

HELPFUL TERMS

FOR BUYING & SELLING A HOME



ARM: Adjustable Interest Rate

AMORTIZATION SCHEDULE: A schedule showing the principal and interest payments throughout the life of the loan.

APPRAISED VALUE: An opinion of the value of a property at a given time, based on facts regarding the location, improvements, etc. of the property and surroundings.

CD/CLOSING DISCLOSURE: This form is a statement of final loan terms and closing costs. Sometimes referred to as ICD or Integrated Closing Disclosure.

COMMITMENT: The document by which a title insurer discloses to all parties connected with a particular real estate transaction all the liens, defects, and burdens and obligations that affect the subject property.

CREDIT REPORT: A report on the past of a loan applicant to pay installment payments.

DOCUMENT PREPARATION FEE: A charge by an attorney for preparing legal documents for the transaction.

ESCROW FEE: A fee charged by the title company to service the transaction, to escrow monies, and cover documents. Usually split between buyer and seller.

ESCROW ACCOUNT: Funds held by the lender for payment of taxes and insurance when due. Usually does not include maintenance fees.

HOA ASSESSMENT FEES: Charged by the homeowner's association as set out in subdivision restrictions.

HOMEOWNER'S INSURANCE: Protects the property and contents in case of loss; must be for at least the loan amount or for 80% of the value of the improvements, whichever is greater.

INSPECTIONS: An examination of property for various reasons such as termite inspections; to see if required repairs need to be made before funds are received, etc.

INTEREST: Money paid regularly at a particular rate for the use of money lent.

LOAN TITLE POLICY: Required by the lender to insure that the lender has a valid lien; does not protect the buyer.

ORIGINATION FEE: A fee the buyer pays the lender to originate a new loan.

OWNER'S TITLE POLICY: Insures that the buyer has title to the property, that there are no other claims as to ownership. Among other matters, it also insures access to the property, the right to occupy the property, good and indefeasible title, and that there are not other types of specific liens against the property.

POINT: 1% of the loan amount.

PREPAID: Items to be paid by the buyer in advance of the first scheduled payment of the loan (Homeowner's Insurance Premium, Mortgage Insurance Premium, Prepaid Interest, Property Taxes, and a maximum of three additional items).

PREPAYMENT PENALTY: Charged by the lender for premature payment of a loan balance.

PRIVATE MORTGAGE INSURANCE: Insurance against a loss by a lender (mortgagee) in the event of default by a borrower (mortgagor).

REALTOR FEES: An amount paid to the REALTOR® as compensation for their services.

RECORDING FEES: Charged by the County Clerk to record documents in the public records.

RESPA: Real Estate Settlement Procedures Act.

RESTRICTIONS: Certain limitations or conditions related to the future use of the property put on the property by a prior owner. These restrictions stay with the property until they expire or are amended as per certain procedures set forth in the restrictions.

SURVEY: Confirms lot size, location of improvements and any encroachments or protrusions.

TAX CERTIFICATES: Certificates issued by taxing authorities showing the current year's taxes, the last year the taxes were paid, and any delinquencies to be collected at closing.

TAX PRORATION: This means that the payment of the taxes for the year of sale is divided between the Buyer and Seller, usually based on the amount of time the Seller owned the property during that year. Prorations, and how they are calculated, are typically addressed in the Contract of Sale.

TIP: Total Interest Percentage; the total amount of interest the borrower will pay over the loan term as a percentage of the loan amount.

TOTAL OF PAYMENTS: Total amount paid after all payments of principal, interest, mortgage insurance and loan costs are scheduled.