



Real Estate Terms

A.L.T.A. Policy – Title insurance policy protecting the insured against loss arising from defect(s) in title as a result of missing heirs, forgery, fraud, etc. There are Owner's Policies and Lender's Policies of Title Insurance available, issued to protect each of their respective interests in the property. A.L.T.A. stands for the American Land Title Association.

Appraisal – A written report containing a certified professional's opinion as to the value of the property based on relevant facts and acquired current data.

Assessment – The imposition of a tax, charge or levy usually according to established rates. A special assessment pays the costs of public improvements (sidewalks, sewers, street lights, etc.), which directly benefit the assessed property.

Assignment – A document providing information that the lender is selling the loan to another lender/investor. This instrument is executed by the lender and is recorded on public record.

Certified Check – A personal check drawn by an individual, which is certified (guaranteed) to be good. The bank holds the funds to pay the certified check and will not pay any other checks drawn on the account if such payment would impede payment of the certified check.

Closing Date – The date established by contractual agreement for the transferring of title.

Commitment – Issuance of a written “binder” of title insurance that sets forth the proposed insured(s) ownership information, requirements and exceptions to coverage.

Comprehensive Endorsement – Affords the lender various protections with respect to private property restrictions, building setback lines, encroachments and mineral rights. This endorsement expands policy coverage by minimizing the risk to the insured with respect to certain policy exclusions or exceptions.

Contingency – Commonly the dependence upon a stated event, which must occur before a contract, is binding. Example: The sale of a house, contingent upon the buyer obtaining financing.

County Transfer Tax – A tax payable to the County Auditor at the time real estate is transferred to a new owner.

Conventional Mortgage – A mortgage or deed of trust not obtained under a government insured program such as the Federal Housing Administration (FHA) or the Veterans Administration (VA).

Credit Report – A report on the past ability of a loan applicant to pay installment payments.

Deed – A written document, which transfers title to property.

Document Preparation Fee – A lender fee for preparing the mortgage deed and other related mortgage loan documents.

Encroachment – Construction onto the property of another, such as a wall, fence, building, etc.

Encumbrance – A general term for something, which restricts the title of real property. These may be liens, leases, mortgages, judgments, deeds of trust or easements.

EPA Endorsement – This endorsement provides affirmative insurance that the lien of the insured mortgage is prior to unrecorded or unfilled environmental protection liens.

Earnest Money – A deposit or advance payment of part of the purchase price to bind a contract for property.

Escrow – The process of depositing papers and funds with a neutral third party along with instructions to carry out an agreement.

Holdback – An amount of money being held in escrow until a contingency is met and satisfied.

Homeowner's Association – An association of people who own homes in a given area, formed for the purpose of improving or maintaining the quality of the area.

Insurance Premium – Amount paid to insurance company to bind the homeowner's coverage. The first year premium and policy must be provided prior to closing.

Legal Description – A method of geographically identifying a parcel of land, which is acceptable in a court of law.



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Lien – A legal claim upon property for the payment of a debt. There are numerous types of liens including a mortgage lien, judgment lien, mechanic's lien and tax lien.

Mortgage – A two-party contract, which pledges specific property as security for payment of a debt. The borrower (mortgagor) retains possession and use of the property. Also known as a property loan.

Mortgage Discount Points – An up front lender fee charged to negotiate the interest rate.

Mortgage Origination Fee – A one-time setup fee charged by the lender, usually one percent of the mortgage amount.

Note – A written promise to pay. Straight notes have payments, which cover interest only and installment notes have payments, which cover the interest plus some of the principal.

Owner's Policy – Title insurance for a buyer that protects the new owner against land ownership problems arising from past occurrences, such as missing heirs, fraud and forgery. It also protects the seller because title insurance attaches to the warranty covenants in a deed.

Payoff Current Liens/Encumbrances – First mortgage loan, obtained at the time of home purchase and secured by a recorded mortgage Deed. Equity line of credit, secured by a second mortgage, must be cleared at title transfer as well as any other liens, such as Judgment Liens and Federal Tax Liens.

Prepaid Mortgage Interest – Amount paid for use of the mortgage money from the date the mortgage is filed for record to the first day the first payment takes affect. The first payment is usually the first full month after closing.

PMI Reserves or One-Time – Private Mortgage Insurance protects the lender against a loss in the event of default by the borrower. 1/12 of the yearly premium is paid by the borrow at the time of closing and is placed in reserve.

Point of Sale Inspection – Inspection required by various municipalities according to local ordinances. This inspection must be completed prior to title transfer.

Proration – To divide (prorate) property taxes, insurance premiums, rental income, etc. between buyer and seller proportionately to time of use, or the date of closing.

Purchase Agreement – An agreement between buyer and seller of real property, setting forth the price and terms of the sale.

Real Estate Commission – An amount paid to a Realtor® (real estate broker) as compensation for services. The amount paid to a real estate broker is generally a percentage of the sale price.

Regulatory Processing Fee (Administrative Service Fee) – A fee charged by a real estate broker to defray the costs of regulated disclosures, documentation and storage and other administrative costs.

Release Service Fee – A fee charged by the closing agent to follow-up with previous owner's lien holders to obtain and record satisfaction or release of mortgages and any other liens of record.

Recording Fee – A fee payable to the County Recorder in order to make a document a matter of public record.

Security Deposit – Commonly a deposit of money by a tenant to a landlord to secure performance of a written or oral rental agreement.

Settlement Statement – A statement prepared by the closing agent detailing the breakdown of costs involved for the buyer and seller in a real estate transaction. Depending on the geographic market, these may be combined on one statement, or separate statements each for the buyer and seller.

Survey – A site inspection of a parcel of land, its boundaries, its area and sometimes its topography.

Tax and/or Insurance Reserves – Amount held by the lender to pay taxes and/or insurance equal to 1/12 of the total yearly tax and/or hazard insurance premium times the number of months in period between the first payment of taxes and insurance.



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Tax and Legal Report – A packet of information containing property tax information, record owner, transfer information, plat map, comparables and a description of the property.

Tax Proration – A debit to the seller and credit to the buyer at the time of closing for real estate tax liability that is accrued, but is not yet due and payable until a future date.

Tax Search – A part of a title search, which determines if there are any unpaid taxes, or assessments, which may be a lien against the property being searched.

Tax Service Fee – A fee charged by the lender to oversee the payment of property taxes from an escrow account or to check that taxes have been paid on loans without escrow accounts.

Termite/Pest Inspection – Inspection performed by a pest inspection company to determine if any termites or other insects are present.

Title – The evidence one has of right of ownership of land.

Title Insurance – Insurance against loss resulting from defects of title to a specifically described parcel of real property.

Title Search – A review of all recorded documents affecting a specific piece of property to determine a physical chain of title or historical record of ownership.

Truth In Lending – Also referred to as Regulation Z. Part of the Consumer Credit Protection Act. Federal legislation designed to protect borrowers by requiring lenders to furnish information regarding the cost of the loan. The law requires interest to be expressed as the annual percentage rate (APR) to the nearest 1/8 of one percent. The APR must include charges such as loan fees, discount points, servicing fees, etc., as well as interest. The law applies to 1 to 4 family residential properties only. It also applies to other consumer loans.

Underwriter – One who insures another. A small title company may buy insurance from a larger one (the underwriter) for all or part of the liability of its policies. A larger title company may buy part of the insurance from another company on high liability policies.

Warranty – An agreement and assurance by the grantors of real property for themselves and their heirs, to the effect that they are the owners and will be responsible and defend the title being conveyed.