

Glossary of Terms

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A

Abstract (Of Title) - A summary of the public records relating to the title to a particular piece of land. An attorney or title insurance company reviews an abstract of title to determine whether there are any title defects which must be cleared before a buyer can purchase clear, marketable, and insurable title.

Acceleration Clause - Condition in a mortgage that may require the balance of the loan to become due immediately, if regular mortgage payments are not made or for breach of other conditions of the mortgage.

Acceptance - The date when both parties, seller and buyer, have agreed to and completed signing and/or initialing the contract.

Adjustable Rate Mortgage Loan (ARM) - A type of alternative mortgage instrument in which the interest rate adjusts periodically according to a predetermined index and margin. This adjustment results in the mortgage payment either increasing or decreasing.

Adjustment Period – The length of time between interest rate changes on ARM. For example, a loan with an adjustment period of one-year ARM, which means that the interest rate can change once a year.

Agreement of Sale - Known by various names, such as contract of purchase, purchase agreement, or sales agreement according to location or jurisdiction. A contract in which a seller agrees to sell and a buyer agrees to buy, under certain specific terms and conditions spelled out in writing and signed by both parties.

Amortization - A payment plan which enables the borrower to reduce his debt gradually through monthly payments of principal.

Annual Percentage Rate (APR) - A rate which represents the relationship of the total finance charge (interest, loan fees, point) to the amount of the loan.

Application - A form used to apply for a mortgage loan and to record pertinent information concerning a prospective mortgagor and the proposed security.

Appraisal - An expert judgment or estimate of the quality or value of real estate as of a given date.

Appraised Value - An opinion of value reached by an appraiser based upon knowledge, experience, and a study of pertinent data.

Appraiser- A person qualified by education, training, and experience to estimate the value of real and personal property.

Appreciation - An increase in value; the opposite of depreciation.

Assessment - The process of placing a value on property for the strict purpose of taxation. may also refer to a levy against property for a special purpose, such as a sewer assessment.

B

Balloon Mortgage - A mortgage with periodic installments of principal and interest that do not fully amortize the loan. The balance of the mortgage is due in a lump sum at the end of the term.

Balloon Payment- The unpaid principal amount of a mortgagee or other long-term loan due at a certain date in the future, usually the amount that must be paid in a lump sum at the end of the term.

Borrower - One who receives funds with the expressed or implied intention of repaying the loan in full.

Broker - (See real estate broker)

Building Line or Setback - Distances from the ends and/or sides of the lot beyond which construction may not extend. The building line may be established by a filed plat of subdivision, by restrictive covenants in deeds or leases, by building codes, or by zoning ordinances.

Buydown – Permanent–prepaid interest bringing the note rate on the loan down to a lower, permanent rate. Temporary–prepaid interest lowering the note rate temporarily on the loan, allowing the buyer to more readily qualify and to increase payments as income grows.

C

Caps - A limitation on the interest rate increase of either the periodic or lifetime rate or both for an adjustable rate mortgage.

Cash Reserves - The amount of the buyer's liquid cash remaining after making the down payment and paying all closing costs.

CC&R's – Covenants, conditions and restrictions. A document that controls the use, requirements and restrictions of the property.

Certificate Of Occupancy (CO) - Written authorization given by a local municipality that allows a newly-completed or substantially-completed structure to be inhabited. The issuing of a CO means that: the home is SAFE, SOUND & SANITARY, and has matches the PLANS & SPECIFICATIONS given to the Appraiser at the beginning of the Loan Process.

Certificate of Commitment – The lender's approval of a VA loan, which is usually good for up to six months.

Certificate of Reasonable Value (CVR) – A document that establishes the maximum value and loan amount of a VA guaranteed mortgage.

Certificate of Title - A certificate issued by a title company or a written opinion rendered by an attorney that the seller has good marketable and insurable title to the property which he is offering for sale. A certificate of title offers no protection against any hidden defects in the title which an examination of the records could not reveal. The issuer of a certificate of title is liable only for damages due to negligence. The protection offered a homeowner under a certificate of title is not as great as that offered in a title insurance policy.

Closing or Close of Escrow - The day on which the formalities of a real estate sale are concluded. The certificate of title, abstract, and deed are generally prepared for the closing by an attorney and this cost charged to the buyer. The buyer signs the mortgage, and closing costs are paid. The final closing merely confirms the original agreement reached in the agreement of sale.

