GLOSSARY OF REAL ESTATE TERMS

Agent - An individual who represents a seller, a buyer or both in the purchase or sale of real estate. Since the commission for the sale of a house is almost always paid for by the seller, buyers are able to get assistance and information from Real Estate Agents, usually at no cost to them. It is for this reason that the vast majority of homebuyers employ the services of an Agent for their purchase. In addition, since most houses are listed by Real Estate Agencies, it gives them the maximum number of available properties to consider.

Amortization - The schedule of loan payments that establishes the amount of payment to be applied to the principal and the amount to be applied to interest, usually on a monthly basis, for the full term of the loan.

Annual Percentage Rate (APR) - The TOTAL interest rate of a mortgage, including the stated loan interest as well as any upfront interest paid in securing the loan. The APR will invariably differ from the mortgage rate quoted due to the inclusion of these items.

Appraisal - An estimate of value of a Real Estate property by a professional third party. Virtually all non-owner financed mortgages will require an appraisal and is generally paid for by the buyer.

Adjustable Rate Mortgage (ARM) - A mortgage in which the Interest rate is adjustable, meaning that the rate can go up or down according to prevailing financial market conditions. Probably one of the reasons that buying a home is such an emotional experience is because of the fact that not only do you have the actual house buying to deal with, but for most homebuyers you also have the mortgage process to encounter. This can be a smooth and almost uneventful process, or an unnerving one. A great deal depends on the preparation of the buyer as well as the selection of an efficient mortgage company.

Assessment - The value of a property as determined by the local tax jurisdiction which is used to determine the amount of your property taxes.

Buyer's Agent - A Real Estate Agent that has made an agreement to represent the buyer exclusively, rather than the seller. **The Agent, unless specifically disclosed otherwise, represents the seller in any transaction for the sale of a home. It is that Agent's fiduciary duty (where their loyalty lies) to protect the seller's position at all times.** Buyer's Agency, however, may be an option available to you. Simply put, it allows the Agent with whom you are working to be your representative and to put your interests above all others.

Comparable Market Analysis (CMA) - A comparison of the prices of similar houses in the same general geographic area. A CMA is used to help determine the value of a property, either for a seller or a buyer. A Comparable (or Comparative) Market Analysis is developed by an Agent to compare similar properties in the same general neighborhood. It is an essential tool when attempting to determine the market value of a specific home.

Closing - The process that affects the final transfer of the deed from the seller to the buyer, as well as finalize all aspects of the mortgage of the property. After the searching for a home is done, the negotiations have been completed, the house has been inspected, and the mortgage has been applied for and committed to, the focus suddenly turns to the **Closing**, **Settlement**, or **Escrow** as it is known in some localities. For simplicity, in our discussions here we will refer to the process when it all comes together and you finally own the home as **Closing**. An understanding of the elements of and players in the closing, as well as a concise preparation for it, will eliminate many nervous hours as the day approaches.

Closing Costs - Funds needed at the time of closing (separate from and in addition to the down payment). Loan origination fees, discount points, Attorney fees, recording fees and pre-paids are some items that may be included. They often will total from 3% to 5% of the price of the home, payable in cash (cashiers check).

Contingencies - These are conditions-or "safety valves" written into Real Estate offers and contracts to prevent a buyer from being forced to buy a house that is unsatisfactory either structurally or financially. Examples of contingencies are "This contract is subject to the buyer obtaining a satisfactory whole house inspection" or "Subject to the buyer being able to obtain a mortgage".

Condominium - Housing where the owner owns only the unit in which they live-from the interior walls inward, generally-as well as a portion of the common area.

Debt to Income Ratio - The ratio of a borrowers total of debt as a percentage of their total gross income.

Deed - The document that, when recorded with your local government, determines ownership of a property. Transferred from seller to buyer at closing.

Dual Agent - A dual agent is a real estate agent who has signed a buyer agency agreement with a buyer who wishes to purchase a listing held by the agent or the agent's firm. In states where dual agency is allowed, it must usually be agreed to by all parties in writing.

Earnest Money - Money that is submitted with an offer to purchase which indicates a buyer's seriousness and good faith. In virtually all cases, earnest money will need to be submitted at the time of the offer and remains in escrow until the time of closing, at which time it becomes part of the downpayment.

