of a property gives a non-exclusive right to sell to any number of agents, stipulating that the first to secure a satisfactory buyer will be the one compensated for their work (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Original Principal Balance:** The total amount of principal owed on a mortgage before any payments are made (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Origination Fees:** An origination fee is a fee charged by the bank to the borrower for creating a loan.

**Out-of-State Resident:** As of September 2003, New York State requires non-resident individuals, estates, and trusts to pay an estimated personal income tax on the gain, if any, from the sale or transfer of property located within New York State. When real property is sold, form IT-2663 is filed, and when a cooperative unit is sold, form IT-2664 is filed.

**Owner Financing:** (See *Seller Financing*).

**Owner-Occupied Property:** A property which is the owner's primary residence (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

## P

**Paramount Title:** The paramount title is the title that is superior to all others on a property (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Partial Payment:** A partial payment is any payment that is less than the scheduled amount (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

**Partnership:** A partnership is when two or more people enter into a contract together sharing property, business, or labor and share the profits and losses of such (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Party Walls:** Party walls are common walls that are erected on a property line, are shared with neighboring structures, and connect two or more spaces available for occupancy.

**Peconic Bay Tax:** For any property purchased within the Peconic Bay Region of Long Island (East Hampton, Riverhead, Shelter Island, Southampton, and Southold), the purchaser must pay the Suffolk County Clerk simultaneously with the payment of the New York State transfer tax and additional transfer taxes (similar to the additional taxes levied by New York City).

**Personal Liability Umbrella Policy (PLUP):** This umbrella policy is an additional protection that provides liability protection past the capacity of your standard policy. Every homeowner ought to have a PLUP. Such policies are very cheap compared to other types of insurance. Verdicts awarded to plaintiffs by juries today can be astronomical, and it is very comforting to have a $3,000,000 umbrella over a $1,000,000 primary policy.

**Pick-up Fee:** If a residential property or condominium unit is being sold and a mortgage is going to be paid off by the title company, it is common practice for the title closer to receive a pick-up fee to deliver the payoff check to the old lender and pick up the mortgage (or assignment) satisfied on behalf of the seller.

**Pied-a-terre:** A small secondary dwelling unit, often a significant distance away from the owner's primary residence.

**PITI:** PITI is an acronym for the four phases of a mortgage payment: principal, interest, taxes, and insurance (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

**Planned Unit Development (PUD):** A project or subdivision that includes common property that is both owned and maintained by a homeowner's association for the benefit and use of the individual PUD unit owners (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Pledge:** A pledge is the deposit of property by a debtor as security for the debt (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Points:** A point equals one percent of the full loan amount. One way to decrease an interest rate is to allow the borrower to buy or pay a point. The more points the borrower pays, the lower the initial interest rate paid over the first payment period of the loan.

**Post-Possession Agreement:** An agreement between the buyer and the seller of a residential property whereby the buyer, as the new owner, permits the seller, as the former owner, to retain possession of the premises for a specific period of time after the date of closing. This agreement typically sets forth the respective rights and obligations of the parties during the post-closing possession period, as well as the financial and legal consequences of holdover if the seller fails to deliver possession of the premises on the agreed upon vacate date.

**Power of Attorney:** Power of attorney is a legal instrument that allows one person to act as an agent for another (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Power of Sale:** The power of sale is the power the mortgagee or trustee has when a borrower defaults in payment of the note or breaches the contract in some way to sell the collateral property without judicial proceedings (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Pre-Approval Letter:** This comes from a prospective lender who is agreeing to lend you the money for your new home, provided that you satisfy a list of conditions before they do so. A pre-approval letter is not a commitment letter; it merely states that the lender would *consider* making a loan if certain conditions are met. Examples of these standard conditions are: verification by the lender of your income and employment history; verification that an appraisal of the home values it high enough to justify the amount of the prospective loan; and that there is no change in your financial circumstances—for example, that you have not lost your job or incurred substantial new debt. However, the pre-approval letter has no legal significance and is not a guarantee that you will receive a commitment from the lender.

**Pre-Foreclosure:** The process where a lender files a notice of pendency (*Lis Pendens*) with the county clerk, court clerk, land records office, or registry when a state's law requires legal proceedings for home foreclosures. The pre-foreclosure is the period of time between the filing of the notice of pendency and when the judgment is issued against the borrower where a court, sheriff, or marshal has ordered that the borrower no longer maintains legal ownership of the property.

