

Homebuyer's Glossary



ADJUSTABLE-RATE MORTGAGE (ARM)

A mortgage that permits the lender to adjust the interest rate periodically on the basis of changes in a specified index.

AMORTIZATION SCHEDULE

A timetable schedule showing the amount of each payment applied to interest and principal and the remaining balance after each payment is made.

ANNUAL PERCENTAGE RATE (APR)

The cost of a mortgage stated as a yearly rate; includes such items as interest, mortgage, and loan origination fee.

APPRAISAL

A written analysis of the estimated value of a property prepared by a qualified appraiser.

BIWEEKLY PAYMENT MORTGAGE

A mortgage requiring payments every two weeks instead of the standard monthly payment. The result for the borrower is a substantial savings in interest.

BROKER

A person who, for a commission or a fee, brings parties together and assists in negotiating contracts between them.

CERTIFICATE OF TITLE

A statement provided by an abstract company or attorney stating that the title to real estate is legally held by the current owner.

CLOSING

A meeting at which a sale of a property is finalized by the buyer signing the mortgage documents, paying closing costs, and transfer of the deed to the property.

COLLATERAL

An asset (such as a car or a home) that guarantees the repayment of a loan.

COMMISSION

The fee charged by a broker or agent for providing services related to the real estate transaction such as marketing the property, bringing the parties together, and negotiating a purchase contract or loan.

DEED

The legal conveying title to a property.

EARNEST MONEY DEPOSIT

A deposit made by the potential home buyer to show that he or she is serious about buying the house.

EQUITY

A homeowner's financial interest in a property.

FAIR CREDIT REPORTING ACT

A consumer protection law that regulates the disclosure of consumer reports by consumer/credit reporting agencies and establishes procedures for correcting mistakes on one's credit record.

HOME INSPECTION

A thorough inspection that evaluates the structural and mechanical condition of a property.

LIEN

The legal claim against a property that must be satisfied before the property may be sold.

LOCK-IN

A written agreement in which the lender guarantees a specified interest rate if a mortgage goes to closing within a set period of time.

MORTGAGE

A legal document that pledges a property to the lender as security for payment of the debt.

MORTGAGE INSURANCE

A contract that insures the lender against loss caused by a mortgagor's default on a government mortgage or a conventional mortgage.

NET WORTH

The value of all of a person's assets, including cash, minus all liabilities.

PRIME RATE

The interest rate that banks charge to their preferred customers.

PRINCIPAL

The amount borrowed or remaining unpaid.

REAL ESTATE AGENT

A person licensed to negotiate and transact the sale of real estate on behalf of the property owner.

REALTORS

A registered collective membership mark which identifies real estate professionals who are members of the National Association of REALTORS® and subscribe to its strict Code of Ethics.

SURVEY

A drawing or map showing the precise legal boundaries of a property, the location of improvements, easements, rights of way, encroachment, and other physical features.

TITLE SEARCH

A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

TRUTH IN LENDING

A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate and other charges.

UNDERWRITING

The process of evaluating a loan application to determine the risk involved for the lender.