

# Real Estate Terminology

## ADJUSTABLE RATE MORTGAGE

Type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan. The initial rate is fixed but after a certain amount of time it resets periodically.

## ANNUAL PERCENTAGE RATE

This is the annual rate charged for borrowing or earned through an investment, and is expressed as a percentage that represents the actual yearly cost of funds over the term of a loan.

## APPRAISAL

Evaluation by a qualified appraiser to assess the current market value of a property, estimate the extent of damage to an insured property and cost of repairs, or determine if a total loss occurred.

## BUY DOWN

A buydown is a mortgage-financing technique with which the buyer attempts to obtain a lower interest rate for at least the first few years of the mortgage, but possibly its entire life.

## CLOSING COSTS

These are expenses over and above the price of the property in a real estate transaction. These include loan origination fees, discount points, appraisal fees, title searches, title insurance, surveys, taxes, etc.

## CONVENTIONAL MORTGAGE LOAN

Is a home loan that isn't guaranteed or insured by the federal government and conforms to the loan limits set forth by Freddie Mac and Fannie Mae. It can be at a fixed or adjustable rate.

## ESCROW

An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the earnest money deposit is put into escrow until delivered to the seller.

## FORECLOSURE

The legal process by which a borrower in default under a mortgage is deprived of his/her interest in the mortgaged property. This usually involves a forced sale of the property at a public auction.

## LIEN

A lien is an encumbrance on property which acts as security for the payment of a debt or the performance of an obligation. A lender will want most liens on a property removed before making a mortgage loan.

## LOAN-TO-VALUE RATIO

Is the mortgage amount divided by the lower of the purchase price or the appraised value of the property. A lender will use this ratio in determining the maximum mortgage loan that it will make.

## MORTGAGE

A mortgage is a pledge of real estate collateral to secure a debt. Also, it is a legal document describing and defining the pledge. The mortgage may also include the terms of repayment of the debt.

## MORTGAGE BROKER

A real estate professional who represents an array of banks seeking to issue mortgages. The mortgage broker meets with a customer, assists with the application, and facilitates the process with the bank.

## PRE-APPROVAL

Is a process in which a conditional commitment is issued after a loan profile is underwritten with all standard documentation except a property appraisal and a title search.

## PRE-QUALIFICATION

A pre-qualification is a process in which a loan officer calculates the housing-to-income ratio and the total debt-to-income ratio to determine an approximate maximum mortgage loan amount.

## REAL ESTATE BROKER

A real estate broker is an individual employed on a fee or commission basis as an agent to bring buyers and sellers together and assist in negotiating real estate contracts between them.