

GLOSSARY

Actual Cash Value: a type of homeowner’s insurance policy. It’s typically a less expensive form of coverage that only reimburses you for the cash value of what was lost or damaged, minus depreciation.

Adjustable-Rate Mortgage: (often referred to as “ARM”), as the name suggests, these have interest rates that fluctuate—or adjust—over the life of the loan. Unlike their fixed rate counterparts, whatever interest rate you secure at the time is only temporary.

Contractual Addendums: an attachment to a contract that modifies its original terms and conditions.

All-Peril (insurance policy): an insurance policy related to homeowner’s insurance. It covers damage from anything not specifically excluded in the policy language.

The Americans with Disabilities Act: Passed in the 1990s, the Americans with Disabilities Act (ADA) prohibits discrimination on the basis of disability. This includes

discrimination in employment, governance, accommodations, commercial facilities, transportation, and more.

Amortization: the process by which your lender calculates all the interest you will pay over the life of the loan, plus the amount you are borrowing, and divides that by the total number of payments you'll make.

Annual Insurance Premium: the annual payment made to an insurance company in order to keep that policy active.

Appreciation: the increase in something's value over time. In the case of a home, it's the increase in your home's value, which is generally determined by the local real estate market as well as any upgrades made to the home.

Appraiser: a professional who determines the market value of an asset.

Assumption: the conveyance of an existing mortgage to a new purchaser. This usually includes the terms and balances of the original mortgage.

Bankers: an employee or owner of a bank or group of banks.

Buyer's Agent: a type of real estate agent that specializes in buyers.

Buyer Representation Agreement: an agreement signed by a buyer and their agent that states that any home purchased will be bought with the help of that agent for an agreed-upon period of time (namely, the time with which you agree to work with that agent).

Canadian Real Estate Association (CREA): a certified trade association that represents real estate professionals in Canada.

Capital Gains Tax: a tax levied on sold assets. It's a tax based on the growth of the value of the asset at the point at which it is sold.

Character: the kind of homes, streets, and parks that a given area has to offer.

Closing Costs: sometimes referred to as settlement costs, closing costs are the fees associated with closing on your loan. They can include the lender's own fees, third-party fees for requirements such as title insurance, and the cost of prepaying a year's worth of property insurance.

Competitive Market Analysis (CMA): an analysis your agent will put together when you're searching for a home. It includes a set of MLS records about recently sold homes that resemble the one you want in size, condition, location, and amenities. See "comps."

Collateral: an item or property pledged by a borrower to protect the interests of the lender.

Commission: a fee paid to an agent or participating party for their role in a transaction or overall service.

Comparables (comps): The recently sold homes that resemble what you're looking for in a home. Part of a CMA. See "Competitive Market Analysis."

Condominiums: a building or complex in which apartments or townhomes are individually owned by their residents.

Contractual Disclosures: any documents a party is contractually required to disclose.

Covenants, Conditions, and Restrictions (CC&Rs): rules or codes that govern a piece of real estate. CC&Rs are a common practice among HOAs. See “homeowners association.”

Deductible Rates: a deductible is the amount of money you must pay toward something that is insured. It’s either a fixed dollar amount or a percentage rate. Most homeowner’s insurance policies are percentage deductibles, and the rates are calculated based on the insured value of your home.

Down Payment: a percentage of the purchasing price of your home that you pay out of pocket.

Easement: a part of the property that can be used by another, nonowner entity. For example, a utility easement may exist so a cable company can access any wires or other cables buried on the property.

Encumbrances: claims against a property, such as a lien. Encumbrances can impede the transfer of title.

Equity: the portion of your home’s value that you actually own. That is, it’s the money that would go into your pocket after you sold it, paid off your mortgage, and handled any selling expenses.

Errors and Omission Insurance (E&O): insurance that protects you from lawsuits due to mistakes made in professional service.

Escrow: a separate, third-party account that holds a percentage of the money for a transaction before it is finalized.

Escrow Officer: the person responsible for real estate transaction processing.

Fair Housing Act: a law that prohibits housing discrimination based on race, gender, sex, disability, familial status, national origin, and more.