**Premium:** A premium is the amount of money payable for an insurance policy. It can also be an additional sum of money added to a regular price (http://www.homeclosing101.org/glossary.cfm#O).

**Prepayment Penalty:** Prepayment penalty is a charge for paying off a loan before a certain date. Lenders are required to notify a buyer in writing of a prepayment penalty before the closing, so that the buyer will not be surprised by its existence at closing.

**Prime Rate:** The prime rate is the rate that commercial banks charge to their most creditworthy customers (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

**Principal:** The principal is the amount of money borrowed in a loan, or the balance left on the loan. This number does not include the amount of interest paid on the loan (http://www.ftc.gov/bc/realestate/resources/realestateglossary.pdf).

**Prior Lien:** A prior lien is a lien which is superior to all other liens (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Private Mortgage Insurance (PMI):** Private mortgage insurance is usually required by the lender when you pay less than twenty percent of the purchase price toward the home. PMI will help you to buy a home if you can only contribute a small amount toward your down payment. The PMI provides additional insurance to protect the lender from individuals who default on their loans.

**Privity:** Privity is a contractual relationship (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**Promissory Note:** (See *Note*).

**Property Condition Disclosure Act (PCDA):** The Property Condition Disclosure Act is a detailed 48-item questionnaire which some states require sellers to complete even when a seller does not agree to suggested clauses. However, according to New York law, if the seller does not complete or deliver a PCDA, then the only detriment to the seller is crediting the purchaser with $500 at closing. This extensive questionnaire covers so many topics that most attorneys recommend that sellers do not even contemplate delivering one.

**Property Insurance:** Property insurance insures the house itself against perils such as fire and is included in a homeowner's policy.

**Property Taxes:** A tax imposed on a homeowner based on the value of their home. Many parts of the country use the transfer of property as an opportunity to reevaluate a home's worth; the taxes on the property may increase or decrease based on this evaluation.

**Proposition 13:** Proposition 13 is a California state law that provides a cap on property taxes and keeps them relatively constant throughout the life of a single buyer's ownership.

**Proprietary Lease:** Defines the purchaser's rights and obligations in the cooperative corporation. This is equivalent to a deed of trust for a single-family home.

**Proration:** Proration is when insurance, taxes, or interest are adjusted on a *pro rata* basis (in proportion) at the time of closing, or an agreed upon date. If a type of insurance is paid in advance of three years, and the homeowner sells before that time period, the seller gets refunded for the amount of time that they do not inhabit the home (http://www.dre.ca.gov/pdf_docs/ref29.pdf).

**PUD:** (See *Planned Unit Development*).

**Punch List:** A list of items that have possibly broken or been removed between the initial inspection and closing, as well as items that are not in working order in accordance with the contract of sale.

**Purchase and Sale Agreement:** A written contract between the buyer and the seller which outlines the terms and conditions under which a property is to be sold (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

## Q

**Qualifying Ratios:** Guidelines utilized by lenders to determine how much money a homebuyer is qualified to borrow. Lending guidelines typically include a maximum housing expense to income ratio and a maximum monthly expense to income ratio (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Quiet Title Suit:** A quiet title suit is a lawsuit brought about by a home/landowner in order to cancel or wipe out anything that may cloud his title (http://www.homeclosing101.org/glossary.cfm#O).

**Quit-claim Deed:** A deed transferring ownership of a property but does not make any guarantee of clear title (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

## R

**Radon:** A radioactive gas that is found in some homes which in large amounts can cause serious health problems (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Rate Lock:** A commitment by a lender to a borrower guaranteeing a specific interest rate over a period of time at a set cost (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Rate-improvement Mortgage:** A loan with a clause that entitles a borrower to a one-time cut in the interest rate without going through refinancing (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Real Estate:** Land and anything permanently affixed to it, including buildings, fences and other items attached to the structure (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Real Estate Agent:** A real estate agent has a state license to represent a buyer or a settler in a real estate transaction in exchange for a commission. Most agents work for real estate brokers (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Real Estate Broker:** Real estate brokers and agents make their living by placing people in homes. They are essentially salespeople; they do not get paid unless they sell. The best of these professionals not only understand the make-up of neighborhoods, school districts, and communities in general, they also comprehend their clients' individual needs and concerns.

