

REAL ESTATE TERMS

EVERY BUYER AND SELLER SHOULD KNOW



APPRAISAL

An estimate of value of property, conducted by a licensed professional, resulting from analysis of facts about the property; an opinion of value.

ANNUAL PERCENTAGE RATE (APR)

The borrower's costs of the loan term expressed as a rate. This is not their interest rate.

CLOSING/CONSUMMATION

When all closing documents are signed and ownership is officially transferred from seller to buyer.

CLOSING DISCLOSURE (CD)

The Closing Disclosure is designed to help borrowers understand all costs related to the purchase transaction. The CD is provided to the consumer at least three business days prior to closing.*

COMPARABLE SALES

Sales that have similar characteristics as the subject real property, used for analysis in the appraisal. Commonly called "comps."

DEED

A legal document that represents the ownership of real property and is used to transfer that ownership interest from one party to another.

DEED RESTRICTIONS

Limitations in a written document, either within a deed or a stand alone document, that dictate how the real property may or may not be used.

DISBURSEMENT DATE

The date closing-related funds are to be disbursed to applicable parties.

EARNEST MONEY DEPOSIT

Down payment made by a purchaser of real property as evidence of good faith; a deposit or partial payment.

EASEMENT

A legal right that allows a person or entity to use a portion of another's property for a specific purpose, even though they do not own it.

ENCUMBRANCES

Legal claims or liens on a property that may impact the owner's ability to transfer title or use the property.

ENDORSEMENT

An amendment or addition to an existing title insurance policy that changes or enhances the coverage, providing additional protection to the policyholder.

HOME INSPECTION

An examination of a property's condition, usually conducted by a qualified home inspector, before a sale is finalized.

LEGAL DESCRIPTION

A detailed, official description of a piece of real property, including its exact location and boundaries, that identifies the property in legal terms. This description is used in public records, deeds, and other legal documents to uniquely distinguish the property from others.



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LIEN

A legal right or claim against a property by a creditor, used as security for a debt. For example, judgments, taxes, mortgages, deeds of trust.

LOAN ESTIMATE (LE)

A document provided to a borrower by a lender within three business days of applying for a mortgage loan, outlining the estimated costs, including interest rate, monthly payments, and closing costs, associated with the loan.

MORTGAGE

A legal agreement where a borrower takes out a loan to purchase real estate and agrees to repay the lender over a specified period, with the property itself serving as collateral for the loan.

NOTARY

An officially licensed individual authorized by the state to witness and certify the signing of important documents, helping to prevent identity fraud.

PITI

An acronym representing the four main components of a monthly mortgage payment:

1. **Principal** (amount of money borrowed),
2. **Interest** (cost of borrowing the principal),
3. **Taxes** (property taxes), and
4. **Insurance** (homeowners insurance and, if applicable, private mortgage insurance or PMI).

POWER OF ATTORNEY (POA)

A legal document that authorizes one person to act on behalf of another person in legal, financial, or other defined decisions. POAs are not effective after the death of the person granting authority.

PROPERTY SURVEY

A detailed inspection and mapping of a property's boundaries and features, including the location of buildings, fences, and natural landmarks.

REAL ESTATE AGENT

A licensed real estate professional who represents the buyer or seller in a real estate transaction.

- **BUYER'S AGENT:** A real estate agent who specifically represents the home buyer's interests in a real estate transaction. They'll work to negotiate the best terms and price for the buyer and assist them through the purchase process.
- **SELLER'S AGENT:** Also known as a listing agent, this is a real estate agent who represents the seller in a property transaction. They market the property, facilitate showings, negotiate with potential buyers on behalf of the seller, and assist the seller through the selling process.

REALTOR®

A real estate agent or broker who is a member of the National Association of REALTORS® (NAR).

RECORDING

The official process of filing documents, such as deeds, mortgages, or liens, with a designated public office (usually the county recorder's office) to make them a part of the public record.

SETTLEMENT STATEMENT

Document providing a detailed breakdown of costs involved in a real estate transaction.

TITLE INSURANCE

Insurance purchased at time of closing that protects homebuyers from financial losses related to undiscovered defects in a property's title and defends their ownership rights if a claim is made. Defects can include errors or omissions in public records, unknown liens, fraudulent documentation, claims from undisclosed heirs, and more.