Closing Costs - The numerous expenses which buyers and sellers normally incur to complete a transaction in the transfer of ownership of real estate. These costs are in addition to price of the property and are items prepaid at the closing day. This is a typical list:

BUYER'S EXPENSES

1. Documentary Stamps on Notes
2. Recording Deed and Mortgage
3. Escrow Fees
4. Attorney's Fee
5. Title Insurance
6. Appraisal and Inspection
7. Survey Charge

SELLER'S EXPENSES

1. Cost of Abstract
2. Documentary Stamps on Deed
3. Escrow Fees
4. Real Estate Commission
5. Recording Mortgage
6. Survey Charge
7. Attorney's Fee

Cloud (On Title) - An outstanding claim or encumbrance which adversely affects the marketability of title.

Commission - Money paid to a real estate agent or broker by the seller as compensation for finding a buyer and completing the sale. Usually it is a percentage of the sale price--6 to 7 percent on houses, 10 percent on land.

Commitment Period – The period during which a loan approval is valid.

Comparative Market Analysis (CMA) – An opinion of the market value of a home expressed by a real estate agent and not an appraiser.

Condemnation - The taking of private property for public use by a government unit, against the will of the owner, but with payment of just compensation under the government's power of eminent domain. Condemnation may also be a determination by a governmental agency that a particular building is unsafe or unfit for use.

Condominium - Individual ownership of a dwelling unit and an individual interest in the common areas and facilities which serve the multi-unit project.

Consideration – Anything of value to induce another to enter into a contract, i.e., money, services, a promise.

Contingency – A condition that must be satisfied before a contract is binding. For instance, a sales agreement may be contingent upon the buyer obtaining financing.

Contract of Purchase - (See agreement of sale)

Construction Loan - A short-term, interim loan for financing the cost of construction. The lender makes payments to the builder at periodic intervals as the work progresses.

Contractor - In the construction industry, a contractor is one who contracts to erect buildings or portions of them. There are also contractors for each phase of construction: heating, electrical, plumbing, air conditioning, road building, bridge and dam erection, and others.

Conventional Mortgage - A mortgage loan not insured by HUD or guaranteed by the Veterans' Administration. It is subject to conditions established by the lending institution and State statutes. The mortgage rates may vary with different institutions and between States. (States have various interest limits.)

Conversion Clause - A provision in some ARMs that enables home buyers to change an ARM to a fixed rate loan, usually after the first adjustment period. The new fixed rate is generally set at the prevailing interest rate for fixed rate mortgages. This conversion feature may cost extra.

Co-signer- A person who signs a legal instrument and therefore becomes individually and jointly liable for repayment or performance of an obligation.

Credit Report - A report to a prospective lender on the credit standing of a prospective borrower or tenant. Used to help determine creditworthiness.

D

Deed - A formal written instrument by which title to real property is transferred from one owner to another. The deed should contain an accurate description of the property being conveyed, should be signed and witnessed according to the laws of the State where the property is located, and should be delivered to the purchaser at closing day. There are two parties to a deed: the grantor and the grantee. (See also deed of trust, general warranty deed, quitclaim deed, and special warranty deed.)

Deed of Trust - Like a mortgage, a security instrument whereby real property is given as security for a debt. However, in a deed of trust there

are three parties to the instrument: the borrower, the trustee, and the lender, (or beneficiary). In such a transaction, the borrower transfers the legal title for the property to the trustee who holds the property in trust as security for the payment of the debt to the lender or beneficiary. If the borrower pays the debt as agreed, the deed of trust becomes void. If, however, he defaults in the payment of the debt, the trustee may sell the property at a public sale, under the terms of the deed of trust. In most jurisdictions where the deed of trust is in force, the borrower is subject to having his property sold without benefit of legal proceedings. A few States have begun in recent years to treat the deed of trust like a mortgage.

Deposit -(See Earnest Money)

Default - Failure to make mortgage payments as agreed to in a commitment based on the terms and at the designated time set forth in the mortgage or deed of trust. It is the mortgagor's responsibility to remember the due date and send the payment prior to the due date, not after. Generally, thirty days after the due date if payment is not received, the mortgage is in default. In the event of default, the mortgage may give the lender the right to accelerate payments, take possession and receive rents, and start foreclosure. Defaults may also come about by the failure to observe other conditions in the mortgage or deed of trust.

