

REAL ESTATE TERMINOLOGY

ARM (Adjustable Rate Mortgage): A type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan.

Addendum: Additional information that is added after a legal document is initially written.

Agency: Agency is a relationship where one party authorizes another party to act on his/her behalf.

Appraisal: A property valuation by an authorized agent, using factors (such as location and recent market value of similar properties) to determine an appropriate value.

APR (Annual Percentage Rate): The percentage rate of interest that is equivalent to the actual yearly cost over the life of the loan.

As Is: When a property is being sold “as is” it means that the seller isn’t taking responsibility for the condition or repairs of the property, and is not providing any warranty.

Assumption: An agreement for a buyer to assume the liability of the seller’s existing note currently secured by a mortgage or deed of trust on the property exchanging hands. Usually, the lender will need to evaluate the buyer’s creditworthiness before approving the transaction.

Beneficiary: The entity who benefits from a transaction. In regards to a trust deed, a Lender is the designated beneficiary, retaining benefit of the property as security for the loan. Legal title remains with the borrower.

Buyer-Broker Agreement: Buyer-broker agreement means a written agreement in which a prospective buyer employs a broker to locate real estate of the type and with terms and conditions as designated in the written agreement.

Closing Date: The date of record when title transfers from the seller to the buyer.

Chain of Title: The historical sequence of transfers of title to a property from the original owner (often the government) to the present owner.

Closing Disclosure: A Closing Disclosure is a five-page form that provides final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs). The lender is required to give you the Closing Disclosure at least three business days before you close on the mortgage loan. The Closing Disclosure is required if the loan is subject to the Final Rule of the CFPB (effective 10/3/15).

Closing Statement: A settlement sheet showing an itemized list of all costs to the buyer and seller of real estate.

Cloud on Title: Any unresolved claim or burden that might impair or invalidate the title to real property.

Comparable Sales: Recent selling prices of similar properties in real estate used to determine a value for a specific property.

CC&Rs (Conditions, Covenants & Restrictions): Limits and rules placed on a group of residences (homes, condominiums, etc.) by a governing group (builder, developer, neighborhood association, or homeowners association). These are generally an enforceable contract.

Contract: A document between parties for the purchase of real estate, must be in writing to be enforceable.

Contingency: A clause in a contract that states a specific conditional event must occur in order to bind the parties to the obligations in the contract.

Conveyance: The legal process of transferring title to a property from one owner to another.

Counteroffer: Another offer made in response to an offer, rather than accepting it.

Deed: A written legal document, especially one regarding the ownership and transfer of property.

Deed of Trust: A legal document, in lieu of a mortgage, where a trustee holds the equitable title in real property as security for a loan between the lender and borrower. Legal Title remains with the borrower.

Disclosure: The act of making something known.

Due on Sale Clause: A clause in a mortgage contract that requires payment in full upon the sale of the property that secures the mortgage.

Earnest Money Deposit: An amount of money that is extended with an offer as a sign of good faith by the buyer.

Easement: The right to use someone else’s land for a specific purpose, such as access, utilities, etc.

Escrow: A procedure in which a third party assumes a fiduciary responsibility, overseeing paperwork and the distribution of funds pending the completion of a contract in a real estate transaction.

Escrow Account: A temporary account held by a 3rd party on behalf of transacting parties. In real estate terms, an account held by the lender for payment of insurance, taxes, and other periodic debts during the mortgage term.

Fair Market Value: An estimated price that would be negotiated in a voluntary transaction between willing parties with equal bargaining power and reasonable knowledge of pertinent facts.

Fixtures: A fixture is an item that has been securely, and sometimes permanently, attached to a home.

HOA (Homeowners' Association): An organization of property owners in a geographic area designed to make and enforce rules for the properties within its jurisdiction. All property owners in the area are automatically members and required to pay dues/fees as dictated by the association. Duties of the association are dictated by state law.

Homeowner's Insurance: Insurance purchased to protect the property from damage, and the property owner from loss, based on the terms of the policy.

Homestead Exemption: A homestead exemption generally protects a primary residence from a forced sale in the case of financial hardship. In Colorado, the homestead exemption is usually automatic, so it does not need to be declared to be claimed in bankruptcy.

Interest: Money paid to a lender above the amount borrowed. The rate of interest reflects the time value of money, the borrower's credit risk, inflation rates and a variety of other market conditions.

Lien: A form of security interest granted over an item of property to secure the payment of a debt or performance of some other obligation. The owner of the property, who grants the lien, is referred to as the lienee and the person who has the benefit of the lien is referred to as the lien holder.

Listing Agreement: A contract between a real estate broker and an owner of real property, granting the broker the authority to act as the owner's agent in the sale of the property.

Loan Estimate: A Loan Estimate is a three-page form received after applying for a mortgage. The Loan Estimate includes details such as estimated interest rate, monthly payment, and total closing costs, as well as information about estimated taxes and insurances, and any special features of the loan. They are provided in a standard form so that it is easier to compare competing loan offers. A Loan Estimate is required if the loan is subject to the Final Rule of the CFPB. (effective 10/3/15)

MLS (Multiple Listing Serve): A database used by real estate agents to share information about properties for sale.

Mortgage: The offering of real estate as security in the repayment of a loan.

Mortgage Insurance: An insurance policy purchased to compensate lenders for any losses incurred due to borrower defaulting on a mortgage loan.

NMLS (Nationwide Mortgage Licensing System): a unique identification number assigned to registered Mortgage Loan Officers.

PITI: An acronym describing a payment that includes Principal, Interest, Taxes and Insurance.

Points: The cost of one point is equal to 1 percent of the mortgage loan amount. Points may be charged to cover the cost of making the loan (origination fee), or may be used to lower the interest rate on a loan (discount points).

Power of Attorney: The authority for one person (attorney in fact) to act for another person (principal) in specified legal/financial matters.

Purchase Agreement: A contractual agreement between a buyer and seller of real property, outlining the purchase price and other terms associated with the transfer of title.

Quitclaim Deed: A legal document that is used to transfer or "quit" any interest in real property, with no warranties of ownership.

Recording: With transactions that affect the title of real property, filing documents with the County Recorder to update public record.

Refinance: to finance (something) again, typically with a new loan at a lower rate of interest.

Special Warranty Deed: A deed in which the grantor warrants only against defects occurring during their ownership; they are not providing a warranty or guarantee against any defects in clear title that existed before their ownership. A special warranty deed is less comprehensive than a general warranty deed as it offers less protection against possible defects in a clear title.

Subdivision: A tract of land surveyed and divided into lots for purposes of sale especially one with houses built on it, and recorded with the appropriate governing authority (usually the county assessor).

Title: Evidence of ownership in a piece of real property.

Title Commitment: A document that outlines all liens, defects, burdens, taxes, assessments, easements and obligations that affect the subject property. The commitment also includes what the requirements are for title insurance to be issued on the property.

Title Insurance: Insurance purchased to protect the holder from financial loss due to defects in title to a property. There are two types of policies. The lender's title insurance policy is often required to be purchased by the borrower to protect the lender. The owner's title insurance, which is purchased separately, covers the homeowner (borrower) against potential loss.

Warranty Deed: A deed that guarantees and transfers a clear title to the buyer of real estate.

1031 Exchange: A tax-deferred transaction with criteria outlined in section 1031 of the Internal Revenue Code involving "like kind" investment or income properties.

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