

Real Estate Terms



This material is intended to provide helpful information for buyers and sellers. Laws may vary by state, so please consult with an attorney of your choice for specific guidance or legal advice.

Adjustable Rate Mortgage (ARM)

A loan with an interest rate that adjusts periodically based on a current market index, such as the one-year Treasury bill. Adjustable-rate mortgages (ARMs) typically have limits on how much the rate can increase, usually no more than two percentage points per year and no more than six percentage points above the initial rate. Be sure to carefully review the terms and rate caps before choosing any mortgage loan.

Amortization

A payment plan that allows the borrower to repay the debt over time through equal monthly installments, consisting of both principal and interest.

Appraisal

A professional assessment or estimate of a property's quality or value as of a specific date. This appraisal is typically conducted for lending purposes and may not represent the property's true market value.

Appraised Value

An evaluation of the property's value used as collateral for a home loan.

Bridge Finance

A short-term loan, typically with a higher interest rate than a standard mortgage, used by buyers who purchase a new home while waiting for their current one to sell. It can also refer to a second, subordinate loan.

Caveat Emptor

A Latin phrase meaning “let the buyer beware,” this principle places the responsibility on the buyer to thoroughly inspect and evaluate a property before purchasing. However, many states now have laws requiring sellers to disclose known defects or issues with the property.

Chattels

Movable items of personal property, such as furniture or clothing—that are distinct from real property like land or a home.

Closing Protection Letter or CPL

A letter issued by a title insurance company, typically provided to a lender for one or more closings, that offers protection against losses resulting from the issuing agent's or approved attorney's failure to follow the lender's written closing instructions. It also covers certain types of misconduct by the agent or attorney, if such actions impact the title or mortgage.

Commission

Compensation paid to real estate agents for marketing and selling a property, typically calculated as a percentage of the sale price. The amount is negotiable and may be paid by the seller, the buyer, or split between them, and is often shared between the listing agent and the buyer's agent.

The Consumer Financial Protection Bureau® (CFPB)

An autonomous government agency tasked with protecting consumers in the financial industry.

Consummation

The moment when, under state law, the borrower becomes legally bound to the lender for the loan.

Contingent Offer

An offer to buy or sell that is dependent on certain conditions being met—such as the buyer selling their current home or the property passing an inspection. If the condition is not fulfilled, the parties can choose to waive it or allow the contract to be terminated.

Contract of Sale

A written contract outlining the terms and conditions of a real estate transaction.

Covenant

A written promise or agreement in a contract or property deed that outlines specific conditions, restrictions, or actions related to the use or ownership of the property.

Real Estate Terms



Consumer's Title Company

Conventional Mortgage

A mortgage loan that is not insured by the U.S. Department of Housing and Urban Development or guaranteed by the Veterans Administration. Instead, it is governed by the terms set by the lending institution and applicable state laws. Interest rates can vary by lender and state, as each state may impose different limits on rates.

Credit Report

A document summarizing a loan applicant's credit history, used by lenders to evaluate their financial reliability and ability to repay a loan.

Deposit also called Earnest Money

A negotiated percentage of the purchase price placed in escrow to demonstrate the buyer's intent to purchase the property. Depending on the contract terms, this deposit may be non-refundable. If the sale is completed, the deposit is typically applied toward the final purchase price.

Document Preparation

A fee charged by an attorney for drafting legal documents related to a transaction.

Encroachment

When a structure, such as a fence or overhang, extends beyond its property line and encroaches onto a neighboring property.

Encumbrance

A limitation on a property, such as an easement, lien, or other restriction, that may affect its use or hinder its transfer.

Equity

The difference between a property's market value and the total amount of any outstanding loans against it. If the loans exceed the market value, the property has negative equity.

Escrow Funds

Funds deposited with an escrow agent to be held until a specific event occurs, such as the completion of repairs or payment of insurance and property taxes—after which the funds are released to the appropriate party. Following closing, many lenders require the buyer to make monthly payments, in addition to principal and interest, to cover these ongoing costs.

Exclusions

Any item specifically excluded from the sale (such as an above-ground pool or garden shed). These exclusions should be clearly listed in the contract.

Fixed Rate Mortgage

A loan with a fixed interest rate that remains unchanged for the entire term, typically lasting 15 to 30 years.

Homeowners Insurance

Covers the property and its contents against damage or loss. Lenders typically require coverage equal to the loan amount or at least 80% of the value of the improvements, whichever is higher.

Inclusions

The sale agreement will specify personal property included in the home sale, such as appliances, window treatments, fixtures, and movable items like dishwashers, stoves, ceiling fans, or curtains.

Inspections

Inspections are used to evaluate the overall condition of a property and may include checks for pests, such as termites. Follow-up inspections are often needed to verify that any required repairs have been completed before final funds are issued.

Interest

A fee incurred for the use of borrowed funds.

Interest Only Loan

An interest-only loan requires regular interest payments, with the full principal due at the end. It may start with an interest-only period before shifting to monthly payments that include both principal and interest.

Inventory

An itemized list of belongings included in the property sale, typically consisting of furniture, décor, and other movable items.

Investment

The acquisition of an asset—such as real estate—with the intent to generate income, either through ongoing returns or profit from a future resale.

Real Estate Terms



Consumer's Title Company

Joint Tenants With Right of Survivorship

Joint tenancy is a form of ownership where two or more individuals hold equal shares in a property. Upon the death of one owner, their share automatically transfers to the surviving co-owners.

Liabilities

The total amount of money you currently owe to creditors or lenders.

Lien

A legal right or interest that one party has in another's property, used as security for a debt or obligation. This can arise from unpaid taxes, court judgments, or outstanding payments for labor or materials.

Loan Application Fee

A fee submitted to the lender when applying for a loan; the amount differs depending on the lender's terms.

Loan Discount or Points

Also known as “discount points,” these are upfront fees paid to the lender in exchange for a lower interest rate on the loan. One point typically equals 1% of the total loan amount. Paying points can reduce your monthly mortgage payment by lowering the interest rate—often by about 0.125% per point—though the exact reduction varies by lender. This pre-paid interest increases the lender's return while offering borrowers long-term savings.

Loan Estimate Form and Closing Disclosure Form

intended, in the words of the Consumer Financial Protection Bureau (CFPB), to help consumers make informed decisions when shopping for a mortgage and avoid costly surprises at the closing table. These forms are required in most transactions.

Maintenance Fee

A recurring fee imposed by the homeowners' association, as outlined in the subdivision's governing documents or deed restrictions.

Maturity Date

The date when the home loan term ends and the full balance is due, unless it's renewed or refinanced.

Mortgage or Deed of Trust

A legal agreement that outlines the lender's terms and conditions, where the property owner pledges their real estate title as collateral for a loan. The mortgage secures the promissory note and is typically recorded in county records.

Mortgagee's or Lender's Title Policy

A type of title insurance that protects the lender against financial loss if there are problems with the property's title, such as liens or ownership disputes. This policy lasts until the loan is paid off.

Multiple Listing Service (MLS)

A database used by real estate agents to share property listings, making it easier to find and sell homes by giving agents access to up-to-date property information.

Offer to Purchase

A written proposal from a buyer to a seller stating the terms under which the buyer agrees to buy a property, including price and conditions. If accepted, it becomes a binding agreement.

Option to Buy

A legal agreement that gives the buyer the right to purchase a property at a specific price within a set time. An option fee, either a flat amount or a percentage of the price is paid and may be forfeited if the buyer doesn't complete the purchase. The fee may be refunded if certain conditions aren't met.

Origination Fee

A charge by a lender for processing a new loan application, typically a percentage of the loan amount.

Owner's Title Policy

Title insurance that protects the homebuyer from financial loss due to title issues like unknown liens, errors, or ownership disputes. Coverage lasts as long as the buyer owns the property.

PITI

An abbreviation for Principal, Interest, Taxes, and Insurance—the four components often combined into a single monthly mortgage payment.

Real Estate Terms



Consumer's Title Company

Power of Attorney (POA)

A legal document that allows one person to act on another's behalf in financial, legal, or real estate matters.

Principal

The original amount of money borrowed in a loan, not including interest or fees.

Private Mortgage Insurance (PMI)

Insurance that protects the lender if the borrower defaults on a loan. It's usually required when the down payment is less than 20% of the home's purchase price.

Real Estate Professional Fee

Also known as a commission, this is a payment made to a real estate agent or broker for their services in helping to buy or sell a property. It's typically a percentage of the final sale price.

Recording Fees

A fee charged by the county clerk to officially record documents in the public record, such as deeds or mortgages.

Restrictions

Rules that restrict how a property can be used or changed, often written into or referenced in the deed. They are typically enforced by the developer, builder, neighborhood, or homeowners' association. Lenders usually require a certified copy of these restrictions. They often have an end date but can be renewed.

Settlement

The final step in a property sale when the buyer pays the remaining balance and gains legal right to take possession of the property.

Survey

A precise measurement and mapping of a property's boundaries, structures, and features, used to confirm lot size, legal description, and identify any encroachments or easements.

Tax Proration

The seller and buyer split up property taxes based on the length each party owns the home during the year.

Title Insurance

Title insurance protects property owners and lenders from financial loss due to liens, encumbrances, or defects in the property's title. Coverage is subject to the policy's specific terms, conditions, and exclusions.

Title Search

The process of reviewing a property's title, usually done by a title company to determine the conditions under which a title insurance policy can be issued.



BRENDA SLATON

Sr. Account Executive

BrendaS@ctccal.com

805.367.6021