Depreciation - Decline in value of a house due to wear and tear, adverse changes in the neighborhood, or any other reason.

Discount Points – A loan fee charged by a lender of FHA, VA, or conventional loans to increase the yield on the investment. One point = 1% of the loan amount.

Documentary Stamps - A State tax, in the forms of stamps, required on deeds and mortgages when real estate title passes from one owner to another. The amount of stamps required varies with each State.

Down Payment - The amount of money to be paid by the purchaser to the seller upon the signing of the agreement of sale. The agreement of sale will refer to the down payment amount and will acknowledge receipt of the down payment. Down payment is the difference between the sales price and maximum mortgage amount. The down payment may not be refundable if the purchaser fails to buy the property without good cause. If the purchaser wants the down payment to be refundable, he should insert a clause in the agreement of sale specifying the conditions under which the deposit will be refunded, if the agreement does not already contain such clause. If the seller cannot deliver good title, the agreement

of sale usually requires the seller to return the down payment and to pay interest and expenses incurred by the purchaser.

Draw System - Scheduled payment of money to a builder during the phases of home construction. Between each draw, the appraiser must inspect the home to ensure that construction is proceeding as planned.

Due-on-sale Clause - A type of acceleration clause, calling for a debt under a mortgage or deed of trust to be due in its entirety upon transfer of ownership of the secured property.

E

Earnest Money - The deposit money given to the seller or his agent by the potential buyer upon the signing of the agreement of sale to show that he is serious about buying the house. If the sale goes through, the earnest money is applied against the down payment. If the sale does not go through, the earnest money will be forfeited or lost unless the binder or offer to purchase expressly provides that it is refundable.

Easement Rights - A right-of-way granted to a person or company authorizing access to or over the owner's land. An electric company obtaining a right-of-way across private property is a common example.

Eminent Domain - The right of a government to take private property for public use upon payment of its fair value.

Encroachment - An obstruction, building, or part of a building that intrudes beyond a legal boundary onto neighboring private or public land, or a building extending beyond the building line.

Encumbrance - A legal right or interest in land that affects a good or clear title, and diminishes the land's value. It can take numerous forms, such as zoning ordinances, easement rights, claims, mortgages, liens, charges, a pending legal action, unpaid taxes, or restrictive covenants. An encumbrance does not legally prevent transfer of the property to another. A title search is all that is usually done to reveal the existence of such encumbrances, and it is up to the buyer to determine whether he wants to purchase with the encumbrance, or what can be done to remove it.

Equity - The value of a homeowner's unencumbered interest in real estate. Equity is computed by subtracting from the property's fair market value

the total of the unpaid mortgage balance and any outstanding liens or other debts against the property. A homeowner's equity increases as he pays off his mortgage or as the property appreciates in value. When the mortgage and all other debts against the property are paid in full the homeowner has 100% equity in his property.

Escrow - Funds paid by one party to another (the escrow agent) to hold until the occurrence of a specified event, after which the funds are released to a designated individual. In FHA mortgage transactions an escrow account usually refers to the funds a mortgagor pays the lender at the time of the periodic mortgage payments. The money is held in a trust fund, provided by the lender for the buyer. Such funds should be adequate to cover yearly anticipated expenditures for mortgage insurance premiums, taxes, hazard insurance premiums, and special assessments.

Escrow Payment - That portion of a mortgagor's monthly payment held by the lender to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due. Known as impounds or reserves in some states.

Exclusive Right To Sell (Listing) - A written contract giving a licensed real estate agent the exclusive right to sell a property for a specified time. The owner agrees to pay a full commission to the broker even though the owner may sell the property.

F

FHA Loan - A loan insured by the Federal Housing Administration (of the Department of Housing and Urban Development).

Fair Market Value - The price at which property is transferred between a willing buyer and a willing seller, each of whom has a reasonable knowledge of all pertinent data and neither of whom is under any compulsion to buy or sell.

Federal Home Loan Mortgage Corporation (FHLMC) - A private corporation authorized by Congress to provide secondary mortgage market support for conventional mortgages. Also known as Freddie Mac.

Federal Housing Administration (FHA) - A division of HUD. Its main activity is the insuring of residential mortgage loans made by private lenders. FHA does not lend money.

