



# PrimeStreet®

## Real Estate Glossary of Terms

### A

#### **Adjustable-Rate Mortgage (ARM)**

A loan where the interest rate changes periodically based on market conditions. Lower initial rate than fixed mortgages, but payment can increase significantly over time.

#### **Amortization**

The process of paying off a loan through regular payments over time. Early payments go mostly toward interest; later payments go mostly toward principal.

#### **Annual Percentage Rate (APR)**

The true cost of borrowing, including interest rate plus fees and closing costs. Always higher than the stated interest rate. Use this to compare lenders.

#### **Appraisal**

Professional evaluation of a property's market value. Required by lenders to ensure they're not lending more than the home is worth. Costs \$300-\$600.

#### **Appraisal Contingency**

Contract clause that lets buyers walk away if the property appraises for less than the purchase price. Protects buyers from overpaying.

#### **As-Is Condition**

Property sold in current state with no repairs by seller. Buyers accept all problems. Common in foreclosures and estate sales. Higher risk, potentially lower price.

## **Assessed Value**

Value assigned by local tax assessor for property tax purposes. Often different from market value or appraised value.

## **Assumable Mortgage**

Loan that can be transferred from seller to buyer. Rare. Can be valuable if seller's interest rate is lower than current market rates.

# **B**

## **Backup Offer**

Secondary offer submitted when a property is already under contract. Becomes active if first deal falls through. Shows seller you're serious.

## **Balloon Payment**

Large final payment due at end of loan term. Risky for buyers. Often requires refinancing before payment due.

## **Bridge Loan**

Short-term loan used to buy new home before selling current home. High interest rates. Use only when necessary.

## **Buyer's Agent**

Real estate agent representing the buyer's interests. Paid by seller (typically) through commission split. Fiduciary duty is to the buyer.

## **Buyer's Market**

Market conditions favoring buyers. More homes available than buyers. Longer selling times. Lower prices. More negotiating power for buyers.

# **C**

## **Clear Title**

Property ownership with no liens, claims, or legal questions. Required for sale to proceed. Title company verifies before closing.

## Closing

Final meeting where property ownership transfers from seller to buyer. Documents signed. Funds transferred. Keys received.

## Closing Costs

Fees and expenses paid at closing beyond the purchase price. Typically 2-5% of purchase price. Includes lender fees, title insurance, taxes, and recording fees.

## Closing Disclosure

Document detailing final loan terms and closing costs. Received 3 business days before closing. Compare to Loan Estimate to catch changes.

## Comparative Market Analysis (CMA)

Report showing recent sales of similar properties in the area. Used to determine fair market value and competitive offer price.

## Contingency

Condition that must be met for contract to proceed. Common contingencies: inspection, appraisal, financing. Protects buyer's earnest money.

## Conventional Loan

Mortgage not insured by government (not FHA, VA, or USDA). Typically requires higher credit score and down payment. Lower insurance costs long-term.

## Curb Appeal

Property's attractiveness from the street. First impression. Important for resale value and showing success.

# D

## Debt-to-Income Ratio (DTI)

Percentage of gross monthly income going toward debt payments. Lenders want below 43%, ideally below 36%. Includes mortgage, car loans, student loans, credit cards.

## Deed

Legal document transferring property ownership from seller to buyer. Recorded with county. Proves ownership.

## Down Payment

Upfront payment toward purchase price. Typically 3.5–20%. Higher down payment = lower monthly payment, less interest paid, no PMI at 20%.

## Dual Agency

One agent represents both buyer and seller in same transaction. Rare. Creates conflict of interest. Avoid when possible.

## Due Diligence

Research and investigation period after offer accepted. Includes inspections, title search, appraisal. Time to discover problems before finalizing.

# E

## Earnest Money

Deposit showing serious intent to purchase. Typically 1–3% of purchase price. Held in escrow. Applied to down payment at closing. Lost if buyer backs out without valid contingency.

## Easement

Legal right for someone else to use part of your property. Examples: utility company access, neighbor's driveway. Permanent unless legally changed.

## Encumbrance

Claim or liability attached to property. Examples: liens, easements, restrictions. Can affect property value and use.

## Equity

Portion of property actually owned. Home value minus mortgage balance. Builds over time through payments and appreciation.

## **Escrow**

Third party holding money or documents until conditions are met. Protects both buyer and seller. Ensures fair exchange.