**Real Estate Investment Trusts (REIT's):** The trusts are publicly traded companies that own, develop and operate commercial properties (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Real Estate Owner's Property (REO):** These properties are usually homes kept by the banks, often because they failed to receive an adequate outside bid at foreclosure and so the bank basically pulls it off the foreclosure shelf. Or, the bank may have received the property when the owner, feeling a foreclosure was imminent, offered to deed the property over to the bank instead and the bank saw its best interest in accepting that offer.

**Real Estate Settlement Procedures Act (RESPA):** Requires that within three days of applying for a federally related loan (which most loans are), the lender must issue a GFE that accurately lists the cost of the loan.

**Real Property:** Land and appurtenances, including anything of a permanent nature such as structures, trees, minerals, and the interest, benefits, and inherent rights thereof (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Realtist:** A designation for an agent or broker who is a member of the National Association of Real Estate Brokers (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Realtor:** A designation for an agent or broker who is a member of the National Association of Realtors *(*http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Recognition agreement:** (See *Aztech Form)*.

**Record Title:** The aspects of the title that are kept in public record as to those aspects that need not be included (http://www.homeclosing101.org/glossary.cfm#O).

**Recording Charges:** Recording charges are charges for recording of the deed, mortgage, and Unit Owner Power of Attorney (in the case of condominium). If a Power of Attorney is used at closing to execute documents (if the purchaser cannot be present), this must be recorded as well.

**Recording Tax:** (See *Mortgage Recording Tax*).

**Redemption Laws:** Under some circumstances, the one who defaulted on payments may have the opportunity to reimburse you for the money you laid out at the foreclosure auction in order to reacquire title to the property (see *reinstatement*). These laws, where they exist, specify timing and amounts and typically do not include ancillary expenses you may have associated with the purchase you thought you made.

**Rehabilitation Mortgage:** A mortgage that covers the costs of rehabilitating (repairing or Improving) a property; some rehabilitation mortgages - like the FHA's 203(k) - allow a borrower to roll the costs of rehabilitation and home purchase into one mortgage loan (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Reinstatement:** The process of paying a delinquent mortgage after the foreclosure process has started. In some states you can even catch up on mortgage payments even after a judgment of foreclosure has been entered.

**Rent Loss Insurance:** A policy that covers any loss of rent or rental value in the event of fire or other damage that renders the property uninhabitable (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Renter's Insurance:** Similar to homeowner's insurance but for someone who is renting instead of owning (See *Homeowner's Insurance*).

**Replacement Reserve Fund:** A fund set aside for the replacement of common property in a condominium, PUD, or cooperative project—particularly that which has a short life expectancy, such as carpeting, furniture, etc (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Repossession:** When a house is repossessed, it is taken back by the lender holding the mortgage (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Resale Value:** The future value of a piece of property that can be affected by many factors, including the surrounding neighborhood, school scores, and economic and housing market conditions (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Rescission:** The cancellation of a contract and restoration of the parties to the same position as they held before the contract was entered into.

**Reserve Fund:** An account set aside to fund any expected expenses for maintenance and repair of a building.

**Restriction:** A limitation on the use of real property. Property restrictions fall under two main categories – public and private. Zoning ordinances are examples of the former. On the other hand, restrictions may also be created by private owners, typically by the appropriate clauses in deeds, agreements or in general plans of entire subdivisions.

**Retrospective Value:** The value of the property as of a previous date.

**Revolving Liability:** A credit arrangement, such as a credit card, that allows a customer to borrow against a preapproved line of credit when purchasing goods and services. The borrower is billed for the amount purchased plus the amount of interest due (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Right of First Refusal:** The right of first refusal is the right you may ask the landlord-seller for if you are renting a home you may one day wish to buy. It gives you the right to match any other offer on the home. Such an agreement would give you, as the tenant-buyer, a short amount of time to match any third party's offer for the property. Some condominiums have a right to first refusal in their organization, which gives the board the opportunity to buy a unit before a separate third party; this usually does not happen because it usually leads to a board vote. These condominiums may require a similar application to cooperatives. Once the condominium board has accepted your application, they can waive their right to first refusal.