Federal National Mortgage Association (FNMA) - A privately owned corporation created by Congress to support the secondary mortgage market. Also known as Fannie Mae.

Fee Simple - An estate under which the owner is entitled to unrestricted powers to dispose of the property, and which can be left by will or inherited. The greatest interest a person can have in real estate.

Fiduciary - A person in a position of trust and confidence for another.

Firm Commitment - A lender's agreement to make a loan to a specific borrower of a specific property.

First Mortgage - A mortgage having priority over all other voluntary liens against certain property.

Foreclosure - A legal term applied to any of the various methods of enforcing payment of the debt secured by a mortgage, or deed of trust, by taking and selling the mortgaged property, and depriving the mortgagor of possession.

Fully Indexed Rate – The maximum interest rate on an ARM that can be reached at the first adjustment.

G

General Warranty Deed - A deed which conveys not only all the grantor's interests in and title to the property to the grantee, but also warrants that if the title is defective or has a "cloud" on it (such as mortgage claims, tax liens, title claims, judgments, or mechanic's liens against it) the grantee may hold the grantor liable.

Gift Letter – A letter from a relative stating that an amount will be gifted to the buyer and that said amount is not to be repaid.

Government National Mortgage Association (GNMA) – Called "Ginnie Mae," a governmental part of the secondary market that deals in primarily in recycling VA and FHA mortgages, particularly those that are highly leveraged.

Graduated Payment Mortgage - Residential mortgage which has monthly mortgage payments that start at a low level and increase at a predetermined rate.

Grantee - That party in the deed who is the buyer or recipient.

Grantor - That party in the deed who is the seller or giver.

H

Hazard Insurance - Protects against damages caused to property by fire, windstorms, and other common hazards.

Holdback - That portion of a loan commitment not funded until some additional requirement such as rental or completion is attained. In construction it is a percentage of the contractor's draw held back to provide additional protection for the interim lender, often in an amount equal to the contractor's profit.

Home Inspection Report – A qualified inspector's report on a property's overall condition. The report usually included an evaluation of both the structure and mechanical systems.

Home Warranty Plan – Protection against failure of mechanical systems within the property. Usually includes plumbing, electrical, heating systems and installed appliances.

HUD - U.S. Department of Housing and Urban Development. Office of Housing/Federal Housing Administration within HUD insures home mortgage loans made by lenders and sets minimum standards for such homes.

I

Index - An economic measurement that is used to measure periodic interest rate adjustments for an adjustable rate mortgage.

Interest - A charge paid for borrowing money. (See mortgage note)

Interest Rate- The percentage of an amount of money which is paid for its use for a specified time. Usually expressed as an annual percentage.

Investor - An person or institution investing in mortgages.

Involuntary Lien - A lien imposed against property without consent of an owner. Examples include taxes, special assessment, federal income tax liens, mechanics liens, and materials liens.

J

Joint Tenancy - An equal undivided ownership of property by two or more persons. Upon the death of any owner, the survivors take the decedent's interest in the property.

Jumbo Loans - Mortgage loans that exceed the loan amounts acceptable for sale in the secondary market; these jumbos must be packaged and sold differently to investors and therefore have separate underwriting guidelines.

K

L

Land Contract - A contract ordinarily used in connection with the sale of property in cases where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer. This financing vehicle is often used when property is sold on a small down payment.

Lease - A written document containing the conditions under which the possession and use of real or personal property are given by the owner to another for a stated period and for a stated consideration.

Legal Description - A property description recognized by law which is sufficient to locate and identify the property without oral testimony.

Lessee (tenant) - The person or persons holding rights of possession and use of property under terms of a lease.

Lessor (landlord) - The one leasing property to a lessee.

Licensed Mortgage Broker - The licensed person who, for a commission or a fee, brings parties together and assists in negotiating contracts between them. A firm or individual bringing the borrower and lender together and receiving a commission. A mortgage broker does not retain servicing.

Lien - A claim by one person on the property of another as security for money owed. Such claims may include obligations not met or satisfied, judgments, unpaid taxes, materials, or labor.

Limited Partnership - A partnership that consists of one or more general partners who are fully liable and one or more limited partners who are liable only for the amount of their investment.

Loan - A sum of money loaned at interest to be repaid.

Loan Commitment – A written promise to make a loan for a specified amount on specified terms.

