

Home Buying Glossary

Agent - A person acting on behalf of another, called the principal.

Appraisal - An expert judgment or estimate of the value of real estate.

Assessed Value - The evaluation placed upon property by the tax assessor as the basis of taxes.

Bill of Sale - An instrument which transfers title to personal property; a "Deed" transfers' real property.

Budget Mortgage – Refers to the monthly payments (PITI) including: principle, interest, taxes and insurance.

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

Certificate of Title - A document signed by a title examiner or attorney stating that the Seller has a good marketable and insurable title.

Closing/Settlement/HUD-1 Statement - The computation of financial adjustments between Buyer and Seller at the closing of a sale to determine the net amount of money which the Buyer must pay to complete of the real estate and the Seller's net proceeds.

Commission - Payment to a real estate broker for services performed.

Condominium - A form of real estate ownership where the owner receives title to a particular unit and has a proportionate interest in certain common areas. The unit itself is generally a separately owned space whose interior surfaces (walls, floors and ceilings) serve as its boundaries.

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.

Deed - A formal written instrument by which title to real property is transferred from one owner to another.

Deed Stamps – State and county tax required by law when the title passes from one owner to another.

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).

Due-On-Sale Clause - An acceleration clause that requires full payment of a mortgage or deed of trust.

Earnest Money - The portion of the down payment given, by the Purchaser, to the selling broker to accompany a written offer as evidence of good faith. This money is held in escrow and applicable to closing.

Equity - The interest or value which the owner has in real estate over and above the debts against it. (Sales Price - Mortgage Balance = Equity).

Federal National Mortgage Association (FNMA) - Popularly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by the VA, as well as conventional home mortgages.

Fee Simple - An estate in which the owner has unrestricted power to dispose of the property as he wishes, including leaving by will or inheritance. It is the greatest interest a person can have in real estate.

FHA Loan (Federal Housing Administration) – A government entity that insures loans through various lenders.

Fixture - Personal property which is permanently attached to real property and is included with the property when it is sold.

Graduated Payment Mortgage - A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

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

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

Home Warranty Plan - Protection against failure of mechanical systems within the property, usually for 12 months after the closing. Typically it includes plumbing, electrical, heating systems and installed appliances.

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.

Lien - A legal hold or claim on property as security for a debt.

Listing Contract - Between a home owner (as principal) and a licensed real estate broker (as agent) by which the broker is employed to market the real estate within a given time for which service the owner agrees to pay a commission, also known as the listing agreement.

Loan Commitment - A written promise to make a loan for a specified amount with specified terms on a specific property.

Loan-To-Value Ratio (LTV) - The amount of the mortgage and the value of the property, expressed as a percentage.

Market Value - The sales price which a ready, willing and able Buyer, will pay and the price a ready, willing and able Seller will accept.

Mortgage - A lien or claim against real property given to a Lender as security for money borrowed.

Mortgage Insurance Premium (MIP) - This is a fee charged by FHA when the down payment is less than 20%. It can be paid in a lump sum at closing or be financed and paid as part of the monthly payment.

Mortgage Note - A written agreement to repay a loan. The agreement is secured by a mortgage, serves as proof of indebtedness, and states the manner in which it shall be repaid.

Negative Amortization - 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. This means that even after several payments you could owe more than you did at the beginning of the loan.

Origination Fee - A fee charged for evaluating, preparing, and submitting a proposed mortgage loan. The fee is limited to 1 percent of FHA and VA loans.

PITI – The monthly payment includes: Principal, interest, taxes and insurance. This is known as “Budget Mortgaging”.

Planned Unit Development (PUD) - A zoning designation for property developed at the same or greater overall density than conventional development, sometimes with improvements clustered between common areas. Uses may be residential, commercial or industrial.

Plat – See Survey

Point – A fee charged that is an amount equal to 1 percent of the principal amount of the mortgage. The Lender assesses loan discount points at closing to increase the yield on the mortgage.

Prepayment Penalty - A fee charged to a mortgagor (the debtor) when the loan is paid before it is due. In South Carolina, there are not prepayment penalties.

Principal - This word has several meanings:

- a) a capital sum lent on interest;
- b) one who appoints an agent to act on their behalf;
- c) either party to a contract.

Private Mortgage Insurance (PMI) - Insurance written by a private company protecting the Lender against loss if the borrower defaults on the mortgage. This does not, in any way, insure the Buyer personally.

Prorate - To allocate between Seller and Buyer their proportionate share of an obligation paid or due.

Purchase Agreement - A written document in which the Purchaser agrees to buy specific real estate and the Seller agrees to sell under stated terms and conditions. Also called a Sales Contract or Agreement For Sale.

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

Regulation Z - The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection act.

Survey - A map or plat 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 encouraged to assure the home and structures are actually sited on the land according to its legal description with no violations.

Tenancy in Common - A type of joint ownership of property by two or more persons with no right of survivorship.

Title Insurance - Protects Lenders or homeowners against loss of their interest in property due to legal defects in title. Each policy is purchased separately at the closing.

Title Search or Examination - A check of the title records, generally at the local courthouse, by the closing attorney's office, to ensure the Buyer is purchasing a house from the rightful owner and there are no liens, overdue special assessments, or other title claims.