**Right of Igress or Egress:** The right to enter or leave a property (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Right of Possession:** Once all remaining loan conditions have been satisfied, and the cooperative has approved your application—or the condominium board has waived its right of first refusal in the case of a condominium purchase—it is time to attend the real estate closing to complete your purchase of the home. Your attorney will schedule the closing with the seller and lender's attorneys and the building's managing agent. Once the closing is completed, you have now obtained the right to possess your home.

**Right of Way:** A right of way is some sort of pathway or thoroughfares which one can pass through property owned by another. It can also be a strip of land on which highways, railways, and power lines are built (http://www.homeclosing101.org/glossary.cfm#O).

**Riparian Rights:** The rights a person has to any bank, bed, shore, etc of a stream or other body of water that borders his or her property.

**Risk Rate:** A risk rate is the rate that does not include the cost of the research of title or cost of the closing when referring to title insurance (http://www.homeclosing101.org/glossary.cfm#O).

**Robert J. Schiller:** An economist who charted the sale prices of standard homes for more than a hundred years. Taking inflation into consideration, his findings demonstrated that if a standard home sold in 1890 for $100,000 in today's dollars, a home of the same standard would sell for $199,000 in 2006.

**Rohe and Basolo:** Researchers who surveyed homebuyers three years after purchase and found them to have statistically significantly higher life satisfaction levels compared to those still renting properties.

## S

**Sale Leaseback:** When a seller deeds property to a buyer for a payment, and the buyer simultaneously leases the property back to the seller (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Sales Contract:** A contract signed by the buyer and seller, which details the terms of a home purchase *(*http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Satisfaction:** In a residential property or condominium sale, when the title company collects the money to pay off the lien holder and it is recorded so that the lien is properly satisfied.

**Second Mortgage:** An additional mortgage on property. In case of a default, the first mortgage must be paid before the second mortgage. Second loans are more risky for the lender and usually carry a higher interest rate *(*http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Secondary Mortgage Market:** The buying and selling of mortgage loans. Investors purchase residential mortgages originated by lenders, which in turn provides the lenders with capital for additional lending *(*http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Secured Loan:** A loan backed by collateral, such as property (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Security:** The property that will be pledged as collateral for a loan (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Seller Financing:** Transactions where financing (loans) will be received from the sellers themselves. This usually means that the buyer must be more flexible and more willing to negotiate on other terms, such as the purchase price, the interest rate, and the condition of the home. Seller financing is typically used when the buyer cannot obtain a bank loan. If the buyer wants to put little or no money down (which should only be done if you cannot otherwise afford it), he or she must be flexible on different aspects of the contract.

**Serious Delinquency:** A mortgage that is ninety days or more past due *(*http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Servicer:** A business that collects mortgage payments from borrowers and manages the borrower's escrow accounts (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Servicing:** The collection of mortgage payments from borrowers and the related responsibilities of a loan servicer (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Settlement:** Another name for closing *(*http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Settlement Sheet:** (See *Settlement Statement or HUD-1*).

**Settlement Statement:** A document required by the Real Estate Settlement Procedures Act (RESPA). It is an itemized statement of services and charges relating to the closing of a property transfer. The buyer has the right to examine the settlement statement one day before the closing. This is called the HUD 1 Settlement Statement (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Shares:** Shares are sold to the purchasers of a cooperative apartment for an ownership interest in the whole arrangement, together with the exclusive right to lease an apartment in the building’s premises. The number of shares allocated to each apartment is usually determined by the number of rooms, the location, and the size of each apartment, which is determined when the developer or the sponsor makes the initial offering as described in the offering plan.

**Sheriff's Deed:** A sheriff's deed is a deed that is given as a result of a court order in order to satisfy a judgment (http://history.utah.gov/historic_buildings/information_and_research/real_estate_terms.html).

**Short Sale:** A short sale occurs when a lender agrees to take less than the amount owed on a loan from an owner. For a short sale to occur, the owner must persuade the lender that foreclosure would be inevitable without such a deal. A short sale allows the lender to receive a portion of its outstanding loan and lets the property turn over without significant delay. The lender still sustains a loss but is cutting the losses by choosing to accept the short sale.