Loan Processing - (1) A System by which a Buyer is evaluated for loan approval. The system compares the stated income, debt, savings and credit against documentation provided by the buyer (or alternative Federal documents). Calculations of Debt-To-Income, Loan-To-Value, Net Worth, Cash Reserves and Compensating Factors are used to develop and Underwriting Opinion. (2) The system of structuring a Buyer's financial situation and documentation in such a way that an Underwriting Opinion can be reached.

Loan Submission - A package of pertinent papers and documents regarding specific property or properties. It is delivered to a prospective lender for review and consideration for the purpose of making a mortgage loan.

Loan-to-value Ratio - The relationship between the amount of the mortgage loan and the appraised value of the security expressed as a percentage of the appraised value.

Lock-in – The fixing of an interest rate or points at a certain level, usually during the loan application process. It is usually done for a certain period of time such as 60 days and may require a fee or premium in the form of a higher interest rate.

M

Margin - The number of basis points a lender adds to the index to determine the interest rate of an adjustable rate mortgage.

Marketable Title - A title that is free and clear of objectionable liens, clouds, or other title defects. A title which enables an owner to sell his property freely to others and which others will accept without objection.

Mortgage - A lien or claim against real property given by the buyer to the lender as security for money borrowed. Under government-insured or loan-guarantee provisions, the payments may include escrow amounts covering taxes, hazard insurance, water charges, and special assessments. Mortgages generally run from 10 to 30 years, during which the loan is to be paid off.

Mortgage Commitment - A written notice from the bank or other lending institution saying it will advance mortgage funds in a specified amount to enable a buyer to purchase a house.

Mortgage Deed - Companion legal document to promissory note recorded by the county enumerating the lender's procedure to enforce loan terms.

Mortgage Insurance Premium - The payment made by a borrower to the lender for transmittal to HUD to help defray the cost of the FHA mortgage insurance program and to provide a reserve fund to protect lenders against loss in insured mortgage transactions. In FHA insured mortgages this represents an annual rate of one-half of one percent paid by the mortgagor on a monthly basis.

Mortgage Life Insurance - A type of term life insurance often bought by mortgagors. The amount of coverage decreases as the mortgage balance declines. In the event that the borrower dies while the policy is in force, the debt is automatically satisfied by insurance proceeds.

Mortgage Note - A written agreement to repay a loan. The agreement is secured by a mortgage, serves as proof of an indebtedness, and states the manner in which it shall be paid. The note states the actual amount of the debt that the mortgage secures and renders the mortgagor personally responsible for repayment.

Mortgage (Open-End) - A mortgage with a provision that permits borrowing additional money in the future without refinancing the loan or paying additional financing charges. Open-end provisions often limit such borrowing to no more than would raise the balance to the original loan figure.

Mortgagee - The lender in a mortgage agreement.

Mortgagor - The borrower in a mortgage agreement.

N

Negative Amortization - Occurs when monthly payments fail to cover the interest cost. The interest that isn't covered is added to the unpaid principal balance, which means that even after several payments the borrowers could owe more than they did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that aren't high enough to cover the interest.

Note - Promissory note to lender detailing terms of repayment of amount borrowed.

O

Offer to Purchase - A preliminary agreement, secured by the payment of earnest money, between a buyer and seller as an offer to purchase real estate. A binder secures the right to purchase real estate upon agreed terms for a limited period of time. If the buyer changes his mind or is unable to purchase, the earnest money is forfeited unless the binder expressly provides that it is to be refunded.

Origination - The process of originating mortgages. Solicitation may be from individual borrowers, builders, or brokers.

Origination Fee - A fee or charge for the work involved in the evaluation, preparation, and submission of a proposed mortgage loan.

Originator - A person who solicits builder, brokers, and others to obtain applications for mortgage loans. origination is the process by which the mortgage lender brings into being a mortgage secured by real property.

P

Payment Cap – the maximum amount the payment can adjust in any given time frame.

PITI (principal, interest, taxes, and insurance) - The principal and interest payment on most loans is fixed for the term of the loan; the tax and insurance portion may be adjusted to reflect changes in taxes or insurance costs. Note: In cases where the buyer puts down less than 20%

of the Sales Price, Mortgage Insurance may be required as part of the Total Monthly Payment (PITI).

Plans and Specifications - Architectural and engineering drawings and specifications for construction of a building or project, including a description of materials to be used and the manner in which they are to be applied.