## **Escrow Account**

Account where lender holds funds for property taxes and insurance. Paid monthly with mortgage. Lender pays bills when due. Required by most lenders.

# **F**

## **Fixed-Rate Mortgage**

Loan with interest rate that never changes. Most common: 15-year or 30-year. Predictable monthly payment for life of loan. Preferred by most buyers.

## **Foreclosure**

Legal process where lender takes property due to non-payment. Property sold at auction. Severely damages credit. Avoid at all costs.

## **For Sale By Owner (FSBO)**

Property sold directly by owner without agent. Potential cost savings. Increased complexity and risk. Buyer should still use agent.

# **G**

## **Good Faith Estimate (GFE)**

Old term for Loan Estimate. Document showing estimated loan terms and costs. Replaced by standardized Loan Estimate in 2015.

## **Gross Monthly Income**

Total monthly earnings before taxes and deductions. Used to calculate debt-to-income ratio and loan qualification.

# H

## Home Inspection

Professional examination of property's condition. Reveals problems not visible during showing. Costs \$300–\$500. Non-negotiable for buyers. Protects from expensive surprises.

## Home Inspection Contingency

Contract clause allowing buyer to back out or renegotiate based on inspection findings. Standard protection. Never waive unless property is expendable.

## Homeowners Association (HOA)

Organization managing common areas in community. Charges monthly/annual fees. Enforces rules and restrictions. Review rules before buying.

## Homeowners Insurance

Coverage protecting property and belongings. Required by lenders. Costs vary by location and coverage. Shop around for best rate.

## Home Warranty

Service contract covering repair or replacement of systems and appliances. Typically 1 year. Sometimes included by seller. Costs \$300–\$600 annually.

# I

## Inspection Period

Timeframe after offer acceptance when buyer can inspect property. Typically 7–10 days. Critical for discovering problems. Use every day wisely.

## Interest Rate

Percentage charged by lender for borrowing money. Lower rate = lower monthly payment and less interest paid over time. Influenced by credit score and market.

## J

### Joint Tenancy

Form of ownership where two or more people own property equally. If one owner dies, their share automatically transfers to surviving owner(s).

### Jumbo Loan

Mortgage exceeding conforming loan limits. Requires excellent credit, large down payment, and extensive documentation.

## L

### Lien

Legal claim against property for unpaid debt. Examples: mortgage, tax liens, mechanic's liens. Must be cleared before sale. Discovered in title search.

### Listing Agent

Real estate agent representing the seller. Works to get highest price and best terms for seller. Paid by seller through commission.

### Loan Estimate

Standardized document showing loan terms and estimated costs. Received within 3 days of application. Compare between lenders. Use to negotiate.

### Loan-to-Value Ratio (LTV)

Loan amount divided by property value. Example: \$200K loan on \$250K home = 80% LTV. Higher LTV = higher risk = higher interest rate or required PMI.

### Lock-In Period

Timeframe when interest rate is guaranteed by lender. Typically 30-60 days. Protects against rate increases while closing. Extended locks may cost extra.

## M

### **Market Value**

Price property would sell for under current market conditions. Different from assessed value or asking price. Determined by comparable sales.

### **Mortgage**

Loan used to purchase property. Property serves as collateral. Failure to pay results in foreclosure. Typical terms: 15 or 30 years.

### **Mortgage Insurance (MI or PMI)**

Insurance protecting lender if borrower defaults. Required when down payment is less than 20%. Adds \$50-\$300+ to monthly payment. Drops off at 20% equity.

### **Multiple Listing Service (MLS)**

Database of properties for sale. Used by real estate professionals. Syndicated to public sites like Zillow and Realtor.com. Most comprehensive listing source.

## N

### **Negative Equity**

Owing more on mortgage than property is worth. Also called "underwater" or "upside down." Prevents selling without paying difference. Caused by falling values or small down payment.

### **Net Sheet**

Document showing estimated proceeds from sale after all costs. Helpful for sellers. Buyers should understand seller's position during negotiation.

## O

### **Offer**

Formal proposal to purchase property at specific price and terms. Submitted in writing with pre-approval letter. Can be accepted, rejected, or countered.



## Open House

Scheduled time when property is open for viewing without appointment. Marketing tool for sellers. Convenient for buyers to preview multiple homes.