Fiduciary: a professional who acts with the clients' best interests front-of-mind, rather than their personal profit.

Fixed-Rate Loans: mortgage loans where the interest rate you pay is secured or "fixed."

Home Warranty: a type of warranty that helps cover the cost of minor home repairs or systems replacements.

Homeowner's Association (HOA): an organization that governs rules and regulations for a subdivision, planned community, or condominium. They have the authority to levy fines on homeowners who don't comply with community regulations or standards. Most are funded by fees collected from residents.

House-Hacking: when a buyer purchases a piece of real estate—a single family home or duplex—and lease out one of the bedrooms or units to help cover costs.

Insurance Assessor: sometimes referred to as an insurance adjuster. Someone who investigates claims to

determine how much an insurance company should pay for damages.

Interest: a fee charged at a particular rate that is paid toward a lending institution on top of the principal sum that is borrowed.

Lien: a claim against an asset that is used as collateral in the case of a loan or debt.

Mortgage Broker: someone whose job it is to know and find the best lenders in the market.

Mortgage Interest Rate: the percentage of interest attached to your mortgage loan payments. Depending on the loan, this rate will either be fixed or adjustable. See “Fixed-Rate” and “Adjustable-Rate” mortgages.

Mortgage Officer: loan officer. The person who evaluates and authorizes a loan application.

Mortgage Payment: the amount of money you pay toward your mortgage loan every month. Your mortgage payments are calculated based on your down payment, interest rate, and loan amount.

Multiple Listing Service (MLS): a private service for real estate professionals. An MLS is an organization that offers cooperation and compensation among brokers.

National Association of Realtors[®] (NAR): an organization of real estate brokers. It’s a trade association for those in the industry in the United States.

Net Worth: a measure of wealth. Put simply it’s the dollar amount you get when you add up everything of value you own and subtract everything you currently owe.

Owner Financing: a form of creative financing when the seller actually holds the mortgage for you while you make payments.

Personal Property Insurance: insurance that specifically covers things that you own (e.g., things that are inside of your domicile).

Piggyback Loan: a loan that covers the difference between the cash you have and the cash you need to hit the magical 20 percent mark. For example, if you only have 10 percent to put down, you could take out what's known as an "80/10/10": an 80 percent first loan, a 10 percent second loan, and a 10 percent down payment. Used to avoid PMI. See "Private Mortgage Insurance."

Principal: the principal sum of the loan. In other words, the original amount borrowed.

Private Mortgage Insurance (PMI): a type of mortgage insurance required for conventional loans whose borrowers make down payments of less than 20 percent. See "down payment."

Property Taxes: a tax levied by the government that is based on the current estimated value of your property.

Property Inspector: someone who evaluates properties for compliance with modern safety regulations. Used to help make sure a house is insurable and what types of repairs the home may require.

PMI: See "Mortgage Insurance."

Replacement Cost Insurance: a form of homeowner's insurance. While generally more expensive, it offers

more coverage than Actual Cash Value insurance. See “Actual Cash Value Insurance.” Generally, it will pay to rebuild your entire home as it was before an event, should your property be destroyed.

Rent to Own: a lease option in which you lease the property from the seller until you have the equity or cash to buy it.

Seller’s Agent: a real estate agent who specializes in working with sellers.

Seller’s Disclosure: a written statement of the owners’ knowledge of the property’s current condition.

Tax Deduction: a tax incentive that reduces taxable income through noting things such as additional expenses.

Terms: the agreed-upon rules between two parties in a legal contract.

Title: the legal rights to a piece of property.

Title Insurance: a type of insurance designed to protect homeowners and lenders from financial loss due to imperfect or problematic title transfers.

Title Researcher: a professional whose job is to determine who has legal title for a piece of property.

The Truth in Lending Act: a federal law that protects borrowers from predatory or unfair credit practices.

Umbrella Policy: an insurance policy that protects you from liability on or off your property and can cover things beyond just your home.

Underwriter: member of a financial organization that assesses and assumes risk for other parties during transactions for a fee.