Plat - A map dividing a parcel of land into lots, as in a subdivision.

Plot - An area of ground for a specific use, such as a cemetery plot..

Points - Sometimes called "discount points." A point is one percent of the amount of the mortgage loan. For example, if a loan is for \$25,000, one point is \$250. Points are charged by a lender to raise the yield on his loan at a time when money is tight, interest rates are high, and there is a legal limit to the interest rate that can be charged on a mortgage. Buyers are prohibited from paying points on HUD or Veterans' Administration guaranteed loans (sellers can pay, however). On a conventional mortgage, points may be paid by either buyer or seller or split between them.

Preclosing - A transaction preceding the formal closing, often used to settle outstanding issues (survey, pest inspection, hazard insurance, flood insurance (if required), with the formal closing shortly thereafter.

Prepayment - Payment of mortgage loan, or part of it, before due date. Mortgage agreements often restrict the right of prepayment either by limiting the amount that can be prepaid in any one year or charging a penalty for prepayment. The Federal Housing Administration does not permit such restrictions in FHA insured mortgages.

Prepayment Penalty – A fee charged to a borrower who pays a loan before it is due. Not allowed for FHA or VA loans.

Principal - The basic element of the loan as distinguished from interest and mortgage insurance premium. In other words, principal is the amount upon which interest is paid.

Principal Balance - The outstanding balance of a loan.

Private Mortgage Insurance (PMI) - Insurance written by a private company protecting the mortgage lender against loss by a mortgage default.

Purchase Agreement - (See agreement of sale).

Q

Qualify – The process where the buyer meets the requirements as set forth by the lender when obtaining a mortgage.

Quitclaim Deed - A deed which transfers whatever interest the maker of the deed may have in the particular parcel of land. A quitclaim deed is often given to clear the title when the grantor's interest in a property is questionable. By accepting such a deed the buyer assumes all the risks. Such a deed makes no warranties as to the title, but simply transfers to the buyer whatever interest the grantor has. (See deed.)

R

Real Estate Broker - A middle man or agent who buys and sells real estate for a company, firm, or individual on a commission basis. The broker does not have title to the property, but generally represents the owner.

Realtor - A real estate broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors.

Reconveyance - The transfer of land from one person to the immediately preceding owner. It is used when the performance of debt is satisfied under the terms of a deed of trust.

Redemption Period - That period of time in those states where it is allowed in which a foreclosed mortgagor has to buy back his property by paying principal amount and interest and fees.

Refinancing - The process of the same mortgagor paying off one loan with the proceeds from another loan.

Release of Lien - An instrument discharging secured property from a lien.

Rent with Option – A contract, which gives one the right to lease property at a certain sum with the option to purchase at a future date.

Restrictive Covenants - Private restrictions limiting the use of real property. Restrictive covenants are created by deed and may "run with the land,"

binding all subsequent purchasers of the land, or may be "personal" and binding only between the original seller and buyer. The determination whether a covenant runs with the land or is personal is governed by the language of the covenant, the intent of the parties, and the law in the State where the land is situated. Restrictive covenants that run with the land are encumbrances and may affect the value and marketability of title. Restrictive covenants may limit the density of buildings per acre, regulate size, style or price range of buildings to be erected, or prevent particular businesses from operating or minority groups from owning or occupying homes in a given area. (This latter discriminatory covenant is unconstitutional and has been declared unenforceable by the U.S. Supreme Court.)

Right of Survivorship - In joint tenancy, the right of survivors to acquire the interest of a deceased joint tenant.

Right-of-Way - A privilege operating as an easement upon land, whereby a land owner, by grant or agreement, gives another the right to pass over land. Also known as easement.

S

Sale-Leaseback - A technique in which a seller deeds property to a buyer for a consideration and the buyer simultaneously leases the property back to the seller, usually on a long-term basis.

Sales Agreement - See agreement of sale.

Sales Contract - Another name for a sales agreement, purchase agreement, etc. Not to be confused with a land contract, which is a conditional sales contract.

Satisfaction of Mortgage - The recordable instrument given by the lender to evidence payment in full of the mortgage debt. Sometimes known as a release deed.

Secondary Financing - Financing real estate with a loan, or loans, subordinate to a first mortgage or first trust deed.

Secondary Mortgage Market - The market where existing mortgages are bought and sold. It contrasts with the primary mortgage market, where mortgages are just originated, and packaged for delivery to the secondary market.