Equity - The difference between the value of a property and the total of any outstanding mortgages or loans against it.

Escrow - Funds held in reserve both prior to closing (for example the earnest money and deposit) by a third party and after closing by the mortgage company to pay future taxes and homeowners insurance. In some areas, "escrow" also refers to the closing process.

Fixed Rate Mortgage - A mortgage loan where the interest rate is established at its origination and continues unchanged through the life of the loan.

FSBO (For Sale By Owner) - Real Estate that is sold without the assistance of an Agent. FSBO can refer to both the individual selling the property "They are a FSBO," or the property itself "that house is a FSBO."

Foreclosure - The process through which a lender takes back property from a defaulting owner and re-sells it.

Homeowner's Association - An owners group, whether in a condominium, townhouse or single-family subdivision that establishes general guidelines for the operation of the community, as well as its standards.

Inspection - A whole house inspection of a home being considered for purchase that looks for defects in the property.

Interest - That portion of a mortgage payment that is the "charge" for the using the lender's funds.

Lien - A legal claim against a piece of property that can prevent it from being sold unless the lien is satisfied (paid off). Liens can be filed by unpaid contractors or other debtors in a legal process so that they will be paid when a property is sold.

Listing - A property for sale by a Real Estate Brokerage and Agent.

Listing Agent - The person who has obtained a listing of real property to act as an agent for the compensation to sell the property or find or obtain a buyer.

Loan Origination Fee - A charge imposed by the lender, payable at closing, for processing the loan.

Lock-in - An agreement by the lender at the time of mortgage application or shortly thereafter, to write the mortgage at a specific interest rate, whether rates rise or fall up to the date of closing. Obviously a good move if rates are rising, not so good if they are falling. Lock-ins have specific expiration dates, such as 30, 60 or 90 days in the future.

LTV (Loan to Value) - The ratio of the amount of the mortgage as a percentage of the value of the property.

MLS (Multiple Listing Service) - A listing (almost always computerized) of all the properties for sale by Real Estate Brokerages in a given geographical area.

PMI (Private Mortgage Insurance) - Required on virtually all conventional loans with less than 20% downpayment. Although the payments for PMI are included in your mortgage payment, it protects the lender should you default on the loan. On FHA loans, you will pay a MIP (Mortgage Insurance Premium), which accomplishes the same purpose.

Points - 1 point is equal to 1% of the loan value, paid at closing. Points can be loan origination fees or "discount points" which reduce the interest rate of the loan (you are

actually paying a finance charge up front). When a lender, for example, quotes a rate of 8 1/2% with 1 + 1 points, 1 point is for the origination fee and 1 point is for the discount fee.

Prequalification - The first stage of a mortgage application where the lender will run a basic credit report and determine your debt to income ratio in order to see how much mortgage you qualify for.

Pre-paids - Paid for (in cash) at closing for such items as homeowners insurance for one year and real estate taxes for several months.

Principal - The amount borrowed for a mortgage loan. Your monthly mortgage payment will be applied to both the interest and the principal (be assured, though, that the lions share will go to the interest portion in the first years of the loan).

Property Tax - An annual or semi-annual tax paid to one or more governmental jurisdictions based on the amount of the property assessment. Generally paid as part of the mortgage payment.

Recording - The act of entering deed and/or mortgage information into public record with your local government jurisdiction.

Selling Agent - This term includes (1) a listing agent who acts alone to sell a listing that he or she obtained; or (2) an agent who acts in cooperation with a listing agent and who sells or finds a buyer for the property; or (3) an agent who has located a property for a buyer for which no listing exists and presents an offer to purchase to the seller. Generally speaking, the selling agent is the person who works with the buyer.

Title Insurance - Protects your title: your ownership rights, from claims against it. Paid at closing, title insurance may be the responsibility of the buyer, the seller, or both, depending on what is traditional in your locality.

Warranty - Covers either most of the house in a new home, or selected items (for example the heating and air conditioning system or the water heater) in a used home. Warranties can vary widely and are optional in used homes (paid for by either the buyer or the seller).

Zoning - Laws that govern specifically how a zoned area can be used. For example, an area may be zoned for single family residential, condominiums, commercial or retail, or a mix of two or more uses.

All information in this report is deemed reliable, but not guaranteed.