

Real Estate Language

Agency- A legal relationship in which an owner–principal engages a broker-agent in the sale of property or a buyer-principal engages a broker-agent in the purchase of property.

Amortization - A gradual repayment of a mortgage by installments.

Assessed Value – The valuation placed on property by public tax assessor as the basis of property taxes.

Assumption of Mortgage – An agreement whereby the buyer assumes responsibility for a mortgage owed by the seller; the seller remains liable to the lender unless the lender agrees to release the seller from the liability.

Binder – An agreement accompanied by a deposit, whereby the buyer evidences good faith.

Bridge Loan – A short-term loan made until a longer-term loan can be arranged; it's sometimes used when a person needs money to build or purchase a home before the present one has been sold.

Broker – A person licensed by a real estate commission to act independently in conducting a real estate brokerage business. Although requirements for a broker's licenses may vary, an individual must usually have at least three years of experience in the industry and pass examination.

Cap – The maximum amount an interest rate or monthly payment can change, either at adjustment time or over the life of the mortgage.

Cloud on Title – A lien or encumbrance that can prevent the seller from delivering clear title and the buyer from obtaining insurance.

Contingency – A condition that must be met before a contract is binding.

Deed – A legal document conveying title to a property.

Earnest Money (or good faith deposit) – a portion of the down payment given to the seller by a potential buyer's intent to complete the purchase of the property.

Equity Loan – A loan based on the borrower's equity in their home rather than on their credit worthiness.

Escrow – The placement of money or documents with a third party for safe-keeping pending the fulfillment of a specified condition.

Graduated-payment-mortgage – A mortgage loan in which the monthly payments increase by a specific amount each year, with the “over payments” applied to the principal.

Lien – A legal claim against a property that must be paid when the property is sold.

Loan-to-value-ratio – A commitment made by lenders on mortgage loans to “lock in” a certain rate pending loan approval. Lock in periods may vary.

Market Value – The highest price a buyer will pay for a property and the lowest price a seller will accept.

Mortgage Broker – An individual or company that obtains mortgages for others by finding lending institutions, insurance companies, or private sources lend the money; may also handle collections and disbursements.

Mortgage Insurance – A policy that provides protection for the lender in case of a default and guarantees repayment of the loan if the borrower becomes disabled or dies.

Negative Amortization - An increase in the outstanding balance of a loan resulting from the failure of periodic debt service payments to cover required interest charged on the loan.

Points - A dollar amount paid to a lender for making the loan. A point is 1 percent of the amount; also called discount points.

Private Mortgage Insurance – (PMI) Insurance issued to a lender to protect it against loss on a defaulted mortgage loan. It is usually limited to loans with high loan to value ratios. The borrower pays the premium.

Realtor ® and Realtor Associate ® -The registered collective membership marks that identify real estate professionals who are members of the National Association of Realtors ® and subscribe to its strict Code of Ethics.

Shared Equity Mortgage - A home loan in which an investor is granted a share of the equity, thereby allowing the investor to participate in the proceeds from resale.

Title – A document that is evidence of ownership.

Title Insurance – Protection for lenders and homeowners against financial loss resulting from legal defects in the title.