Servicing - The duties of the mortgage lender as a loan correspondent as specified in the servicing agreement for which a fee is received. Consists of operational procedures covering accounting, bookkeeping, insurance, tax records, loan payment follow-up, delinquency loan follow-up and loan analysis.

Severalty Ownership – Ownership by one person only. Sole ownership.

Special Assessments - A special tax imposed on property, individual lots or all property in the immediate area, for road construction, sidewalks, sewers, street lights, etc.

Special Lien - A lien that binds a specified piece of property, unlike a general lien, which is levied against all one's assets. It creates a right to retain something of value belonging to another person as compensation for labor, material, or money expended in that person's behalf. In some localities it is called "particular" lien or "specific" lien.

Special Warranty Deed - A deed in which the grantor conveys title to the grantee and agrees to protect the grantee against title defects or claims asserted by the grantor and those persons whose right to assert a claim against the title arose during the period the grantor held title to the property. In a special warranty deed the grantor guarantees to the grantee that he has done nothing during the time he held title to the property which has, or which might in the future, impair the grantee's title.

Survey - A map or plat made by a licensed surveyor showing the results of measuring the land with its elevations, improvements, boundaries, and its relationship to surrounding tracts of land. A survey is often required by the lender to assure him that a building is actually sited on the land according to its legal description.

T

Takeout Commitment - A promise to make a loan at a future specified time. It is commonly used to designate a higher cost, shorter term, backup commitment as a support for construction financing until a suitable permanent loan can be secured.

Tax -As applied to real estate, an enforced charge imposed on persons, property or income, to be used to support the State. The governing body in turn utilizes the funds in the best interest of the general public.

Tax Lien - A claim against property for the amount of its due and unpaid taxes.

Tenancy - A holding of real estate under any kind of right of title.

Tenancy At Will - A holding of real estate that can be terminated at the will of either the lessor or the lessee, usually with notice.

Tenancy by Entirety - The joint ownership of property by a husband and wife where both are viewed as one person under common law that provides for the right of survivorship.

Tenancy in Common - In law, the type of tenancy or estate created when real or personal property is granted, devised or bequeathed to two or more persons, in the absence of expressed words creating a joint tenancy. There is no right of survivorship.

Term - The period of time between the commencement date and termination date of a note, mortgage, legal document, or the contract.

Title - As generally used, the rights of ownership and possession of particular property. In real estate usage, title may refer to the instruments or documents by which a right of ownership is established (title documents), or it may refer to the ownership interest one has in the real estate.

Title Insurance - Protects lenders or homeowners against loss of their interest in property due to legal defects in title. Title insurance may be issued to a "mortgagee's title policy." Insurance benefits will be paid only to the "named insured" in the title policy, so it is important that an owner purchase an "owner's title policy", if he desires the protection of title insurance.

Title Search or Examination - A check of the title records, generally at the local courthouse, to make sure the buyer is purchasing a house from the legal owner and there are no liens, overdue special assessments, or other claims or outstanding restrictive covenants filed in the record, which would adversely affect the marketability or value of title.

Trustee - A party who is given legal responsibility to hold property in the best interest of or "for the benefit of" another. The trustee is one placed in a position of responsibility for another, a responsibility enforceable in a court of law. (See deed of trust.)

U

Underwriting - The analysis and matching of risk to an appropriate rate and term.

Unencumbered Property - A property the title to which is free and clear.

Usury - Charging more for the use of money than allowed by law.

V

VA Loans – A loan, made by a private lender that is partially guaranteed by the veterans Administration.

Variable Rate Mortgage - A mortgage agreement that allows for adjustment of the interest rate in keeping with a fluctuating market and terms agreed upon in the note.

W

Warehousing - The holding of a mortgage on a short term basis pending either a sale to an investor or other long term financing.

Warranty deed - A deed in which the grantor or seller warrants or guarantees that good title is being conveyed, as opposed to a quitclaim deed that contains no representation or warrant as to the quality of title being conveyed.

X

X - Marks the Spot - Proper signatures and initials are required to make a document legally enforceable.

Y

Yesterday - Normally the real estate activities of yesterday usually sets the precedence for real estate activities of today.

Z

Zoning Ordinances - The acts of an authorized local government establishing building codes, and setting forth regulations for property land usage.