**Short Term Interest:** A purchaser will also pay at closing what is commonly referred to as *short term interest*. When a borrower makes a monthly mortgage payment, the interest is actually paid for the previous month. For example, when making an October 1st mortgage payment, the borrower is actually paying the interest accrued for the month of September. If, for example, the closing is taking place on October 15th, the first mortgage payment will not be due until December 1st. Thus, when making the December 1st mortgage payment, the purchaser will be paying for the November interest. However, under those circumstances, the purchaser owes the lender interest for the period from October 15th through October 31st. In order that this amount is not overlooked, this short-term interest is collected by the lender at the closing, calculating the interest day-by-day or per diem.

**Simultaneous Rate:** Simultaneous rates are discounts offered by the title company to clients purchasing both Owners' and Loan title insurance policies, since lenders require the purchaser to purchase title insurance as a condition of giving a loan.

**Single-Family Properties:** A property that is zoned to be a stand-alone structure in its own lot. This is different from townhomes, condominiums, and co-ops.

**Sky Rights:** The traditional single family house stands on a plot of land separated from other plots of land. Normally, a buyer owns the house on the property as well as the land it sits on, along with mineral and sky rights under, on, and above the land. The sky rights give the owner rights to the area above the land.

**Social Security:** Social security is a governmental program which provides financial aid to those who are retired or cannot work due to injury, illness, and other disabilities.

**Special Warranty Deed:** A special warranty deed is a deed which warrants the title with respect to any acts of the seller and the interests of anyone claiming through, under, or by him (http://www.homeclosing101.org/glossary.cfm#O).

**Sponsor:** The sponsor of a building is the developer, person, or group in charge of a cooperative or condominium apartment building. A sponsor undertakes the obligations and responsibilities of creating and selling the apartments.

**Statute of Limitations:** The statute of limitations sets the maximum time after an event occurs that legal proceedings based upon that event may be commenced. If the time allowed for bringing the case under the statute of limitations has run out and it is raised as a defense and accepted, then any further litigation is prevented.

**Storage Space:** A space where you may put personal items for a specified amount of time in order to keep it out of the way and in a safe place.

**Structural Systems:** The main systems and apparatuses which are imperative to maintaining and upholding the structure of a home.

**Subdivision:** A subdivision is an area of land that is divided into lots, blocks, and building sites, where public facilities have been laid out, including streets, alleys, and public utilities (http://www.homeclosing101.org/glossary.cfm#O).

**Sublet:** A sublet is when someone is renting out a space which they are renting themselves. Therefore, the original renter is renting and renting out to a third party simultaneously.

**Subsidized Second Mortgage:** An alternative form of financing known as Community Seconds mortgage for low and moderate income households. An investor purchases a first mortgage with a subsidized second mortgage behind it. Payment on the second mortgage is often deferred and has a very low interest rate. Part of the debt may be incrementally forgiven for every year the buyer remains in the home (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Survey:** A survey is a drawing with particular details of the boundaries of the property that you are buying. It will show the boundaries and any permanent, visible markers of the land. Surveys are crucial in determining which land is yours, which is your neighbor's and the location of all structures on the land.

**Sweat Equity:** Contribution to the construction or rehabilitation of a property in the form of labor or services instead of cash (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Swimming Pool:** A residential swimming pool must comply with all legal codes, ordinances, legal requirements, and legal requirements of the municipality in which it is installed. The swimming pool must possess all of the required permits. Fencing and other safety requirements vary from each municipality some having more restrictive standards than others. The swimming pool should be included in the survey the title company orders for closing. In a co-op or condominium, a fraction of the common charges will usually go towards the maintenance and upkeep of the pool.

## T

**Tax Credits:** Tax credits are extended to homeowners by the U.S. government in order to promote homeownership. The United States government does not encourage renting and therefore does not extend tax credits to renters.

**Tax Deductions:** Tax deductions are given to a homeowner by the U.S. government as a financial benefit to a homeowner.

**Tax Deed:** A tax deed is a deed that is given to the county by a tax collector, which terminates all rights to redemption (http://history.utah.gov/historic_buildings/information_and_research/real_estate_terms.html).

**Tax Escrow:** (See *Escrow*).

**Tax Lien:** A tax lien is a lien which is imposed on real estate by law which secures the payment of real estate taxes (http://www.homeclosing101.org/glossary.cfm#O).

**Tax Return:** Interest you pay on your mortgage can be deducted from your gross income in order to determine your taxable income. Therefore, you will pay less income tax than you would have paid without the loan.

