



## Home Buyer's Glossary

Terms you need to know.

**Know Your Home**  
541-469-9513

**Adjustable Rate Mortgage (ARM):** A mortgage that provides for changes in its interest rate, based on changing market conditions.

**Amortize:** To extinguish an obligation, especially by periodic payments to a creditor.

**Annual Percentage Rate (APR):** The annual rate of interest; the total interest to be paid in a year divided by the balance due.

**Appraisal:** The act of estimating or judging the nature or value of something or someone. An estimate of value, as for sale, assessment, or taxation.

**Closing (Settlement):** The final step in a property purchase where the title is transferred from the seller to the buyer and the seller receives payment for the property.

**Closing Costs:** Fees charged to a purchaser by a bank, lawyer, etc. for services related to a sale, a title search, an appraisal, etc. Any expenses over the purchase price of a house, land, etc., that is paid by the purchaser or seller at the completion of the sale.

**Condominium:** A form of homeownership in which the home buyer receives exclusive title to the interior space of a multi-unit structure (usually an apartment building or a townhouse), and shares title to the common areas of the residential property, such as the parking lots or swimming pool.

**Contingency:** A clause in a purchase contract outlining conditions to be fulfilled before the contract is executed. Both buyer and/or seller may include contingencies in a contract, but both parties must accept the contingency.

**Conventional Loan:** A private sector loan that is not guaranteed or insured by the U.S. government.

**Credit Report:** A detailed record of a person's credit history, compiled by credit reporting agencies, based on information submitted by lenders and contained in public records. Is probably the most important document creditors use when deciding whether to grant credit/approve a loan.

**Deed:** A legal instrument in writing which passes, affirms, or confirms an interest, right, or property and that is signed, attested, delivered, and in some jurisdictions, sealed. It is commonly associated with transferring (conveyancing) title to property.

**Disclosures:** Relevant information about a property that may influence the final sale, especially if it represents defects or problems. "Full disclosure" usually refers to the seller's responsibility to voluntarily provide all known information about the property. A seller found to have knowingly lied about a defect may face legal penalties.

**Down Payment:** A portion of the sales price paid to the seller to close a sale, with the understanding that the balance will be paid at closing (settlement).

**Earnest Money:** Money given by a buyer to a seller to bind a contract.

**Easement:** A right held by one property owner to make use of the land of another for a limited purpose, such as the right to pass over the land.

**Escrow:** Money that is placed with a third party for safekeeping. In a real estate purchase, the buyer is typically required to place a portion of the down payment (earnest money) in an escrow account to be held until closing.

**Fannie Mae:** Chartered by the U.S. government in 1938 to help ensure a reliable and affordable supply of mortgage funds throughout the country. Today it is a shareholder-owned company that operates under a congressional charter.

**Federal Housing Administration (FHA):** Provides mortgage insurance on loans made by FHA-approved lenders throughout the U.S. and its territories. FHA insures mortgages on single family and multifamily homes including manufactured homes.

**Fixed-Rate Mortgage:** A home mortgage for which equal monthly payments of interest and principal are paid for the life of the loan, often a term of 30 years.

**FSBO (For Sale by Owner):** Describes a home that is being sold by the owner, without the assistance of a

real estate agent. A buyer should be sure the terms of sale comply with applicable federal, state, and local regulations.

**Freddie Mac:** Chartered by Congress in 1970 as a private company; like Fannie Mae, to help ensure a reliable and affordable supply of mortgage funds throughout the country. Now a shareholder-owned company that operates under a congressional charter.

**Home Inspection:** A visual, non-invasive examination of a home to evaluate its plumbing, electrical, and heating and cooling systems, as well as its appliances, roof, foundation, and structural stability.

**Home Owners' Association (HOA):** A nonprofit corporation or association that manages the common areas and services of a planned multi-unit development or condominium project. In certain situations, it has no ownership of the common areas; in others, it will hold title to the common areas.

**Lien:** The legal claim of one person upon the property of another person to secure the payment of a debt or the satisfaction of an obligation.

**Manufactured Home:** Factory-built or prefabricated housing, including mobile homes.

**Mortgage:** A legal agreement by which a bank or other creditor lends money, with interest, in exchange for title of the debtor's property, title is returned when the debt is fully paid.

**Origination Fee:** A fee charged by a lender for evaluating and processing a loan application, usually a percentage of the face value of the loan.

**PITI:** Principal, Interest, Taxes, Insurance

**Pre-approval.** A written agreement from a mortgage lender to grant a loan for a home purchase; assures the seller that a buyer's offer is valid. It speeds up the

buying process because, once an offer is made, there is no need to wait while the buyer finds a loan.

**Pre-qualification.** An informal calculation to estimate the approximate amount of money a homebuyer can afford to spend on a home purchase. It can help the real estate agent focus the home search on homes within a certain price range. When an offer is accepted, the buyer must then find a loan.

**Private Mortgage Insurance (PMI):** Insurance written by a private company that protects the mortgage lender against financial loss when a borrower defaults on their mortgage.

**Rate Lock:** A commitment by a lender to a borrower that guarantees a specific interest rate, valid for a set period, at a set cost.

**Settlement Statement:** The HUD-1 Settlement Statement, a standard form used in the U.S., that itemizes services and fees charged to the borrower by the lender or broker when applying for a loan to purchase or refinance real estate.

**Title:** Written evidence of the right to or ownership in property. In the case of real estate, the documentary evidence of ownership is the title deed, which specifies in whom the legal estate is vested and the history of ownership and transfers.

**Title Insurance:** Insurance protecting the real estate owner or mortgagee from lawsuits or claims arising from a defective title.

**Townhouse:** A two- or three-story house that shares a common wall with at least one other house.

**Underwriting:** The process of analyzing a loan application to determine the risk involved in making the loan; includes a review of the potential borrower's credit history and a judgment of the property's value.