## Origination Fee

Fee charged by lender to process loan. Typically 0.5–1% of loan amount. Negotiable. Compare between lenders.

# P

## PITI

Principal, Interest, Taxes, and Insurance. Four components of monthly mortgage payment. Use PITI to calculate true housing cost.

## Points (Discount Points)

Upfront fee paid to lower interest rate. One point = 1% of loan amount. Buying points makes sense if keeping loan 5+ years.

## Pre-Approval

Lender's conditional commitment to loan amount based on verified financial information. Stronger than pre-qualification. Required for serious house hunting.

## Pre-Qualification

Informal estimate of loan amount based on unverified information. Quick and easy. Not sufficient for making offers. Get pre-approved instead.

## Principal

Amount borrowed or still owed on loan, excluding interest. Paying extra toward principal reduces total interest paid and shortens loan term.

## Private Mortgage Insurance (PMI)

See Mortgage Insurance.

## Q

### Quitclaim Deed

Document transferring ownership interest without guaranteeing clear title. Used between family members or in divorces. Not recommended for standard sales.

## R

### Radon

Radioactive gas occurring naturally in some areas. Can cause cancer. Testing costs \$150-\$300. Mitigation systems cost \$800-\$1,500. Test before buying.

### Rate Lock

Agreement guaranteeing specific interest rate for set period. Protects against rate increases during closing process. Most common: 30-45 day locks.

### Real Estate Agent

Licensed professional helping buy or sell property. Earns commission based on sale price. Must represent client's best interests.

### Realtor®

Real estate agent who is member of National Association of Realtors. Agrees to follow code of ethics. Not all agents are Realtors.

### Recording

Official filing of deed and mortgage with county. Makes ownership public record. Protects buyer's interest. Costs \$50-\$300.

### Refinance

Replacing existing mortgage with new loan. Reasons: lower rate, change term, cash out equity, remove borrower.

## S

### **Seller Concessions**

Credits from seller to buyer for closing costs or repairs. Reduces buyer's out-of-pocket expenses at closing. Limited by loan type.

### **Seller's Market**

Market conditions favoring sellers. More buyers than available homes. Shorter selling times. Higher prices. Multiple offers common.

### **Settlement Statement**

See Closing Disclosure. Document detailing all financial aspects of transaction.

### **Short Sale**

Sale where proceeds don't cover outstanding mortgage. Requires lender approval. Lengthy process. Can indicate motivated seller or problem property.

### **Survey**

Professional measurement and mapping of property boundaries. Reveals encroachments or easements. Costs \$300-\$800. Some lenders require.

## T

### **Title**

Legal ownership of property. Clean title means no disputes or liens. Title company verifies before closing.

### **Title Insurance**

Protection against title defects not discovered during title search. One-time fee at closing. Protects buyer's ownership rights.

### **Title Search**

Examination of public records to verify ownership and identify liens. Performed by title company before closing. Reveals potential problems.

## **Transfer Tax**

Tax charged by state or local government when property changes ownership. Amount varies by location. Paid at closing.

## **U**

## **Underwriting**

Process where lender verifies buyer's financial information and assesses risk. Determines final loan approval. Takes 2-4 weeks typically.

## **Upfront Costs**

Money needed before or at closing. Includes earnest money, down payment, closing costs. Plan for 5-25% of purchase price total.

## **Upset Price**

Minimum acceptable price at foreclosure auction. Protects lender from accepting too-low bids.

## **V**

## **VA Loan**

Mortgage guaranteed by Department of Veterans Affairs. Available to veterans and active military. \$0 down payment. No PMI. Competitive rates.

## **Vendor**

Any service provider in real estate transaction. Examples: inspector, appraiser, surveyor, attorney.

## **W**

## **Walk-Through**

Final inspection of property before closing. Verifies condition hasn't changed and repairs were completed. Scheduled 24-48 hours before closing. Never skip.

## **Waive Contingency**

Removing a protection from contract. Example: waiving inspection contingency. Increases offer strength but adds risk. Proceed with caution.

## **Warranty Deed**

Document transferring ownership with guarantee of clear title. Seller promises no hidden claims. Standard for most sales. Preferred over quitclaim deed.

# **Z**

## **Zoning**

Local laws regulating property use. Designates residential, commercial, industrial, agricultural areas. Affects what can be built. Verify before buying.