**Tax Sale:** A tax sale is a sale that occurs after a period of nonpayment of taxes (http://history.utah.gov/historic_buildings/information_and_research/real_estate_terms.html).

**Tax Savings:** The deduction a taxpayer can take on their tax form for interest paid on a home mortgage. It refers to the amount of money that the homeowner is not required to pay the government in taxes because he or she owns a home.

**Tenants by the Entirety:** Tenants by the Entirety generally applies to married couples. This form of ownership states that if one spouse dies, the other automatically inherits full ownership of the property. Upon the sale of a home, proceeds would be allocated equally between the parties. It also provides the additional benefit of offering protection against creditors.

**Tenants in Common:** Tenants in common gives two or more purchasers an allocated percentage of a piece of property. For example, the distribution could be a 50/50 split between two purchasers, a 70/20/10 split among three purchasers, or however purchasers choose to divide it up. Two or more people can have ownership of the property through this method of taking title. Upon the sale of the home, proceeds would be split according to each party's designated interest in the property.

**Tenants in Possession:** Tenants in possession are tenants from the previous owner who are still in possession or inhabiting the home that you have just purchased. If you have just bought a home that has gone through foreclosure and you have a post-possession agreement, you have the right to evict the tenants in possession if they do not move out by the agreed upon date.

**Termite Inspection:** A termite inspection is a thorough inspection of the home in order to assess termite and other wood boring insect damage, if any. This should be done if you are purchasing a private residence once both you and the seller have signed the contract. In the event that there is considerable damage or evidence of infestation, the company will indicate the severity and prepare a suggestion to eliminate it.

**Terms:** The period of time and the interest rate agreed upon by the lender and the borrower to repay a loan (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Third Party Origination:** A process by which a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the mortgages it plans to deliver to the secondary mortgage market
(http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Time of the Essence:** Time of the essence is a letter sent by the buyer's or seller's attorney after reasonable delay of the closing setting a firm date, time, and place when the closing must occur, or the other party is in default.

**Title:** A title is a collection of rights which gives legal ownership of a property to a certain person. As long as there are no liens or encumbrances on the property, whoever holds the title owns the property outright and is the rightful owner.

**Title Covenants:** A title covenant is a covenant inserted in conveyances in order to protect a purchaser against the potential insufficiency of a title (http://www.homeclosing101.org/glossary.cfm#O).

**Title Insurance:** The primary function of title insurance is to protect owners in the event of an actual defect in the chain of ownership and against hidden hazards that may threaten an owner's financial investment in the property. Title insurance typically covers everything contained within the property survey. Title insurance also protects against losses that result from fraudulent or forged transfer documents, and thus it prevents someone else from taking the property.

**Title Plant:** A title plant is an assemblage of title information, filed geographically, which helps to expedite title examinations (http://www.homeclosing101.org/glossary.cfm#O).

**Title Report:** A title report is a summary of the current state of the seller's title to the property, which is ordered and reviewed by the buyer's attorney.

**Townhouse:** Townhouses are usually a series of single (or multi-story) homes that are attached to each other horizontally. The townhouse includes the same ownership rights and privileges as the traditional house, as well as joint ownership and maintenance obligation of common walls—sometimes called party walls—shared with neighboring structures that connect two or more townhouses.

**Trade Equity:** Other real estate or assets a buyer gives to a seller as part of the down payment (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Transfer of Ownership:** Any means by which ownership of a property changes hands. These include purchase of a property, assumption of mortgage debt, exchange of possession of a property via a land sales contract or any other land trust device
(http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Trulia:** Trulia's American Dream Survey (2009) revealed that despite the economic downturn, more than three in four Americans still see buying a home as part of the American Dream.

**Truth-in-Lending:** A federal law obligating a lender to give full written disclosure of all fees, terms, and conditions associated with the loan initial period and then adjusts to another rate that lasts for the term of the loan (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Trust Deed:** (See *Deed of Trust*).

**Two-Step Mortgage:** The two-step mortgage is among the most popular types of mortgage during the last decade. It is a 30 year mortgage that is split up into two different phases, typically having a fixed interest rate during the first phase and an adjustable interest rate during the second phase. Examples include the 5/25 loan and the 7/23 loan (See *5/25 Loan* and *7/23 Loan*).

