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The ABCs of Real Estate

A

Appraisal: An estimation of a home's market value by a licensed appraiser based on comparable recent sales of nearby homes.

G

Good Faith Estimate (GFE): A form used by lenders to give to borrowers with an estimate of fees due at closing. This form was replaced by the Loan Estimate in 2015.

B

Backup offer: An offer on a home under contract that becomes active if the primary contract falls through.

H

Homeowners Association: A management organization within a community, subdivision or neighborhood that creates and enforces rules for properties within its jurisdiction.

C

Contingent offer: An offer that is accepted by the seller, but certain conditions must be met before the sale is final.

D

Down payment: The percentage of the home purchased price (usually between 5% and 20%) paid upfront in cash.

I

Inspection: An examination of a property and its systems performed by a qualified professional, usually before the sale of a home.

E

Escrow: A neutral third party that holds funds from the buyer and distributes them when all conditions have been met.

J

Jumbo mortgage: A mortgage that exceeds the conforming-loan limit, commonly used for luxury home purchases.

F

Federal Housing Administration (FHA): The government agency that insures loans designed for low- to moderate-income borrowers.

K

Key rate: An interest rate set by the federal government that determines the cost to borrow money—in this case, a mortgage to buy a new home.



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L

Loan-to-value (LTV): The risk assessment ratio used by lenders. To calculate the LTV, divide the mortgage by the appraised value.

M

Multiple Listing Service (MLS): A database for real estate agents to list and market for-sale homes.

N

Net proceed: The amount received by the seller at closing after all other costs have been deducted.

O

Open house: An event hosted by a listing agent to showcase a home to potential buyers.

P

Pre-approval letter: A letter indicating that a lender is willing to loan a specific amount of money for a home purchase; pre-approval does not guarantee a loan.

Q

Quitclaim deed: A deed that transfers property rights without any validation of ownership; typically used between spouses and family members.

R

Real estate owned (REO) property: A repossessed property owned by a lender after an unsuccessful sale at auction.

S

Seller disclosure: A document completed by the seller disclosing the property's history and defects.

T

Title: The right to ownership of real property recognized and protected by the law.

U

Under contract: A buyer has submitted an offer and the seller has accepted, but the closing is not final.

V

VA loan: A mortgage loan for veterans and their spouses, made by private lenders and guaranteed by the U. S. Government.

W

Walkthrough: The final inspection conducted before a home sale is final.

X

X marks the spot: Where you sign for your dream home!

Y

Yield-spread premium (YSP): The amount a lender pays a mortgage officer for selling a loan with a higher interest rate than the par rate.

Z

Zero lot lines: A residence build very close to—or directly on—the property line.