

Common Real Estate Terms

In real estate, there are numerous terms you may hear throughout the stages of a transaction. Here are definitions of some of the more common terms.

Financial Terms

Adjustable-Rate Mortgages (ARM) – Mortgages with interest rates that can change periodically.

Commission – A percent of the home's sale price paid to real estate brokers upon successful close of escrow. It is customarily paid by the seller and split between the buyer and seller brokers, but it can vary.

Debt-to-Income Ratio – Your monthly minimum debt payments divided by your monthly pre-tax income.

Down Payment – The amount paid by the homebuyer to the lender during closing.

Earnest Money Deposit – A “good faith” deposit by the buyer at the time of the purchase and sale to show they are serious about the purchase. It is typically put toward closing costs or returned to the buyer when the transaction is finalized.

Escrow Account – An account overseen by a trusted third party to hold all monies related to a real estate transaction, such as down payments and closing costs, until the transaction is completed.

Equity – The difference between what you owe on your mortgage and what your home is currently worth.

Fixed-Rate Mortgages – Mortgages that have the same interest rate throughout the entire span of the loan.

PITI (Principal, Interest, Taxes and Insurance) – The four basic elements of a monthly mortgage payment.

Principal – In the context of borrowing, this is the amount of money owed on a loan.

Procedural Terms

Appraisal – The estimated value of a piece of real estate, as judged by a qualified third party.

Close of Escrow – When the transaction is finalized and the buyer legally takes possession of the home from the seller.

Contingencies – Clauses in a purchase and sale agreement specifying actions or requirements that must be met for the contract to become legally binding.

Mortgage Commitment Letter – A formal document from your lender stating you're approved for the loan.

Pre-Approval – An estimate given by a lender to determine if you are able to afford a particular house you have bid on.

Pre-Qualified – An estimate given by a lender to determine how much of a mortgage you may qualify for when you are seeking a home.

Purchase and Sale Agreement – The agreement between the buyer and seller noting the final sale price and terms of the transaction.

Title Search – A review by a third-party professional of all public records associated with a home's history, including previous purchases, sales, taxes and liens. The title is a document that states the property is clear of all past-due taxes, liens and property disputes.

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I know the market can be confusing, but I am here to offer clear, concise information you can trust. Feel free to contact me and I will answer any questions you may have.