## U

**UCC Filing:** UCC Filing is when a person having a security interest in personal property files a financing statement with the state and/or local jurisdiction, perfecting the security interest of the secured party in the personal property. This document contains the description of the security interest which is used as collateral.

**Underground Oil Tank:** An underground oil tank is used to provide heat to a home before gas heat has been introduced. Failing to discover an underground oil tank until after purchase is a common and potentially costly home purchase mistake. If you already know that there is a buried oil tank on the property, you must ask the seller for permission to inspect it and conduct invasive testing. If the tank has been abandoned (i.e., removed or no longer in use because a new one was installed or the house has been converted to gas heat), you should ask sellers to provide proof that they obtained all permits, inspections, and governmental approvals for either removing the tank or abandoning it in place.

**Underwriting:** The process of analyzing a loan application to determine the amount of risk involved in making the loan; it includes a review of the potential borrower's credit history and a judgment of the property value (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Undisclosed Heir:** A person who claims the right to a piece of property after the death of an owner without a will (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Undisclosed Spouse:** An unidentified marital partner who can claim the right to a piece of property (http://www.remax.com/learningcenter/realestateglossary/q.asp).

**Unrecorded Deed:** An unrecorded deed transfers ownership from one party to another without being officially recorded (http://www.remax.com/learningcenter/realestateglossary/q.aspx)

**Up Front Charges:** The fees charged to homeowners by the lender at the time of closing a mortgage loan. This includes points, broker's fees, insurance, and other charges (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).

**Usury:** A reference to illegally excessive interest charged on any loan (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

## V

**Valuation:** An estimated worth or price; the act of valuing by appraisal.

**VA Loan, Veteran Home Loan:** The VA loan is a mortgage loan guaranteed by the United States Department of Veterans Affairs. This loan type is available only to current or former service members who have met the minimum eligibility requirements and certain surviving spouses of service members. The VA loan does not require any down payment, nor does it require the borrower to obtain PMI.

**Variable Rate Mortgage:** A loan with an interest rate that depends on factors such as the rate paid on bank certificates and Treasury bills (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Vested:** Having the right to using a portion of a fund such as an individual retirement fund (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Voluntary Lien:** A lien that a homeowner willingly gives to a lender (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

## W

**W-2 Form:** The W-2 form is a tax statement your employer is required to provide every year for tax purposes, which summarizes your yearly income and wage deductions.

**Waiver:** A voluntary relinquishing of certain rights or claims (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

**Walk Through:** Real estate professionals use the term walk through for the final inspection, which usually occurs approximately 24 hours before the closing date. Many real estate purchasers bring along persons handy with repairs when they do a walk through. These competent persons should test everything that can possibly be tested. All appliances and systems should be inspected and turned on. All doors and cabinets should be opened, rugs and furniture moved, and all hidden spots scrutinized.

**Warranties:** A warranty is an agreement that the seller will fix certain issues after closing at no additional costs to the buyer. Most home sales dictate that the seller is no longer obliged to fix problems once the keys and ownership documents have been transferred. However, a number of states require builders or developers to remedy post-closing repair issues for newly constructed or rehabilitated properties. You should attempt to obtain warranties from the builder for all appropriate items because without a contract provision or builder warranty law stating that you are to receive these, you could end up paying for repairs yourself.

**What-if Analysis:** An affordability analysis that is based on a what-if scenario. This is useful if you do not have complete data or if you want to explore the effect of various changes to your income, liabilities, or available funds (http://www.realtor.org/government_affairs/housing_opportunity/resource_center/glossary).

**Working Capital:** Working capital is the net amount of cash and short-term assets available to a business. It represents the funds available for current operations.

**Wraparound Mortgage:** A loan to a buyer for the remaining balance on a seller's first mortgage as well as an additional amount requested by the seller. Payments on both loans are made to the lender who holds the wraparound loan (http://www.remax.com/learningcenter/realestateglossary/q.aspx).

## Y

**Yield:** The rate of earnings from an investment (http://www.ginniemae.gov/resources/mortgage_terms.asp?Section=YPTH).

## Z

**Zoning:** Local laws established to control the uses of land within a particular area. Zoning laws are used to separate residential land from areas of non-residential use, such as industry or businesses. Zoning ordinances include many provisions governing such things as type of structure, setbacks, lot size, and uses of a building (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary).